# Investing in Youth

## AUSTRALIA

OECD

# Investing in Youth: Australia

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# *Foreword*

As highlighted in the OECD Action Plan for Youth, successful engagement of youth in the labour market is crucial not only for their own personal economic prospects and well-being, but also for overall economic growth and social cohesion. Therefore, investing in youth is a policy priority in all countries, including Australia, and requires concerted action to develop education systems and labour market arrangements that work together well.

Following the launch of the OECD Action Plan for Youth in May 2013, the OECD is working closely with countries to implement the plan's comprehensive measures in their national and local contexts and to provide peer-learning opportunities for countries to share their experience of policy measures to improve youth employment outcomes.

This work builds on the extensive country reviews that the OECD has carried out previously on the youth labour market and vocational education and training (*Jobs for Youth*, *Learning for Jobs* and *Skills beyond School*), as well as on the OECD Skills Strategy.

The present report on Australia is the fifth of a new series on Investing in Youth which builds on the expertise of the OECD on youth employment, social support and skills. This series covers both OECD countries and countries in the process of accession to the OECD, as well as some emerging economies. The report presents new results from a comprehensive statistical analysis of the situation of disadvantaged youth in Australia exploiting various sources of survey-based and administrative data. It provides a detailed diagnosis of the youth labour market and education system in Australia from an international comparative perspective, and offers tailored recommendations to help improve school-to work-transitions. It also provides an opportunity for other countries to learn from the innovative measures that Australia has taken to strengthen the skills of youth and their employment outcomes.

The work on this report was mainly carried out within the Social Policy Division of the Directorate for Employment, Labour and Social Affairs (ELS). The report was prepared by Stéphane Carcillo, Raphaela Hyee,

Claire Keane, and Sebastian Königs, with assistance from Bérengère Patault (École Polytechnique), and under the supervision of Monika Queisser (Head of the Social Policy Division). The report benefited from many useful comments provided by Stefano Scarpetta (Director, Employment, Labour and Social Affairs) as well as by staff in the OECD Economics Department and the Directorate for Education and Skills.

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This review uses unit record data from the Research and Evaluation Database (RED) provided by the Australian Department of Employment as well as from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA Project was initiated and is funded by the Australian Government Department of Social Services (DSS), and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute). The findings and views reported in this report, however, are those of the authors and should not be attributed to either the Commonwealth or the Melbourne Institute.

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# Acronyms and abbreviations

| | |
|---|---|
| ABS | Australian Bureau of Statistics |
| ACARA | Australian Curriculum, Assessment and Reporting Authority |
| ACT | Australian Capital Territory |
| ACYS | Australian Clearinghouse for Youth Studies |
| ALMP | Active labour market policies |
| AMEP | Adult Migrant English Programme |
| APF | Australian Public Service |
| AQF | Australian Qualifications Framework |
| ARIA | Accessibility/Remoteness Index of Australia |
| ASbA | Australian School-based Apprenticeship |
| ASQA | Australian Skills Quality Authority |
| AUD | Australian dollars |
| AYCS | Australian Clearinghouse for Youth Studies |
| BBBS | Big Brothers Big Sisters |
| CA | Carer Allowance |
| CBT | Cognitive Behavioural Treatment |
| CCB | Child Care Benefit |
| CCR | Child Care Rebate |
| CDAP | Child Disability Assistance Payment |
| CDEP | Community Development and Employment Projects |

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|---|---|
| CDP | Community Development Programme (previously: Remote Jobs and Communities Programme) |
| COAG | Council of Australian Governments |
| CP | Carer Payment |
| CPS | Current Population Survey |
| CRA | Commonwealth Rent Assistance |
| DB | Disability Benefits |
| DDA | Disability Discrimination Act |
| DEEWR | Department of Education, Employment and Workplace Relations |
| DES | Disability Employment Services |
| DES-DMS | Disability Employment Services – Disability Management Service |
| DES-ESS | Disability Employment Services – Employment Support Service |
| DHS | Department of Human Services |
| DSP | Disability Support Payment |
| DSS | Department of Social Services |
| EF | Employment Fund (previously: Employment Pathway Fund) |
| EPF | Employment Pathway Fund (now: Employment Fund) |
| EPP | Employment Pathway Plan |
| ESA | Employment Service Area |
| ESAt | Employment Services Assessment |
| ESL | Early school leaver |
| EU-SILC | European Union Statistics on Income and Living Conditions |
| FB | Family Benefits |
| FLO | Flexible Learning Options |
| FTB | Family Tax Benefit |

| | |
|---|---|
| GTO | Group Training Organisations |
| HILDA | Household, Income and Labour Dynamics in Australia |
| HHS | Department for Health and Human Services |
| ICAN | Innovative Community Action Networks |
| IRSED | Index of relative socioeconomic disadvantage |
| ISB | Income Support Bonus |
| ISC | Industry Skills Council |
| ISCED | International Standard Classification of Education |
| JETCCFA | Jobs, Education and Training Child Care Fee Assistance |
| JSA | Job Services Australia |
| JSCI | Job Seeker Classification Instrument |
| LFS | Labour Force Survey |
| LGBTI | Lesbian, gay, bi-sexual, transgender or inter-sex |
| LLEN | Local learning and employment network |
| LSAY | Longitudinal Surveys of Australian Youth |
| MIPP | Managed Individual Pathway Plan |
| NAPLAN | National Assessment Program – Literacy and Numeracy |
| NEET | Youth not in employment, education or training |
| NEIS | New Enterprise Incentive Scheme |
| NGJC | National Green Jobs Corps |
| NP | National Partnership |
| NPAH | National Partnership Agreement on Homelessness |
| NPSI | National Plan for School Improvement |
| NSA | Newstart Allowance |

| | |
|---|---|
| NSCP | National School Chaplaincy Programme |
| PES | Public Employment Service |
| PIAAC | Programme for the International Assessment of Adult Competencies |
| PISA | Programme for International Student Assessment |
| PMC | Department of the Prime Minister and Cabinet |
| PP | Parenting Payment |
| PPS | Parenting Payment (single) |
| RCT | Randomised controlled trial |
| RED | Research and Evaluation Database |
| RJCP | Remote Jobs and Communities Programme |
| RTO | Registered Training Organisation |
| SA | Sickness Allowance |
| SB | Special Benefit |
| SEE | Skills for Education and Employment |
| SES | Socioeconomic status |
| SEW | Australian Survey of Education and Work |
| SIH | Survey of Income and Housing |
| SME | Small and medium size enterprise |
| SpB | Special Benefit |
| SSNP | Smarter Schools National Partnerships |
| STA | State Training Authority |
| TAFE | Technical and Further Education (colleges) |
| TtW | Transition to Work |
| UB | Unemployment Benefits |
| VCAL | Victorian Certificate of Applied Learning |
| VET | Vocational Education and Training |
| VTEC | Vocational Training and Employment Centre |

| | |
|---|---|
| VTG | Victorian Training Guarantee |
| WEPh | Work Experience Phase |
| WfD | Work for the Dole |
| YA | Youth Allowance |
| YA(o) | Youth Allowance (other) |
| YC | Youth Connections |
| YES | Youth Employment Strategy |
| YTA | Youth Training Allowance |

# Executive summary

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

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

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

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

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

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

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

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

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

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

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

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

## Key policy options

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

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

# Assessment and policy options

## How are Australian youth faring in the labour market?

The labour market situation of youth in Australian is quite favourable by international standards. Youth employment rates are substantially above the OECD average (66 to 51% in 2015). At the same time, rates of educational enrolment are high as many youth combine education and work, a characteristic typically associated with smoother school-to-work transitions. The youth unemployment rate in Australia is below the OECD average (10.2 vs. 11.6% in 2015).

The situation is not as positive, however, as before the Great Recession. The current youth unemployment rate is 3 percentage points higher than it was in 2008. The 2015 youth employment rate of is 4 percentage points below the rate attained in 2008.

A more meaningful measure of the labour market performance of young people is the share of all youth who are not in employment, education or training (the "NEET rate"). With a NEET rate of 11.8%, in 2015 Australia does substantially better than OECD countries on average (14.6%), but significantly worse than in 2008 (10.5%). NEET rates in Australia moreover vary substantially across states and territories, reaching nearly 23% in the Northern Territory compared to only 6% in the Australian Capital Territory.

## Who are the NEETs, and what are the risk factors?

580 000 young people in Australia aged 15 to 29 years were not in employment, education or training in 2015. Among these NEETs, only one third were actively looking for employment (the *unemployed NEETs*). The remaining two-thirds, i.e. about 400 000 young people, were *inactive*, i.e. not seeking work. Among inactive NEETs, about one-third expressed a desire to work but were not searching for a job various reasons; the remaining two-thirds were unwilling to work.

A number of factors are associated with an increased risk of being NEET:

- Low educational attainment is an important driver of NEET status, in Australia as in other OECD countries. Youth with at-most lower-secondary education (Year 10 Certificate or equivalent) account for more than one out of three NEETs, and their risk of being NEET is three times as high as for those with tertiary education (37% vs 11% in 2013). As a consequence, many NEETs lack foundations skills (numeracy and literacy) and non-cognitive skills, which are important prerequisites for labour market success. Recent research demonstrates, however, that non-cognitive skills, like cognitive skills, remain malleable for young people through special interventions.
- There is a substantial gender gap in NEET rates. The risk of being NEET is 51% higher for women than men and women account for 60% of all NEETs. This gender gap is driven by much higher *inactivity* rates for women, in particular young mothers with a child below the age of 4 years. NEET women consequently tend to spend a significant amount of their time on domestic duties and childcare, while NEET men spend more of their time idle, i.e. engaged in leisure activities and sleeping. Access to, and the affordability of, childcare and the flexibility of working arrangements are important factors for the labour market participation of NEET women.
- NEET rates are substantially higher among Indigenous youth, who represent 3% of the youth population but 10% of all NEETs. For Indigenous youth – unlike for other youth – living in a remote area dramatically raises the risk of NEET status. The overrepresentation of Indigenous youth in remote areas, where labour markets tend to be weaker, makes reaching out to inactive NEETs and promoting successful transitions into employment particularly challenging. In spite of high NEET rates in remote areas, the majority of NEETs live in urban centres.
- Migrants from non-English-speaking countries have higher NEET rates than Australian-born youth and account for 18% of all NEETs in Australia. Young migrants from English-speaking countries and second-generation migrants are by contrast no more likely to be NEET than native Australians.

NEETs tend to exhibit higher rates of psychological stress and lower levels of life satisfaction than non-NEET youth.

Periods of NEET status are relatively common among young people. Nearly 70% of all youth experience a NEET spell between the age of 16 and 24 years, though these spells tend to be short in most cases. Yet, one out of five young people spend more than 12 months as a NEET over the eight-year period between 16 and 24 years. If this pattern continues to hold, this would imply that 58 000 of today's 16-year-olds will go on to become long-term NEETs before they turn 25. The incidence of long NEET spells is higher for low-educated youth, young women (likely again for childcare reasons) and Indigenous youth.

## Benefit receipt and the incidence of poverty

Social benefits for working-age persons in Australia are not insurance-based like in most other OECD countries but financed through general taxation. The principal benefit programmes for NEETs are the *Youth Allowance (other)*, which is payable to unemployed youth up to the age of 22 years and the more generous *Newstart Allowance*, payable to unemployed persons aged 22 years and above. Both benefits are means-tested and can in principle be received for an unlimited duration as along as the claimant satisfies their *mutual obligations* activity requirements. Additional categorical social benefits exist including for NEETs with reduced work capacity and for young parents.

The Great Recession led to an increase in benefit receipt among youth, and receipt rates have not declined again since. The share of youth who receive unemployment-related benefits [*Youth Allowance (other)* or *Newstart Allowance*] increased by one-fifth (from 10.1% to 12.2% of youth between 2008 and 2013). Australia also saw a 14% increase in the receipt rate of disability-related payments (mainly *Disability Support Pension* and *Carers Payment*) from 2.4% to 2.8% of youth between 2008 and 2013. Australia was among the OECD countries with the highest rate of disability benefit receipt among youth in 2013. The gatekeeping of these benefits should be monitored.

In spite of rising receipt rates, young recipients spend relatively short time on benefits. For unemployment-related benefits, a majority of young jobseekers receive payments for less than six months. Benefit receipt durations moreover tend to be shorter for youth than for prime-age recipients. Receipt of disability-related benefits tends to last substantially longer, with 70% of spells among youth being longer than one year.

Benefits for youth are strongly targeted, with receipt rates being about twice as high for NEETs than for youth in general. *Inactive* NEETs are more systematically covered than *unemployed* NEETs. This reflects primarily high receipt rates of disability-related benefits and family allowances.

There remains a concern, however, about adequacy of benefit levels. The *net replacement rate* in the initial phase of unemployment, i.e. the ratio between benefit payments to previous earnings, is the lowest in Australia across OECD countries, both for persons below and above the age of 22 years. The net replacement rate is substantially below the OECD average also for the long-term unemployed.

This low benefit generosity is reflected in a relatively high incidence of poverty among NEETs. While the youth poverty rate in Australia is among the lowest across OECD countries (13% compared to 19% in the OECD in 2013), it is nearly three times as high for NEET youth (33%). This is one of the largest NEET / non-NEET gaps in poverty rates across OECD countries.

## Raising school completion rates and providing high-quality professional training

The Australian education system performs well overall: completion rates are high and rising, and the share of young adults with below upper-secondary education is now below the OECD average: 13% of all young Australians aged 25 to 34 years, compared to 17% on the OECD average. Disadvantaged students do not do as well, however: youth from low socioeconomic backgrounds, youth living in remote areas and Indigenous youth perform substantially worse in standardised tests. Students from these disadvantaged groups are also less likely to complete Year 12.

Schools have a lot of leeway to adapt their education and training programmes to the needs of low-achievers or disadvantaged students. In recent years, a number of national programmes moreover supported local initiatives to improve schooling outcomes for students from disadvantaged backgrounds. Given the schools' flexibility in allocating their funding, more consolidated information is needed on the special resources that schools dedicate to at-risk youth.

Student performance, including attendance and test scores, is tightly monitored and made publicly available through the *MySchool* website. More could be done, however, to identify and monitor youth at risk of dropping out, and to connect them with external services where necessary. Specifically, information on the attendance of individual students is not systematically shared with external services which could help youth who are disengaging. This is important as reported incidence of students being late for school or absent is comparatively high in Australia.

The VET system is an important educational and training pathway for youth in Australia. The VET system is very flexible and accessible for youth, and it provides a wide range of courses and qualifications. But

completion rates are relatively low (although increasing). Private providers have been allowed to enter the market incrementally, and in 2012, a "student entitlement" system was introduced allowing students to choose a private or public provider using a government voucher. This reform reached the goal of increasing the number of VET participants: enrolment in publicly funded VET increased by 15% between 2008 and 2011. But the reform also created concerns about the quality of VET courses offered by private providers, and possible mismatch between the courses chosen by students and those demanded by employers. The diverse system of degree levels and providers can be difficult to navigate, especially for disadvantaged students. These challenges have been recognised. For instance, information on individual training programme performances will soon be available online on the *MySkills* website; new apprenticeship centres will provide not only advice to employers but also counselling and follow up for youth to improve completion rates.

The Commonwealth-funded *Youth Connections* programme, introduced in 2009, granted substantial resources to states and territories for the support of youth at risk of dropping out to help them remain in school or re-engage in alternative education programmes. These services were delivered by a large network of social service providers, which typically offered individual case management, a first psychological assessment, and training in interpersonal skills, basic life skills, literacy and numeracy. There is evidence that the initiative helped improve educational attainment for youth at risk of dropping out of school. It also made it easier for youth to identify useful providers under a single banner, and facilitated co-ordination among providers. Following the phasing out of the programme in 2014, the necessary funding for some of these activities, notably case management and counselling, is unsecured.

### *Improve the identification and follow-up of drop-outs and those at risk of disengaging*

- *Use already available information on school attendance to identify drop-outs and those at risk of dropping out of school.* The national school authority ACARA collects information on school attendance and publishes school-level results, but this information is currently not used to combat school drop-out on an individual basis. Data on school attendance for youth aged 15-18 should be shared with the Department of Human Services (DHS)/the *Centrelink* benefit administration and local service administrations whenever needed. They should contact youth and their families to identify any obstacles to school attendance, and offer them counselling or alternative learning options.

- *Local service providers should be required to follow-up on youth.* Once youth agree to participate in programmes, local service providers should be required to inform Centrelink and local service administrations on the programme *participation* and progress of these youth on a regular basis.

### *Improve the governance of publicly funded VET to increase completion rates*

- *Improve the provision of information regarding the quality of training.* There are concerns about the quality of training courses offered in an expanding market of private providers. Information on completion rates and (adjusted) employment and earning outcomes should be published on the provider and course level.
- *Step up counselling within the student-voucher system.* Especially disadvantaged students need help to navigate the complex Australian VET system. Counsellors should use outcome-based information on courses and providers to steer youth towards high-quality courses that match labour market demand.

### *Secure the provision of social services for youth*

- *Systematically collect information on services provided at the school level.* Schools have a lot of leeway in the allocation of their resources, and national programmes may support local activities that cater to at-risk youth. These activities should be systematically recorded to identify gaps in local service provision.
- *Secure the provision of social services for at-risk youth and the continued evaluation of programmes.* Youth Connections funded valuable support for at-risk youth, notably counselling and case management, featuring common guidelines for service provision. It is important that youth continue to have access to appropriate support services, and that the impact of these services on educational outcomes be evaluated on a regular basis.

## Guaranteeing employment or training options for NEETs in Australia

Employment and social services for NEETs in Australia are provided through a market-based system, in which a large number of for-profit and not-for-profit organisations, chosen through regular tender procedures, deliver services in well-specified geographical areas. This provider-based support system is highly flexible in adjusting to local differences in labour market conditions and the young clients' needs. It can, however, also be

quite complex and at times difficult to navigate, both for clients and providers. Provider compensation is strongly performance-based consisting of relatively moderate per-client administrative fees and more significant outcome payments for moving jobseekers into employment or training. Payment structures provide strong incentives to service more disadvantaged jobseekers (as classified by the benefit administration DHS/Centrelink), and to promote transitions into sustainable employment.

Social services for NEETs were until late 2014 primarily provided through the Youth Connections programme, which also played a central role in outreach to disengaged youth. The DHS/Centrelink benefit administration engages only little in active outreach, and its accessibility to young people could be strengthened. A new Youth Employment Strategy (YES) introduced by the Australian Government in 2016 improves outreach and provides intensive support services for early school leavers. While responsibility for (re-)engaging school-age youth in education is the responsibility of state and territory governments, the YES seems suited to fill some of the gap left through the expiry of Youth Connections. The YES focuses, however, primarily – though not exclusively – on promoting employment rather than education outcomes.

Access to benefits has been restricted and activity requirements further tightened for young jobseekers, who now have to participate in an *approved activity* – typically Work for the Dole (WfD) work experience measures – for six months out of every year. One objective of WfD is for young jobseekers to "give back" to their communities. Also, participation may also reduce income support receipt – partly as young people try to avoid programme participation – and possibly improve non-cognitive skills. There is little robust evidence, however, on its effectiveness for bringing young jobseekers into employment, in particular when compared to alternative measures such as training programmes, though a recent pilot study suggests higher job-finding rates for jobseekers in areas that give greater priority to WfD.

Australia attributes too low a priority to a systematic and rigorous evaluation of the impact of government-funded employment and social programmes.

### *Strengthen outreach to disengaged youth and those at risk of disengaging*

- *Improve accessibility of Centrelink for young people*: Applying for benefits can be a lengthy procedure involving often substantial waiting times. This is likely to discourage vulnerable youth from claiming benefits. While the DHS encourages young people to file

their benefit claims online, specialised youth service desks at DHS/Centrelink offices could improve young people's access to employment services and hence reduce inactivity.

- *Allow for a co-operation between employment services and schools*: DHS/Centrelink and jobactive providers currently do not collaborate with schools and teachers to support students in their final year of high school. Through a greater presence in schools, Centrelink staff or jobactive providers could co-operate with school career guidance counsellors, and provide timely support to students who have troubles making a transition into further education or work.

### *Secure the provision of social services to youth with multiple barriers*

- *Follow up on the recent tightening of eligibility requirements for young people*: Australia's *learn-or-earn* strategy for young jobseekers and the tightened eligibility requirements for income support can encourage active job search. These policies however can also raise hurdles to claiming benefits and receiving employment support for jobseekers who have difficulties coping with these stricter requirements. A strong social support for vulnerable jobseekers is needed to keep them connected with the benefit administration and to reduce the risk of increased inactivity and possibly youth poverty.

- *Ensure sufficient social support for jobseekers with identified barriers*: Employment service providers face strong incentives to serve disadvantaged jobseekers, yet they often lack the capacity to provide case management and intensive support to youth with multiple barriers. To help these young people move into work or training, employment services will need to secure access to social and mental health support for the most vulnerable youth also after the expiry of Youth Connections.

### *Maintain the focus on training for young jobseekers to improve employment outcomes*

- *Promote training participation among young jobseekers*: Young jobseekers' participation in training programmes increased over the last years, but this trend came to a halt with the recent expansion of Work for the Dole. Given strong evidence on positive employment effects of training including for disadvantaged jobseekers, Australia should continue promoting training programme participation as an effective way of moving young jobseekers into stable employment.

- *Guarantee a sufficient offer of foundations training programmes:* Poor numeracy and literacy skills are an important obstacle to employment or training participation among NEET youth. Only few registered young jobseekers however participate in training programmes at lower-secondary level. To give low-skilled young jobseekers a perspective of moving back into education or employment, Australia should expand the availability of high-quality courses in foundations training, including in the form of more comprehensive second-chance programmes that combine training with social support, health care and possibly accommodation.

### *Establish an impact evaluation system for programmes for at-risk youth*

- *Systematically require the rigorous evaluation of Commonwealth-funded programmes*: The choice and compensation of employment providers in Australia is strongly performance-based. By contrast, only very few employment or social programmes for at-risk youth are rigorously evaluated for their impact. The Commonwealth Government should systematically tie the provision of funding to a strict evaluation requirements, earmark a part of the funding for evaluation, and specify methodological minimum standards. Major Commonwealth-funded programmes – notably *Work for the Dole* and *headspace* – should be evaluated using (quasi-)experimental techniques.
- *Facilitate researcher access to administrative data*: Australia has a large network of excellent research institutions and scholars, which could be involved more strongly in the process of systematically evaluating programmes for at-risk youth. Such greater involvement of the academic community could be promoted through a wider sharing of anonymised administrative data for research purposes and the consultation of researchers during programme design processes.

# *Chapter 1*

# Labour market and educational outcomes of youth in Australia

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

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

## Introduction

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

## 1. The importance of demographics

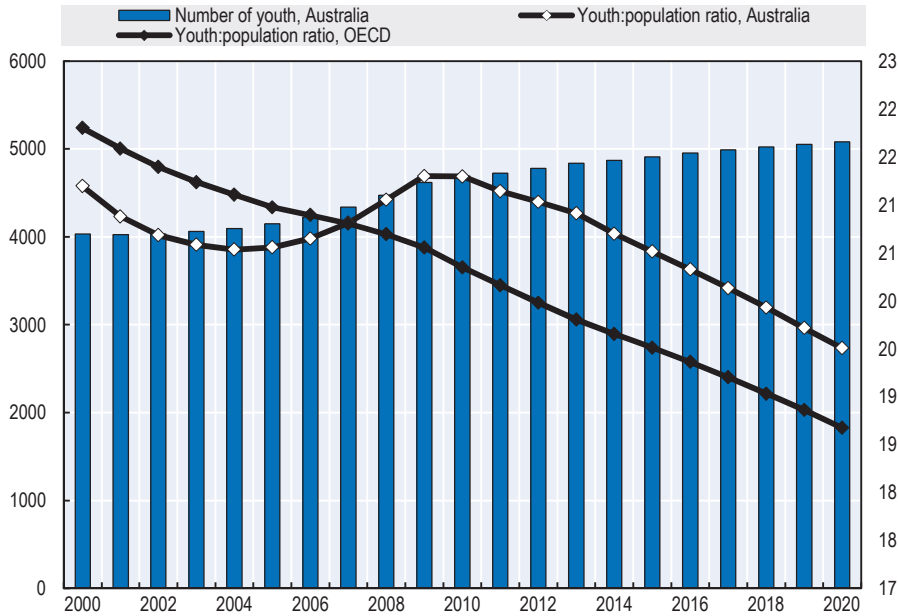
Unlike most OECD countries Australia has experienced a rise in the total number of 15-29 year-olds in recent years as a result of persistently positive net migration. However, because of strong population growth more generally, the size of the youth population is shrinking when expressed as a share of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

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

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

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

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



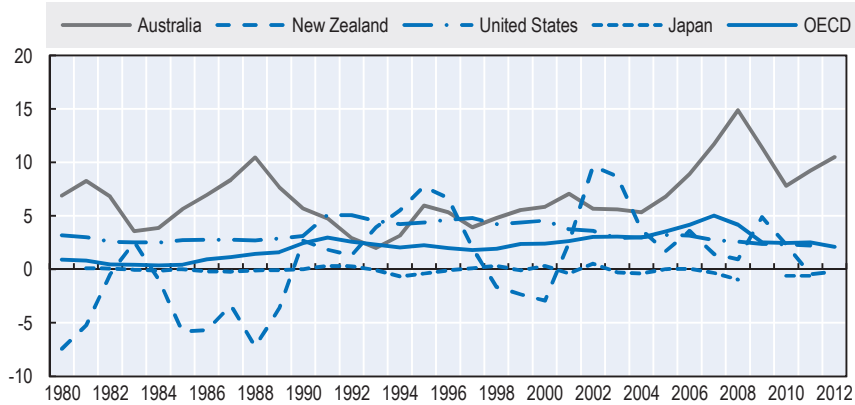

*Note*: Projections from 2013 onwards.

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

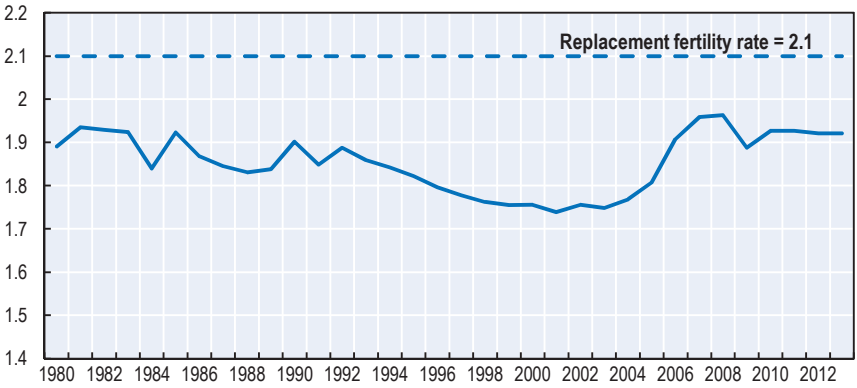
A declining youth:population ratio has implications for public policy as the number of working age persons relative to retirement age persons is set to decline. This puts pressure on the funding of public services and pensions. A high migration rate, particularly when immigrants are young, will help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

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

Panel A. Net migration rate per 1 000 of the population




Panel B. Fertility rates per female in Australia




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

*Source:* OECD.Stat, http://stats.oecd.org/.

## 2. The labour market situation of youth

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

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

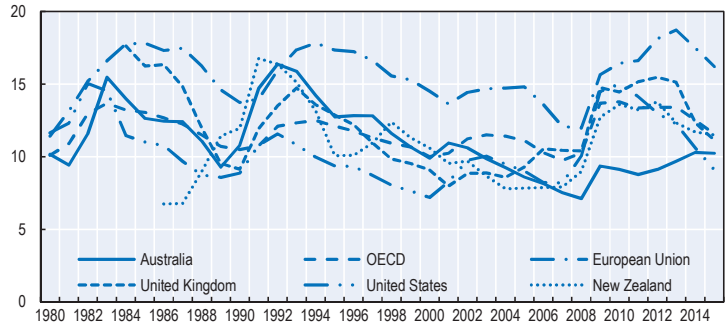
Youth unemployment rates have, however, been consistently higher than those for adults aged 30-64 years, as is the case across much of the OECD (Panel B of Figure 1.3). In 1980 the youth unemployment rate in Australia was 3 times higher than the adult (30-64) unemployment rate. By 2015 this ratio had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

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

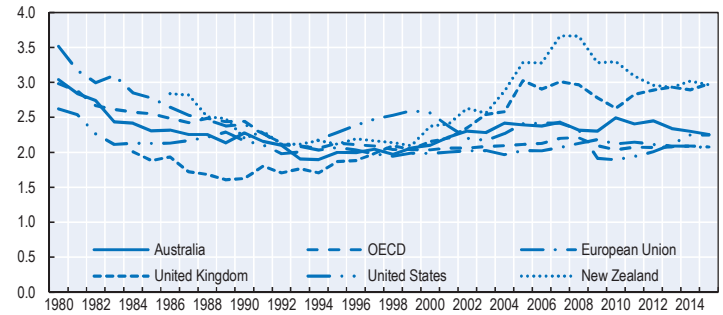
The employment rate of 15-29 year-olds in Australia has consistently been above the OECD average over the last 30 years and increasingly so since the mid-1990s (Figure 1.4). In 2015 51% of 15-29 year-olds were in employment across the OECD compared to 66% in Australia. This high youth employment rate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

**Figure 1.3. The unemployment rate has been rising for youth**

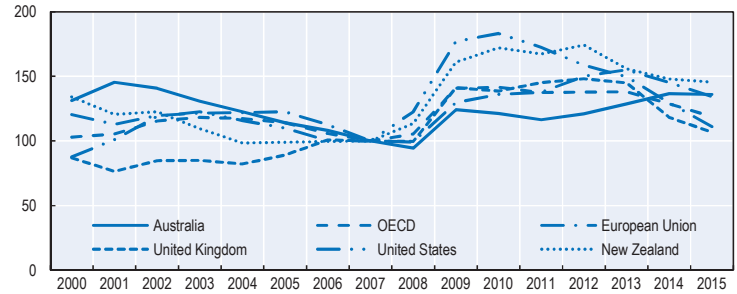
Panel A. Youth unemployment rates in percent[1]




Panel B. Ratio of youth: adult unemployment rates[2]




Panel C. Youth unemployment rate, indexed to 2007 levels[3]

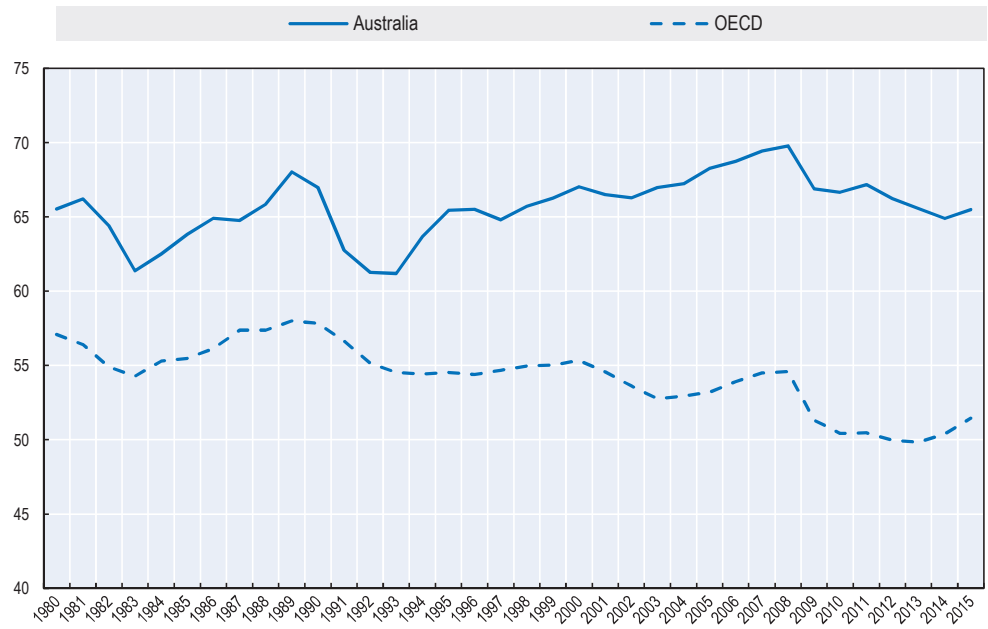



1. The youth unemployment rate shows the number of unemployed 15-29 year-olds as a percentage of the youth labour force (the total number of young people employed plus unemployed).
2. The ratio of youth:adult unemployment rates shows the ratio of unemployment rates for youth (15-29 year-olds) and adults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

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

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

As a share of the youth population in percent




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

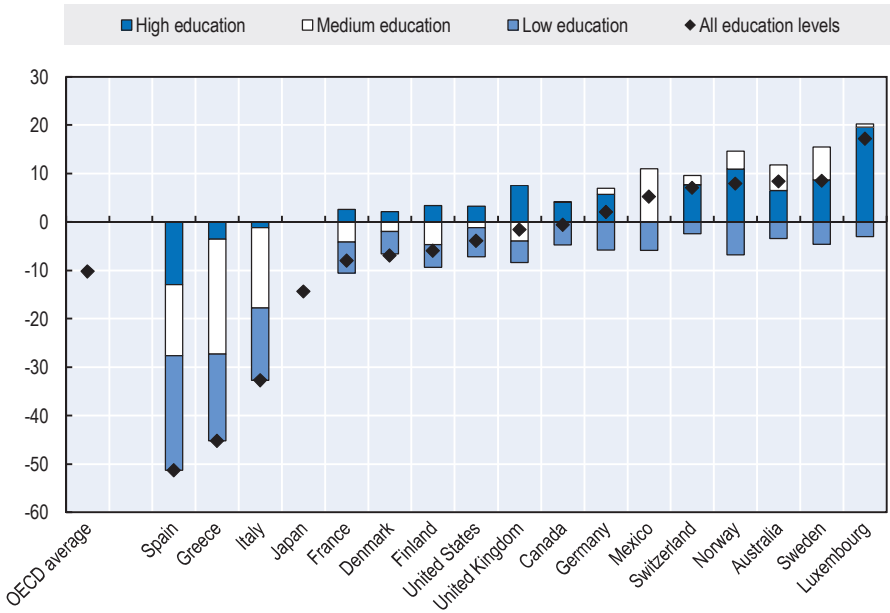
*Source:* OECD.Stat, http://stats.oecd.org/.

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

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

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

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




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

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

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

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

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

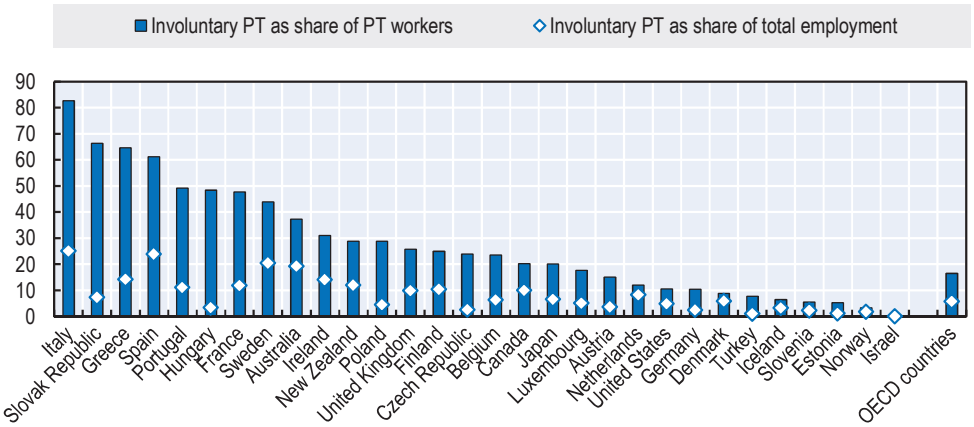
The OECD average is non-weighted.

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

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

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

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




*Note*: Youth aged 15-24 years.

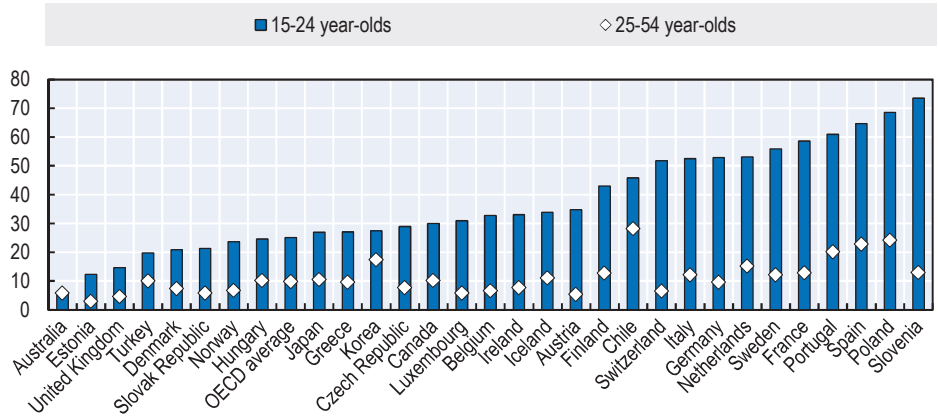
Data is for 2014.

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

*Source:* OECD.Stat, http://stats.oecd.org/.

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

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




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

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

*Source:* OECD Employment and Labour Market Statistics.

## 3. Educational outcomes among youth

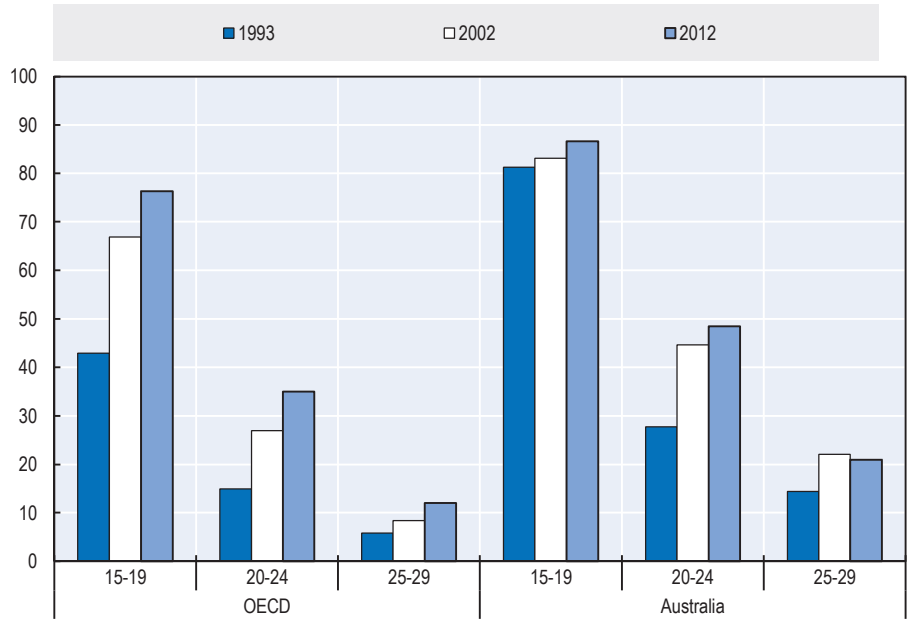
The Australian education system performs well overall: education enrolment rates are high and rising, and the share of young adults with below upper-secondary education has fallen substantially in recent years so that it is now below the OECD average.

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

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

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

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

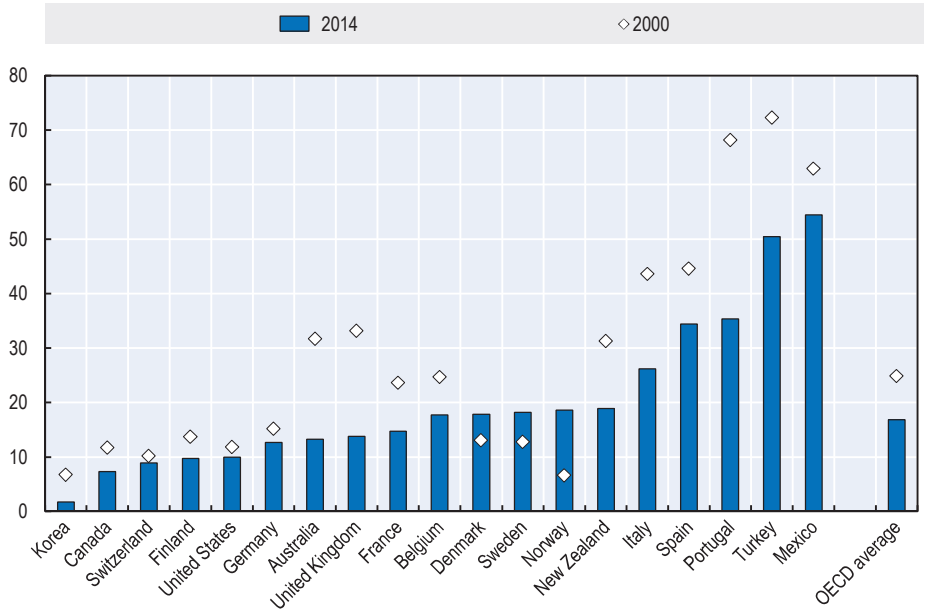



*Source*: OECD.Stat, http://stats.oecd.org/.

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

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

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

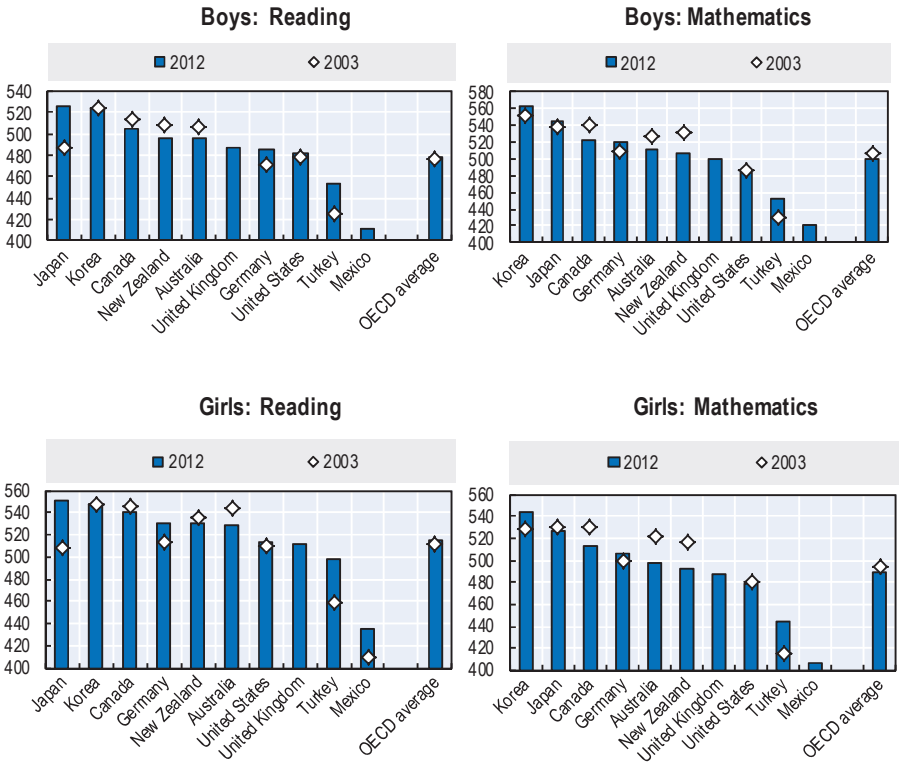



*Note*: Countries are ranked by the proportion without a high school degree in 2014, from smallest to largest.
In most countries there is a break in the series and data for 2014 uses the ISCED 2011 classification while data for 2000 uses ISCED-97. For Korea data refer to ISCED-97 for both years.

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

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

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



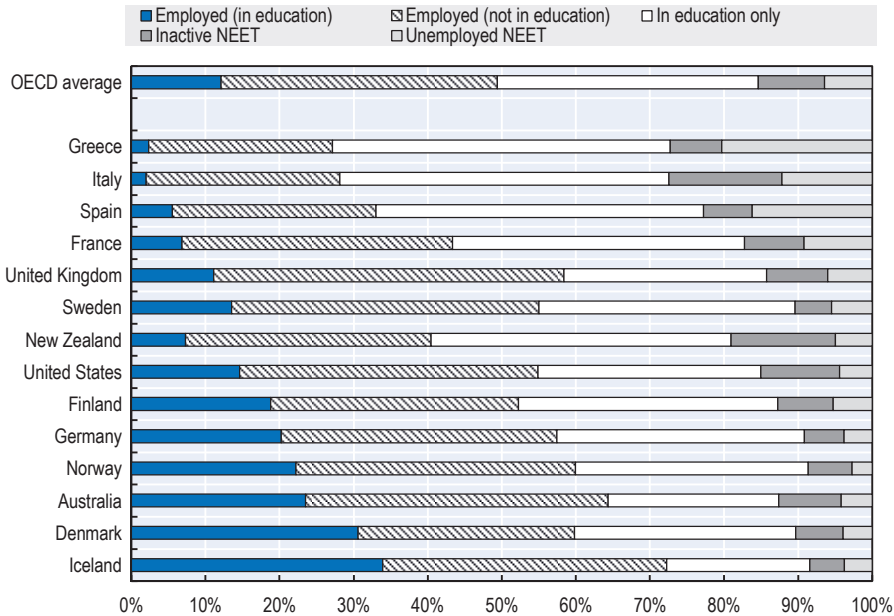

*Note*: Countries are ranked in order of reading/mathematics PISA scores. The OECD average is unweighted.

*Source*: OECD.Stat, http://stats.oecd.org/.

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

**Figure 1.11. Many youth in Australia combine education and employment**

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




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

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

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

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

## 4. The NEET challenge

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

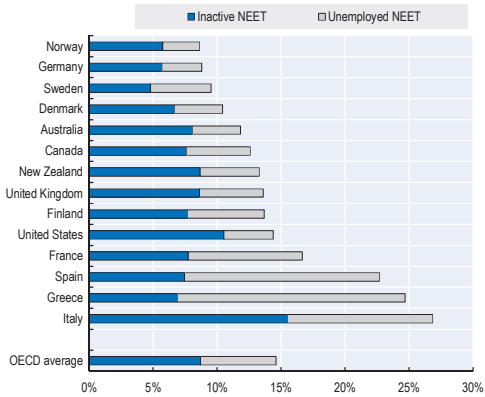
and helping them to reengage must be an essential component of the policy towards NEETs.

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

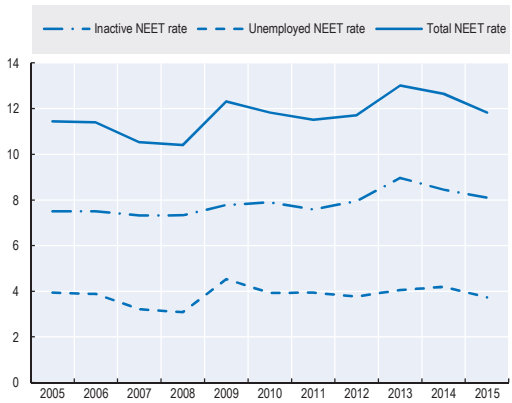
The NEET rate in Australia experienced a rise of 1.8 percentage points between 2007 and 2009 before falling slightly up to 2011. The rate then rose to a peak of 13% in 2013 before falling slightly in 2014 and 2015. The NEET rate, therefore, remains above the level observed prior to the economic crisis.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

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

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




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




*Note*: Countries in Panel A are sorted by the total NEET rate in ascending order.
The NEET rate measures the proportion of 15-29 year-olds who are not in employment or engaged in formal education or training.
The OECD average is unweighted.

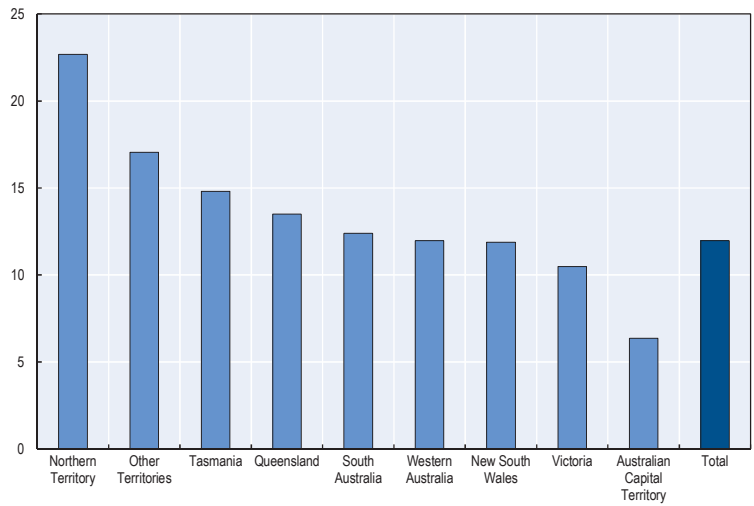
*Source*: *OECD Employment Database*, www.oecd.org/employment/database.

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

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

**Figure 1.13. NEET rates differ substantially across states and territories**

NEET rates by state or territory in percent, 2011




*Note*: The NEET rate measures the proportion of 15-29 year-olds who are not in employment or engaged in formal education or training.
"Other Territories" consist of Norfolk, Christmas and the Keeling Islands.

*Source*: 2011 Australian Census.

## 5. Round-up

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

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

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

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

# Notes

1. Unless noted otherwise, youth are defined throughout this document as individuals aged 15 to 29 years. The NEET rate is the share of youth not in employment, education or formal training.

2. This measure shows the proportion of young part-time workers who wish to work full-time, not the proportion of youth who work part-time. The proportion of youth in employment working part-time in Australia was 34% in 2014, above the OECD average of 21%. This high rate of part-time employment is in part explained by the significant share of youth who combine work and study, as shown in Figure 1.11.

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# *Chapter 2*

# Characteristics of youth not in employment, education or training (NEETs) in Australia

*This chapter studies the profile of young people who are not in employment, education or training (NEETs) in Australia. It describes risk factors of NEET status looking at young people's individual characteristics, the characteristics of their parents and the households they live in. It then presents an analysis of the dynamics of NEET status, describing the incidence and duration of NEET spells among young people. The chapter concludes by contrasting views and values of NEETs with those of other young people.*

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

## Introduction

To effectively design well-targeted policies that help young people find their way back into education or unemployment, it is essential to know who the NEETs[1] are and the barriers they are facing. NEETs are often a diverse group, and assisting them will require a variety of responses. Some may face hurdles such as illness or disability that may need an intensive approach, while others may be closer to the labour market and require minimal assistance.

This chapter profiles the NEET population.[2] Section 1 examines the characteristics of the current NEET population to identify contributing factors. As well as providing a snapshot of the characteristics of the current NEET population a dynamic analysis is carried out by following NEETs over time (Section 2). This dynamic analysis verifies if being a NEET youth is a temporary phenomenon or a longer term state, and what groups of NEET may be at risk of remaining so for long periods of time. Section 3 examines how NEETs spend their time while Section 4 looks at NEETs attitude towards their personal situation as well as towards politics and the economy. A commonly used statistic in Australia is the proportion of youth "not fully engaged", which captures youth not working or in education as well as those working or studying part-time. This issue is discussed in Annex 2.A1.

## 1. Who are those not in employment, education or training (NEET)?

### *Individual characteristics*

#### *NEET status and educational attainment/skills*

NEET rates are lower for those with higher educational attainment (Panel C of Figure 2.1). The NEET rate for those with high educational attainment (tertiary level) was just over 11% in 2014. For those with medium educational attainment (upper and non-tertiary post-secondary) the NEET rate was 17% while for those with low educational attainment (lower secondary or below) it stood at 37%.[3] This difference in NEET rates by educational attainment is apparent across all OECD countries (Panel C of Figure 2.1), In Australia NEET rates are 3.5 times higher for those with low education compared to those with a high level of education, in line with the OECD average of 3.1.

NEET rates are particularly high for those whose highest educational attainment is the basic vocational skills qualification, Certificate I/II (Panel A of Figure 2.1). This group has a NEET rate of 41%, substantially

higher than any other educational attainment. NEET rates are also high for those who have not completed upper secondary education with a NEET rate of 19% for those who have a maximum of Year 9 and 16% for those who completed a maximum of Year 10/11.

The educational profile of NEETs has changed in recent years (Panel B of Figure 2.1). In 2005 just over half of NEETs fell into the low educational attainment group, 35% were in the medium educational attainment group while the remaining 14% of NEETs had a high educational attainment. Between 2005 and 2013 the proportion of NEETs classified as having low educational attainment fell from 51% to 36% while those with medium educational attainment rose from 35% to 45% of NEETs. This pattern seems to be driven by the general trend in rising educational attainment amongst youth seen in Chapter 1 as the absolute numbers of youth with low educational attainment falls. A rise in the proportion of the unemployed with tertiary education seen since 2010 (Brotherhood of St. Lawrence, 2015) is also a contributing factor. Despite these changes more than one-third of NEETs in Australia have at most upper-secondary education. These NEETs will require intensive training as it is likely they lack foundations skills.

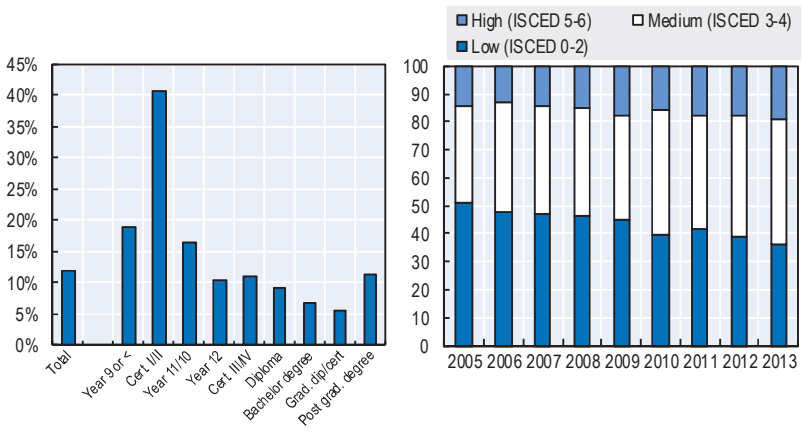
Low educational attainment is reflected in poor literacy and numeracy skills amongst NEETs. Low literacy skills, as measured by the OECD's Survey of Adult Skills (PIAAC) indicate that the individual can only undertake tasks of limited complexity and are less able to integrate information from multiple sources while low numeracy skills indicate that an individual is less capable of performing complex mathematical tasks and uses fewer problem solving strategies. Australia has a similar proportion scoring poorly (at or below level one) for literacy skills compared to the OECD average (21%) but has a slightly higher percentage scoring poorly on numeracy skills (33% for Australia compared to an OECD average of 29%) and falls below the best performers (Figure 2.2).

NEETs with low literacy and numeracy skills face substantial hurdles to re-engagement in education or employment. Many of them are likely not in a position to immediately start vocational training or work but rather first need to complete foundation level training. Low foundations skills may moreover coincide with social or health problems – such as family problems, mental health issues, substance abuse issues – that caused poor school performance or drop-out in the first place. In such cases, the young person will require intensive assistance through social or health services while, and possibly before, participating in foundation level training. Chapters 4 and 5 of this review discuss how schools, social and employment services can work with young people and their families to prevent early school leaving and provide young NEETs with comprehensive support.

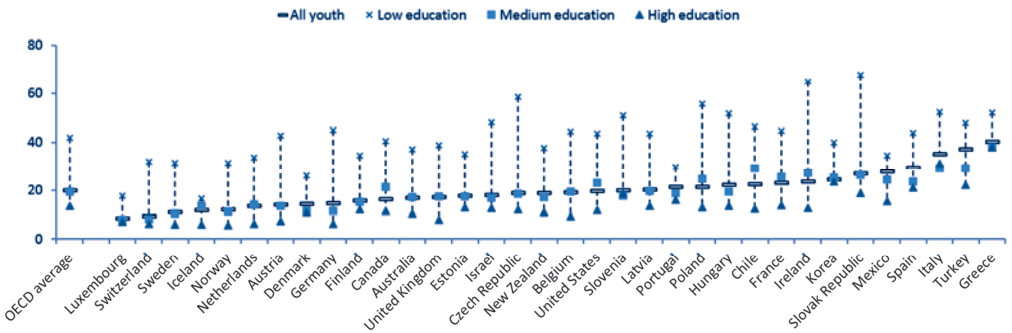
## Figure 2.1. NEET rates are higher amongst the lower educated but the gap in NEET rates by education is one of the lowest in the OECD

Panel A. NEET rates in percent by educational attainment, 2011

Panel B. Breakdown of NEETs by educational attainment, 2005-13




Panel C. NEET rates for 25-29 year-olds by educational attainment in the OECD countries, 2014




*Note*: Educational attainment is classified using the International Standard Classification of Education (ISCED): "Low": ISCED 0-2 – None, pre-primary, primary, lower secondary. "Medium": ISCED 3-4 – Upper secondary, post-secondary (non-tertiary). "High": ISCED 5-6 – Tertiary, advanced research (PhD).

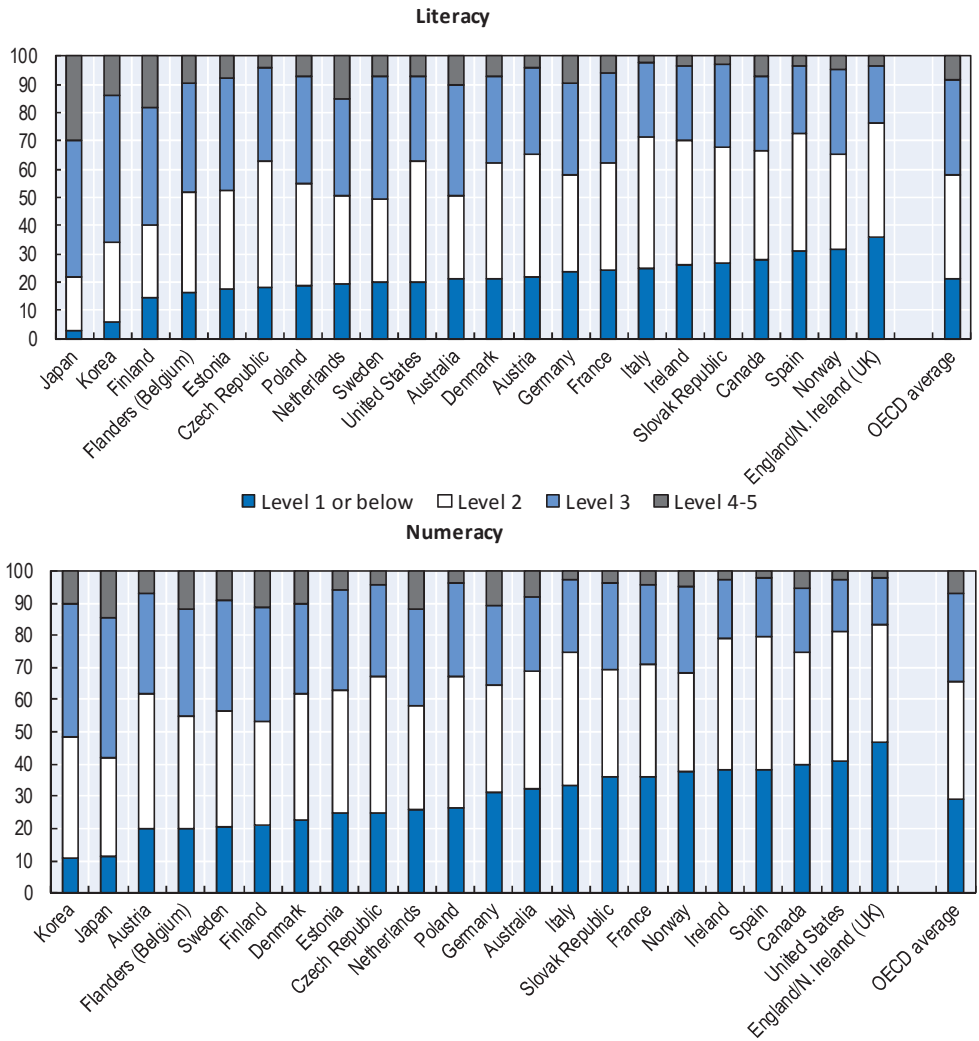
*Panel A*: NEET rates are ranked in order of educational attainment level.

*Panel C*: Data are for 2014 except for Australia, Germany, Israel, Korea, Mexico and New Zealand (2013). Countries are ordered in ascending order by the NEET rate for 25-29 year-olds. The OECD average is non-weighted.

*Source: Panel* A: 2011 Australian Census; Panel B: SEW, 2013*; Panel C*: OECD calculations based on the EU-LFS, national labour force surveys and the *OECD Education Database* for Australia, Germany, Israel, Korea, Mexico and New Zealand.

**Figure 2.2. Despite rising educational attainment Australia still has a significant proportion of NEETs with low literacy and numeracy skills**

Breakdown of NEETs by literacy and numeracy skills in percent, 2012




*Note*: Results are for 16-29 year-olds. Numeracy and literacy scores measures respondents' proficiency in a test originally measured on a scale from 0 to 500 points. Skill levels summarise the respondents' ability, with "below Level 1" indicating very poor skills and up to "Level 5", indicating high skills. Countries are ranked by the proportion scoring at level 1 or below.

*Source:* OECD (2015a) based on data from the Programme for the International Assessment of Adult Competencies (PIAAC).

Non-cognitive skills have been shown to be as predictive as cognitive ability measures (captured, for example by IQ tests or literacy/numeracy tests) for a range of outcomes such as educational attainment, labour market performance and health outcomes (see Box 2.1 and Carcillo et al., 2015). These non-cognitive skills include factors such as motivation, "grit" and general social skills. There is evidence that non-cognitive skills can be influenced by education and are, in fact, as malleable as cognition. Non-cognitive skills relate back to personality traits and common classification used is known as the *Big Five*. This consists of:

- *Extraversion*: The degree of sociability or withdrawal a person tends to exhibit;
- *Emotional stability*: Often referred to as the opposite of neuroticism and commonly associated with traits such as being anxious, depressed, angry, vulnerable, impulsive, emotional, worried and insecure;
- *Openness to experience*: The breadth of experience to which a person is amenable; this trait can be interpreted as intellect or culture;
- *Agreeableness*: Often termed likeability or friendliness, including dimensions such as being courteous, flexible, trusting, altruistic, good-natured, co-operative, tolerant, etc.;
- *Conscientiousness:* Also termed conformity, dependability and having the will to achieve.

NEET youth in Australia have lower levels of all Big Five personality traits than non-NEET youth (Figure 2.1). This NEET / non-NEET gap in personality traits is relatively large (representing between 15% of a standard deviation for Openness and 26% for Conscientious). It is statistically significant in all five cases.

These less favourable personality traits are one likely driver – and not just a correlate – of NEET status. Research has found that personality traits like conscientiousness affect earnings beyond their influence on education, particularly for individuals in lower skilled jobs (see Box 2.1). Yet, the direction of causality between non-cognitive skills and NEET status is difficult to know. Non-cognitive skills can be influenced by a person's environment, so it could also be that NEETs' less favourable personality traits are partly a consequence of their unemployment or inactivity. Either way, policies to improve young people's educational or labour market outcomes are more likely to be effective is they include components targeted at improving participants' non-cognitive skills (see the discussion in Chapter 4 of the "Becoming a Man" programme which seeks to teach social and emotional skills using Cognitive Behavioural Therapy).

### Box 2.1. Non-cognitive skills, education and labour market outcomes

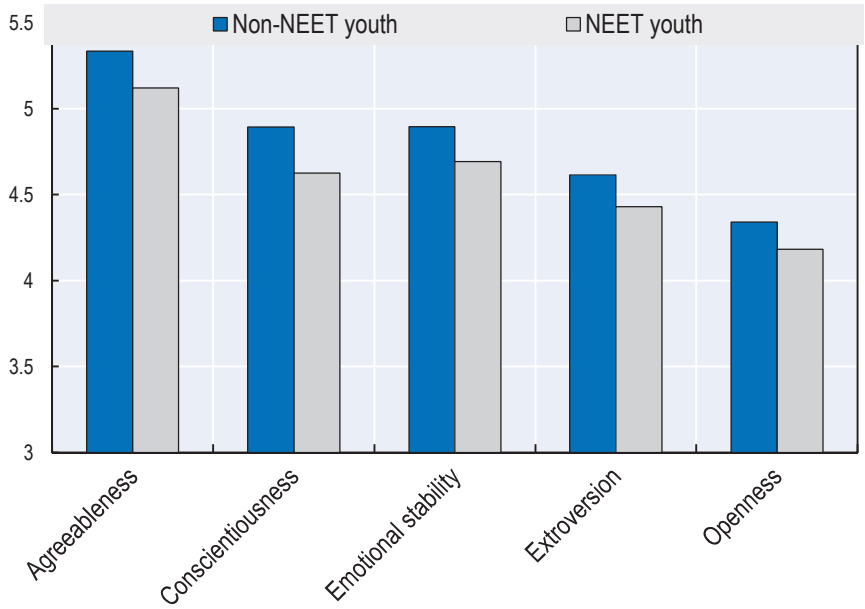
While the link between cognitive abilities (such as attention, memory, problem-solving, etc., as measured by IQ and other ability tests) and years of schooling on income and health has been recognised for many years, that of non-cognitive skills, is less known

A growing body of research in this area finds that non-cognitive skills are associated with educational attainment and notably the probability of early school leaving. Of the *Big Five* traits, *Openness to experience* and *Conscientiousness* best predict overall educational achievement, see Goldberg et al. (1998) for the United States, Báron and Cobb-Clark, (2010) for Australia and Van Eijck and De Graaf, (2004), Almlund et al. (2011) and Brunello and Schlotter (2011) for European countries. Heckman et al. (2006) found that personality traits like conscientiousness affect earnings beyond their influence on education, particularly for individuals in lower skilled jobs. *Conscientiousness* is associated with better grades as much as measures of intelligence are (Poropat, 2009). Emotional stability is also often a good predictor of school attainment in these studies. Carneiro et al. (2007) found a significant impact of social skills at the age of 11 on employment status and labour market earnings at the age of 42.

These non-cognitive skills can be seen as "internal assets" that will eventually improve academic, family, social and employment outcomes (see Almlund et al., 2011; and Cunha and Heckman, 2007.) Job performance and academic performance share a number of determinants. For example, both require completing work on a schedule and involve intelligence to varying degrees. It is not surprising, therefore, that non-cognitive skills are also associated with labour market performance. The importance of intelligence increases with job complexity while conscientiousness may be demanded in a wider spectrum of jobs from skilled to semiskilled to unskilled labourers. The main conclusion from this literature is that non-cognitive skills are just as predictive as cognitive ability measures for education, labour market and other social outcomes, even after controlling for family background and cognition.

Studies show that at least half of non-cognitive abilities stem from the environment of children, both at home and at school, with the rest being attributed to hereditary factors. Non-cognitive skills can therefore be changed by experience and specialised interventions while cognitive abilities are set rather early in life and are more difficult to influence. Many successful interventions targeted at disadvantaged students aim at improving non-cognitive skills, often together with measures to enhance cognitive skills. This provides new perspectives on the direction of social, employment and education policy interventions (Carcillo et al., 2015). Innovative school programmes, after-school support, mentoring, apprenticeship schemes, work experience and second-chance programmes can therefore influence non-cognitive skills.

**Figure 2.3. Non-NEET youth score higher for non-cognitive abilities than NEETs**




*Note*: The score for each category ranges from 1 to 7 with a higher score in the relevant category indicating that the individual is more, agreeable, conscientious emotionally stable, extroverted or open to experience. Results are based on a set of 36 questions on possible personality traits such as warm, selfish, moody etc. with respondents being asked to place themselves on a scale ranging from 1 ("Does not describe me at all") to 7 ("Describes me very well"). For further details, see Losoncz (2007). A t-test on the differences shows all of them to be statistically significant.

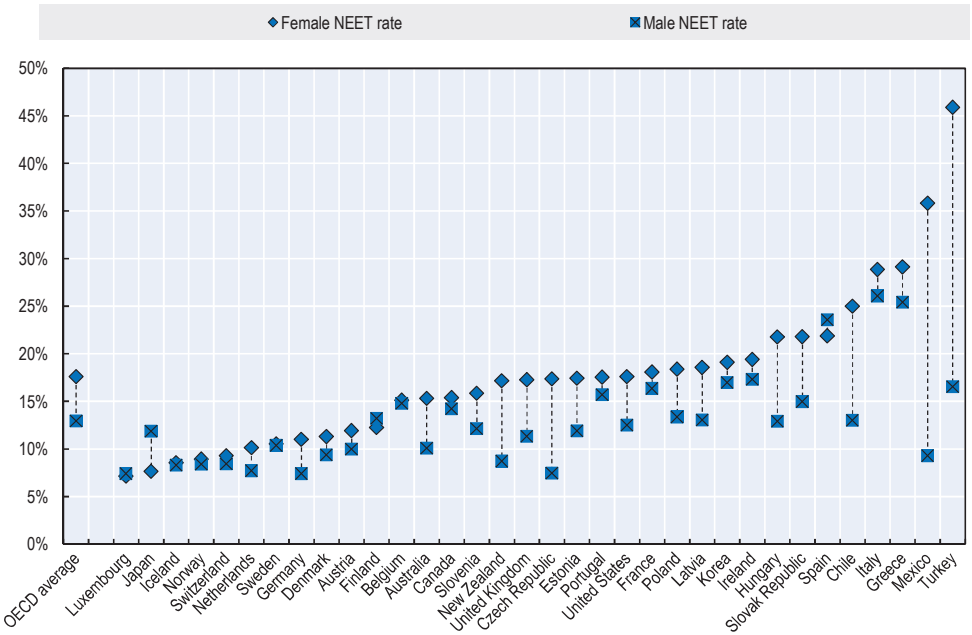
*Source:* HILDA 2013.

### *NEET status and gender*

The NEET rate exhibits a clear gender pattern, and has done over time, with women having persistently higher NEET rates than men (Figure 2.4). While the gender gap in NEET rates is a standard finding across OECD countries, the difference is above the OECD average for Australia. NEET rates are 36% higher for women than men across the OECD – in Australia, the gap in NEET rates is 51% (Figure 2.4). This gender differential in NEET rates tends to strongest for those with young children, particularly in countries where the availability of part-time work opportunities and affordable childcare are limited.

**Figure 2.4. NEET rates are higher for women**

NEET rates by gender in percent, 2014




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

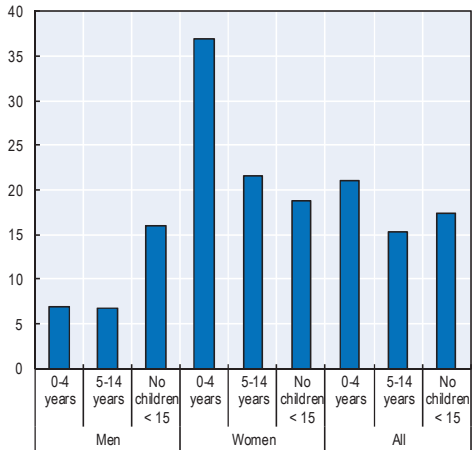
*Source*: OECD calculations using national Labour Force Surveys and the *OECD Education Database*, for Australia, Germany, Korea and New Zealand. Data is for 2014 except for Chile and Turkey (2013).

In Australia having a young child is the main driver of gender differences in NEET rates. The NEET rate for males with a child under 4 is similar to men with no children, at just above 10%. For women with a child under 5 the NEET rate stands at 47% (Panel A of Figure 2.5). This figure is for all women, whether in a couple or single. For female lone parents with a young child the NEET rate rises to 62%. For parents with children over 4 there is no difference in NEET rates (male or female) compared to those who have no children (NEET rates are around 10% in both these cases). Overall just 15% of female youth have a child under 5 but this group accounts for just under half of female NEETs (Panel B of Figure 2.5).

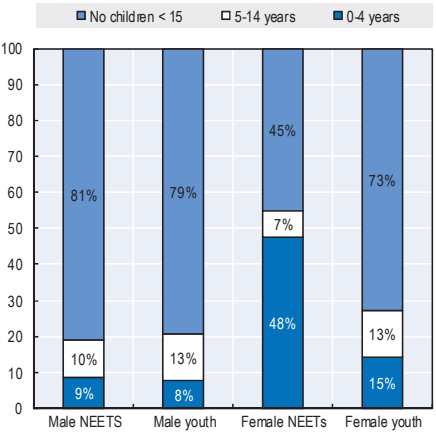
Australia's relatively high childcare costs are one important factor contributing to the very high NEET rates among young mothers with young children and will be discussed in Chapter 5.

**Figure 2.5. The gender gap in NEET rates is driven entirely by women with young children**

Panel A. NEET rates by age of youngest child in percent, 2011




Panel B. Proportion of NEETs and all youth by subgroup

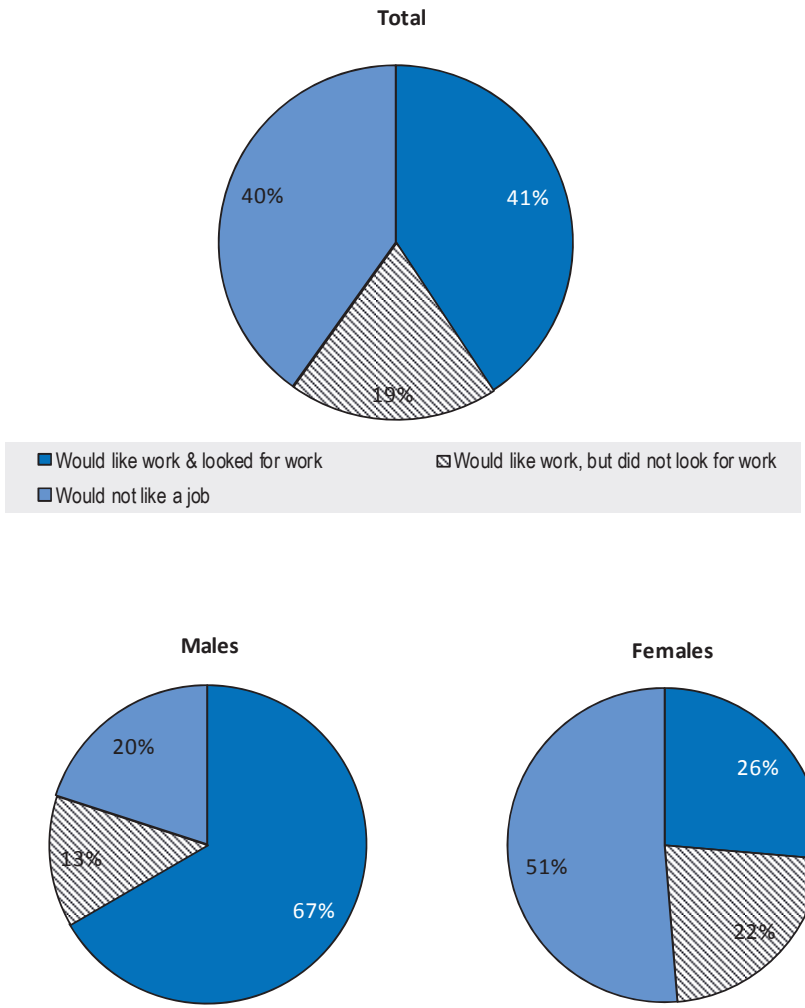



*Source*: 2011 Australian Census.

Inactivity rates are significantly higher for women than men, in large part due to childcare responsibilities. Over three-quarters of female NEETs are inactive, while only one-third of males NEETs fall into this category (Figure 2.6). The inactive group can be further broken down into those who are not seeking work but would like to be in employment and those who would not like to be in employment in order to understand better the reasons for inactivity. Those who would like to work but did not look accounts for 13% of male NEETs and 22% of female NEETs while those who would not like to work make up 20% of male and 51% of female NEETs.

Amongst *unemployed NEETs*, both men (43%) and women (35%) state that a lack of jobs/too many applicants is the main reason for them not finding employment. Around one-quarter state that they lack the necessary training or qualifications for employment (Figure 2.7).

**Figure 2.6. NEET breakdown by gender**

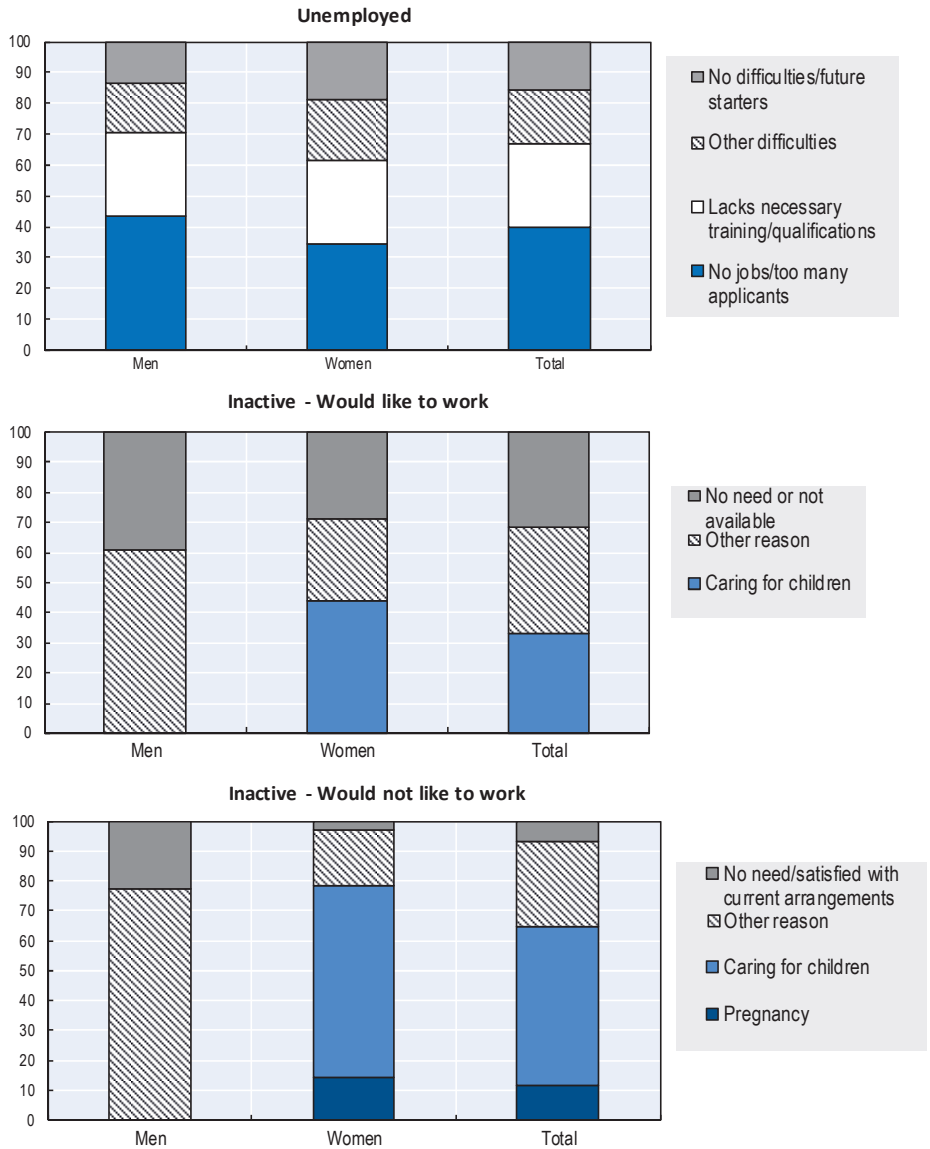



*Note*: Share of NEETs aged 18-29 years.

*Source*: Barriers and Incentives to Labour Force Participation (2012-13).

**Figure 2.7. Lack of jobs or qualifications is cited as a reason for being unemployed while childcare is important for inactive women**

Reported reasons for NEET status by sex and group of NEETs in percent, 2012-13




*Note*: Results are for youth aged 18-29 years.

*Source:* Barriers and Incentives to Labour Force Participation (2012-13).

Amongst *inactive NEETs* who do not look for work but would like to be in employment 44% of females state that their inactivity is due to caring for children, while no males place themselves in this category. A minority of inactive NEETs who would like to work (39% of males and 29% of females) state that they are not available to work but do not specify why.[4]

Amongst female *inactive NEETs* who would *not* like to work caring for children is again is the main reason for women not working with 64% stating this. Again, no males place themselves in this category. 14% of women state that being pregnant is their reason for inactivity. The majority of men (77%) state there is an "other reason" for their inactivity.

In total about 7% of the youth population and close to 360 000 young people would like to work but cannot either because of a lack or inadequacy of job offers of because of conflicting life arrangements. This is the majority of NEETs (60%).

These results have several policy implications. For unemployed NEETs the demand side of the market appears to be important with a significant proportion of young people feeling that there are not enough jobs available for them. A large proportion also feel that they lack the training or qualifications for jobs available. This may point to a need to reskill these young people. The importance of caring for children, particularly for inactive women who want to work, points to a childcare issue (see Chapter 5).

Figure 2.8 examines the importance of various incentives for participation in the labour force. It shows by gender the proportion of inactive NEETs responding that the incentive in question is of importance for labour force participation.

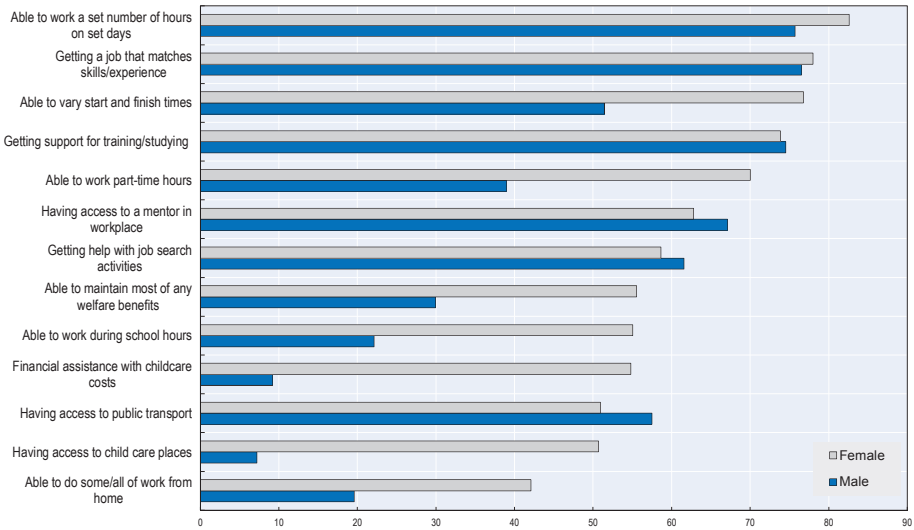
Gender differences arise in the role of incentives:[5]

- Inactive young women are more likely to mention flexibility in the workplace as one of their key requirements for labour force participation, likely because many of them have childcare responsibilities. They are 1.5 times more likely than inactive young men to require the flexibility to vary start and finish times, and around twice as likely to report that the ability to work part-time hours and the ability to do some or all of work from home is of importance. They are also 2.5 times more likely to feel that the ability to work during school hours is of importance.
- Childcare availability and cost are more important for young inactive women than men with women being six times more likely to report that financial assistance with childcare costs is of importance and seven times more likely to mention access to childcare places. Chapter 5

shows that childcare enrolment rates among 0 to 3 year-olds are very low in Australia, likely as a result of relatively high costs.

- Financial considerations more generally tend to be more important for inactive young women, who are twice as likely to rate being able to maintain most of their welfare benefits or allowances as an important incentive.
- Getting a job that matches the individual's skills and experience is one of the most important factors for both genders, as is getting support for training/studying and the ability to work set hours and days – more than 70% of women and men rate these incentives as important for labour force participation.
- Assistance with job support activities and having access to a mentor in the workplace also rank as important factors for both women and men.

**Figure 2.8. Importance of incentives for NEETs' labour force participation**




*Note*: Results are for inactive NEETs aged 18-29 years.

Responses are sorted in descending order of importance for female NEETs.

Respondents are asked: "Thinking about your own circumstances, I would like to know whether each of these things is very important, somewhat important or not important at all to you". The numbers above are those responding "very important" or "somewhat important".

*Source*: Barriers and Incentives to Labour Force Participation (2012-13).

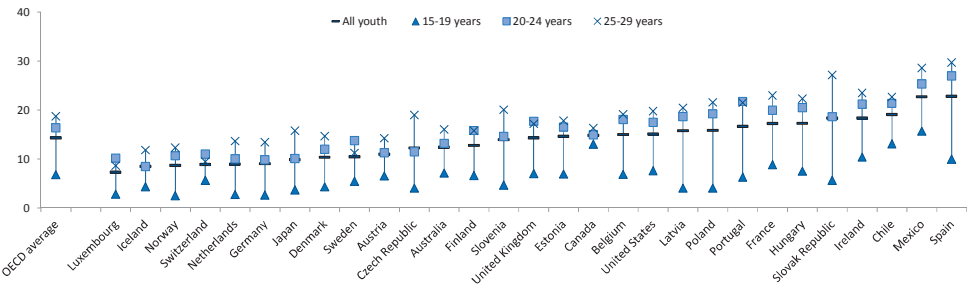
### *NEET status and age*

The preconceived idea of a NEET may be a "teenage drop-out" rather than someone in their twenties. This is not the typical case, however, either in Australia or across the OECD as a whole (Figure 2.9). The NEET rate for 15-19 year-olds stands at 7% compared to 13% for 20-24 and 16% for 25-29 year-olds. The age gradient in NEET rates is much larger still across the OECD on average, with a NEET rate of 7% for 15-19 year-olds, 18% for 20-24 year-olds and 20% for 25-29 year-olds.

These lower NEET rates for the youngest age group are likely a reflection of the high proportion of 15-19 year-olds who are in education (see Chapter 1). High rates of inactivity among women in their 20s are the main reason behind the higher rates for the 25-29 age group.

**Figure 2.9. NEET rates are lower for the youngest age group**

NEET rates by age in percent of the respective age population, 2014




*Note*: Data on 25-29 year-olds are missing for the United States. No data were available for Israel, Korea, and Turkey.

The OECD average is non-weighted.

Countries are ordered in ascending order by the NEET rate for all youth.

*Source*: OECD calculations based on the EU-LFS and national labour force surveys 2014, except for Chile and Germany (2013). Survey of Work and Education for Australia, 2013.

### *NEET status and disability/health*

The presence of illness and disability may, of course, result in obstacles (physical and psychological) in engaging in employment and education (see OECD, 2015b). Practical difficulties such as physical restrictions or a lack of flexible working/studying arrangements may arise. Some people with disabilities may be permanently unable to work, others may be restricted in the type of job they can do or number of hours they can work while yet again others may require special

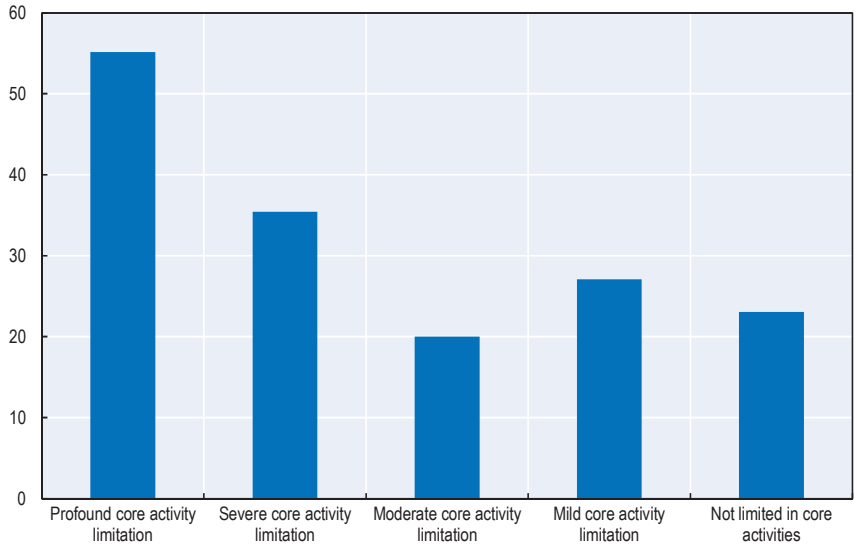
equipment in the workplace. Those with disabilities may also face discrimination and find it harder to find employment. Across the OECD it is common that workers with health issues or disabilities leave the labour market permanently, many of whom end up relying on long-term disability benefits (OECD, 2010).

Mavromaras et al. (2006) examined the link between disability and labour market participation in Australia. They found that people with a disability had much lower participation rates than those without disabilities (53% compared to 80%). For those in employment they found a 7% wage gap between workers with and without disabilities. Most of this gap could not be explained by differences in observable characteristics that influence productivity. The authors note that unobserved differences in productivity due to functional/other difficulties not captured in the data may contribute to this wage gap but suggest that discrimination against those with disabilities may be at play. Higher labour force participation rates are associated with greater work experience and higher educational attainment – education, therefore, may be an effective tool in overcoming the labour market disadvantages that are associated with disabilities. Programmes such as work experience while in school and functionally oriented school curricula that target occupationally specific skills can help ease the transition from education to the workplace for a young person with a disability (see Phelps and Maxwell, 1997) as can active parental involvement in this transition (see Landmark et al., 2010).

Young people in Australia who experience physical limitations face a much higher risk of NEET status than other youth. In Figure 2.10 youth with a disability[6] are categorised according to the extent that their disability restricts "core activities" such as self-care, mobility, communication, or restricts their engagement in schooling or employment. Disabilities in the survey used ranged from physical conditions such as loss of sight/hearing to learning difficulties and mental illnesses. Among 15-29 year-olds who report being "profoundly limited", 55% are NEETs. NEET rates also tend to be elevated for youth with lower levels of limitations however: 35% of youth with "severe limitations" are NEET while the NEET rate is 20% for those with "moderate limitations". Even amongst youth with a disability who have "mild" or no limitations in daily activities, NEET rates are twice as high as for youth more generally at 27% and 23%, respectively.

**Figure 2.10. NEET rates are higher for those with disabilities that limit their daily activities**

NEET rates among youth with disability status in percent, 2012




*Note*: Youth are defined as aged 15-29 years.

Respondents with a disability are categorised according to the extent that their disability restricts "core activities" such as self-care, mobility, communication, or restricts their engagement in schooling or employment. These restrictions are classified into five categories ranging from "profound" limitation to "not limited in core activities".

*Source*: Survey of Disability, Ageing and Carers (2012).

Recent OECD research highlights the prevalence of mental disorders amongst young people. About one in four youth aged 15-24 years are affected by a mental illness, ranging from anxiety and depression to schizophrenia and obsessive compulsive disorder (OECD, 2012a).

Such mental health issues tend to be much more widespread among NEET youth. In Australia, NEET youth exhibit for instance much higher levels of psychological stress that non-NEETs. They are more than twice as likely as other youth to report "high" psychological stress (14% compared to 5%) and significantly less likely to report "low" stress (43% vs 60%, Table 2.1). The direction of causality for this relationship can however go either way – NEETs may be unemployed or inactive due to psychological stress, but being unemployed may in itself cause additional stress.

**Table 2.1. NEETs report higher levels of psychological stress than non-NEETs**

Share of NEET and non-NEET youth in percent reporting different levels of psychological stress, 2011

| | Share amongst non-NEET youth | Share amongst NEET youth |
|---|---|---|
| Low | 59.8 | 42.6 |
| Moderate | 23.7 | 26.1 |
| High | 11.4 | 17.7 |
| Very High | 5.1 | 13.6 |

*Note*: Based on the Kessler Psychological Distress Scale (KPDS). The KPDS is constructed from a series of ten questions regarding mental health (such as how often, in the last four weeks, did the respondent feel nervous, depressed etc.). Scores are classified as "Low"; "Moderate"; "High" and "Very high". For additional information on the KPDS and its use in HILDA, see Wooden (2009).

*Source:* HILDA 2011.

NEET youth are also more likely to have low levels of life satisfaction compared to non-NEET youth (Table 2.2). When asked to rate their current level of life satisfaction, 3% of non-NEET youth report having low life satisfaction compared to10% of NEETs.

**Table 2.2. NEETs are less satisfied with their life than non-NEET youth**

Share of NEET and non-NEET youth in percent reporting different levels of life satisfaction, 2013

| | Non-NEET youth | NEET youth |
|---|---|---|
| Low (0-5) | 3.1 | 10.3 |
| Medium (6-8) | 62.2 | 54.9 |
| High (9-10) | 34.7 | 35 |

*Note*: Individuals are asked to rate their current life satisfaction on a scale of 0 ("totally dissatisfied") to 10 ("totally satisfied"). "Low" indicates a response between 0 and 5, "medium" indicates a response between 6 and 8 and "high" indicates a response of 9 or 10.

*Source:* HILDA 2013.

### *NEET status remoteness, and ethnic or migrant background*

Australia is a vast country with the fourth lowest population density in the world and a concentration of the population in urban areas with 89%, of its population living in cities (World Bank, 2016a and 2016b). Due to the size of the country and low population density youth in remote areas are likely to lack employment opportunities which tend to be concentrated in cities.

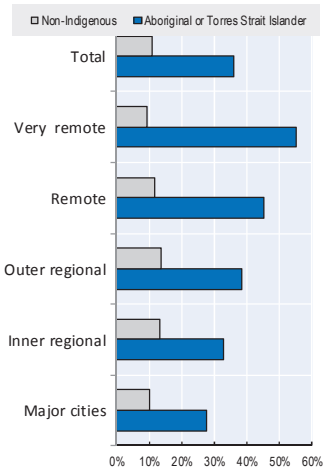
NEET rates do indeed differ by the remoteness of the location. This difference is driven entirely by higher NEET rates for Indigenous[7] youth in remote areas. Overall, NEET rates are more than three times higher for the Indigenous population compared to the non-Indigenous population (36% compared to 11%, Panel A of Figure 2.11). There is little variation in NEET status amongst the non-Indigenous population by the remoteness of the area they live in. The same cannot be said for Indigenous youths. 28% of Indigenous youth in major cities are classified as NEETs but this figure increases steadily the more remote the location peaking at 55% in "very remote" areas.

Where NEETs are located differs substantially between the Indigenous and non-Indigenous population (Panel B of Figure 2.11). Amongst the non-Indigenous population the vast majority (70%) are found in major cities while less than 2% live in remote or very remote areas. The distribution of NEETs is very different for the Indigenous population however – only 28% live in the major cities while nearly one-third live in remote or very remote areas. This difference in location between Indigenous and non-Indigenous NEETs has important policy implications. Labour market opportunities in remote areas tend to be fewer, and a low population density makes the delivery of social and employment services much more difficult. The higher concentration of Indigenous NEETs in remote areas thus means that, while often being more disadvantaged, Indigenous youth may have troubles accessing the required government services.

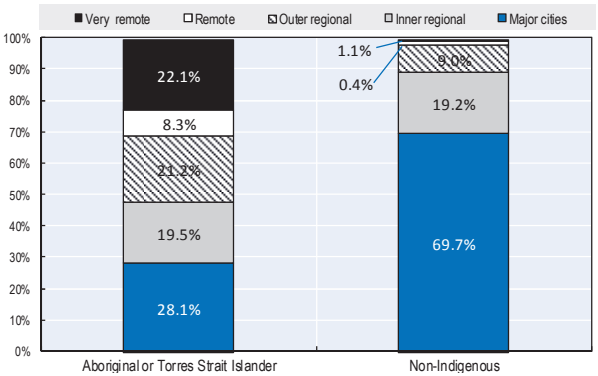
Availability of a motor vehicle in the house also appears to be of importance, especially outside of the major cities, where availability of public transport is lower. In the major cities, the NEET rate across all youth stands at 19% where the household has no motor vehicle, this figure jumps to the around 40% for inner- and outer-regional areas, and stands at 58% in "very remote" areas (Figure 2.12). The NEET rate, even in major cities, is lower when the household has at least one vehicle. It is difficult to assess, however, whether the lack of a motor vehicle in the household actually causes higher NEET rates in, it may also be that a vehicle is not required or cannot be financed if no one is engaged in education or employment in the household.

## Figure 2.11. NEET rates are higher in remote areas but only for the Indigenous population

Panel A. NEET rate




Panel B. Breakdown of NEETs

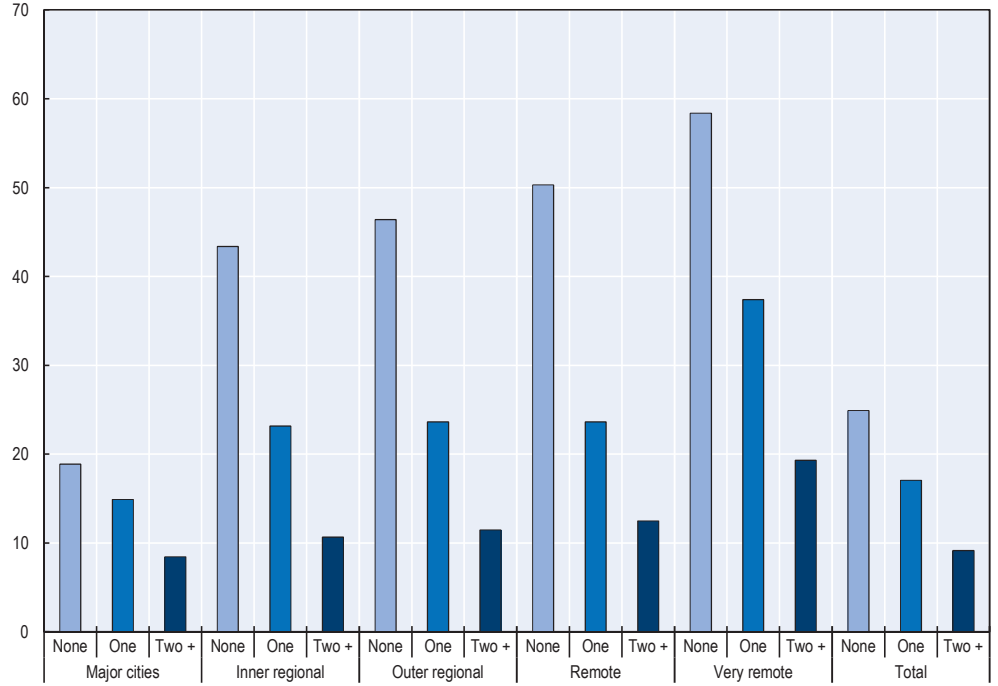



*Note*: Based upon the Australian Standard Geographic Classification remoteness classification. The measures are calculated using Accessibility/Remoteness Index of Australia (ARIA+) scores, which are based on the distance of geographic locations from the nearest population centre. The lower the ARIA+ score for a location, the better its level of access to goods and services.

*Source*: OECD calculation based on the 2011 Australian Census.

**Figure 2.12. Lack of access to a motor vehicle is associated with an increased risk of NEET status especially in non-urban areas**

NEET rates by remoteness and presence of motor vehicles, 2011



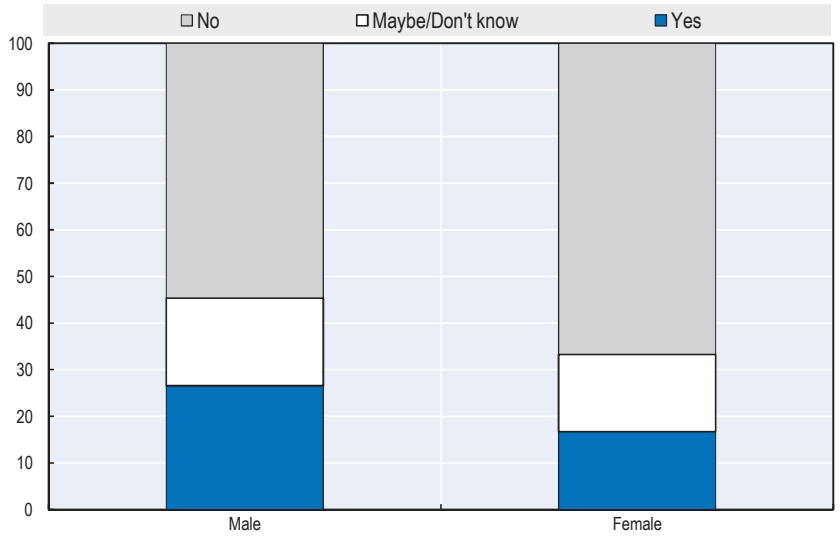

*Note*: Based upon the Australian Standard Geographic Classification remoteness classification. The measures are calculated using Accessibility/Remoteness Index of Australia (ARIA+) scores, which are based on the distance of geographic locations from the nearest population centre in various size ranges. The lower the ARIA+ score for a location, the better its level of access to goods and services.

*Source:* 2011 Australian Census.

Mobility may also be a factor in NEET status as shown in Figure 2.13. Just under one-fifth of male and female NEETs report being willing to move for employment. Women were less likely to state definitively that they would move (17% compared to 27% for men) while two-thirds of women stated they would not move for employment compared to 55% of men. Assistance to increase mobility can therefore be important, notably when opportunities are available in distant cities where housing costs may be high.

**Figure 2.13. The majority of NEETs state they would not move to find employment**

Share of male and female NEETs in percent, 2012-13




*Note*: Results are for NEETs aged 18-29 years.
Respondents were asked: "If you were offered a suitable job would you be prepared to move to another state or another part of this state?".

*Source*: Barriers and Incentives to Labour Force Participation (2012-13).

Migrant status is also predictive of unemployment and inactivity, depending on origin. Those whose country of birth was another English-speaking country are *less* likely to be a NEET (4.9% of NEETs are from another English-speaking country compared to 6.4% of non-NEET youth) while those whose country of birth was a non-English-speaking country have a slightly higher NEET rate (17% of NEETs were born in a non-English-speaking country compared to 16% of non-NEETs).

Besides the country of origin, age at migration influences employment outcomes later in life. Arriving at a younger age allows for easier integration into Australian society. Cortes (2006) for instance compares math and reading test scores between first- and second-generation migrants in the United States. She finds that first-generation migrants do worse on average, but that the gap in test scores is narrower for first-generation migrants who had been in the country for longer. Schaafsma and Sweetman (2001) document a link between migrants' age of arrival and their earnings in Canada.

In line with this research, there is no increased risk of being NEET for migrants who came to Australia before the age of 12 years compared to youth born in Australia.[8] NEET rates are higher, by contrast, for youth who arrived to Australia after turning 13. This indicates that these youth found it harder to integrate into Australian society, partly because a larger share of them originate from non-English-speaking countries.[9] For one thing, it is harder to perfectly speak a foreign language after age 12 (Newport, 1990). For another, these youth will have to attend mainstream schools, where the available support for integrating migrant kids may sometimes be limited.

## *Household and parents' characteristics*

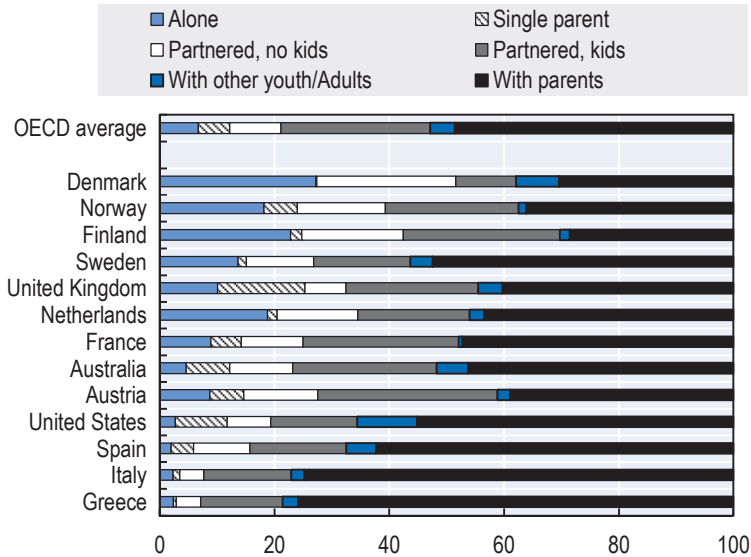
### *NEET status and living arrangements*

Household characteristics may be an important determinant of NEET status. Living in the parental home may help relieve possible financial issues, and reduce the financial necessity to work. NEET status may, of course, influence household formation as a lack of financial means will make it more difficult for a young person to move out of the parental home.

In countries like Greece, Italy and Spain, the large majority (over two-thirds) of NEETs live with their parents (Figure 2.14). In these countries most support for youth is provided through their families. At the opposite end of the scale, Scandinavian countries are characterised by early independence with a higher proportion of NEETs living alone or with other youth. This requires that more support is provided directly to youth themselves (i.e. not to their parents) in order to reduce the incidence of poverty. Australia is found close to the OECD average, with just under half of NEETs living with their parents. One quarter of Australian youth live with a partner and children. Only around 7% of NEETs live as single parents while 5% live alone. Living arrangements may be influenced by benefit eligibility and generosity, and are also likely to influence poverty rates amongst youths. These issues are examined in detail in Chapter 3.

**Figure 2.14. Living arrangements of NEETs**

Living arrangements among NEET youth in percent, 2014




*Note*: Numbers are for individuals aged 15-29 years; For the United States, the age range considered is 16-24 because no information on student status is available for individuals aged 25 years and above.

The definition of different family types is as follows: "alone" describe youth living alone; "lone parent" means that the youth lives with at least one dependent child and without other youth or adults; "with other youth" means that the youth lives with at least one other youth (and potentially children) but that no adult lives in the same household; "with adults" means that the youth lives with at least one person over 30 years.

Countries are sorted in ascending order by the share of NEETs living with adults.

*Source:* OECD calculations using HILDA, EU-SILC and the CPS.

### *NEET status and parents' disadvantage*

A growing literature on the intergenerational transmission of disadvantage shows that the living conditions, labour market situation or even benefit receipt of parents can have important long-term consequences on their children's life outcomes. McLachlan et al. (2013) show that children's earliest years have a far-reaching influence on their chances later in life. Differences in capabilities between children from socio-economically disadvantaged families and their more advantaged peers appear early in life and can set a trajectory for poorer outcomes later in life. Cobb-Clark and Gørgens (2014) show a clear link in Australia between parental support and a young person's engagement in study and work. Studying intergenerational

returns to education in the United States, Carneiro at al. (2007) show that various different transmission channels are at play, including the family environment (e.g. the presence of books at home) and parental investments at different ages of the child (maternal aspirations of the child's educational achievement, the frequency of museum visits, etc.).

The characteristics of young people's parents in Australia are strongly related to their risk of NEET status. Specifically, NEETs' parents exhibit various forms of disadvantage:

- *Lower educational attainment*: 28% of NEETs' fathers have attained at most lower-secondary education (Year 11 or less), compared to 19% of the fathers of non-NEET youth. The differences are even greater for maternal education – the share of mothers with an educational attainment of at most lower-secondary is nearly twice as high for NEETs than for non-NEETs (36% vs. 19%). A similar parental-education gap between NEETs' and non-NEETs' parents exist also on post-secondary level.[10]
- *Poorer employment outcomes*: At the age of 14 years, NEETs were 1.8 times more likely than other youth to have an unemployed father, and 1.6 times more likely to have an unemployed mother.[11]
- *Broken families*: NEETs are twice as likely as other youth to have had separated or divorced parents at the age of 14 years.[12]

Immigrant status of a young person's parents is not associated with a higher risk of being NEET, likely again because the parents of migrant youth are often relatively highly educated.

Overcoming the effect of parental disadvantage on young people's life outcomes is probably one of the most difficult tasks of policies. Gaps in ability have been shown to emerge early on in the lives of children and interventions in the lives of disadvantaged children have been found to be more effective the earlier they occur (see Heckman, 2000, 2008; Cunha et al. (2006) and Heckman and Masterov (2007)). Interventions for highly disadvantaged youth at an older age might be most effective if they are intensive and come with a residential component. Such programmes help youth to focus on their own challenges by detaching them from any problems that may exist in their families at home

## 2. The dynamics of NEET status

The analysis presented in this chapter thus far provided a *cross-sectional* characterisation of young NEETs in Australia in terms of their personal characteristics and living conditions, giving a snapshot picture at a single point (or points) in time.

Being a NEET may not always be a negative outcome in itself – a young person may take time out to care for children, travel etc. Longer periods out of employment or education can have negative long-term consequences, however, by potentially giving rise to "scarring" effects, i.e. by permanently reducing a young person's future employment and earnings potential.

This section extends and complements the earlier cross-sectional analysis by presenting results on the *dynamics* of NEET status. It provides insights into the following issues:

- What share of youth in Australia is NEET *at some point* during their transition from school to work?
- *For how long* do NEETs in Australia remain out of employment, education or training?
- How many *separate "spells"* do young NEETs typically have?
- What distinguishes long-term NEETs from those who return to education or work quickly?

These questions are addressed using longitudinal HILDA[13] data (the data and methodology used to carry out this longitudinal analysis is discussed in more detail in Annex 2.A2) in two separate ways:

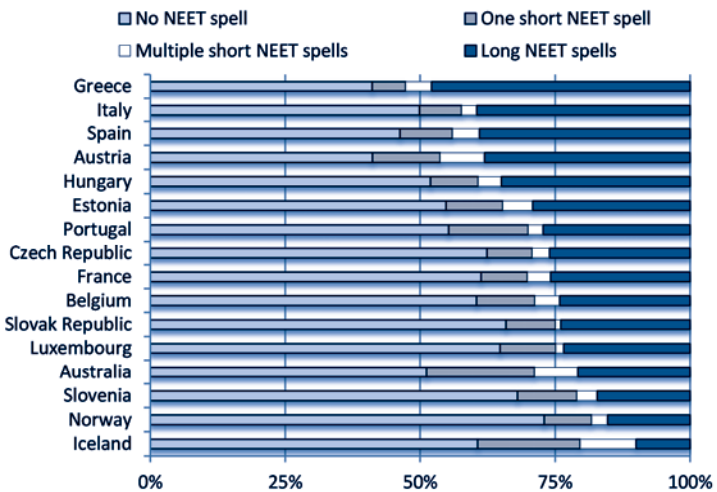
- The first part of the analysis provides an international comparison of NEET dynamics following youth aged 15 to 29 years for a 48-month period from January 2009 to December 2012. Results for Australia are compared to those for a selection of European countries derived from the European Union Statistics on Income and Living Conditions (EU-SILC). EU-SILC data only allows for individuals to be tracked for 48 months so the international comparison is restricted to this time frame.
- The second part of the analysis follows a cohort of 16 year-old Australian youth for a 96-month (8-year) observation period until they reach the age of 24. This longer observation period allows the tracking of young people during their transition from secondary education into tertiary education or the labour market.

Periods of NEET status are relatively frequent among youth in Australia: amongst 15-29 year-olds half have a period out of employment, education or training at some point during the 48-month observation period (Figure 2.15). The share of young people in Australia with a period of NEET status is high compared to European countries: amongst the countries studied, the proportion of youth who experience some period as NEETs is larger only in Greece, Spain, Italy and Austria. The reason for the high incidence of NEET spells differs across countries. Greece has a higher rate of long NEET spells, probably due to a high incidence of long-term joblessness, while in Australia and Austria the incidence of long NEET spells is lower.

Young people who terminate a NEET spell in Australia are however more likely than those in other countries to later become NEETs again: 8% of youth in Australia have multiple short spells. The share is lower in all European countries studied except for Iceland and Austria.

**Figure 2.15. Nearly half of all youth in Australia experience a NEET spell over a four-year period**

NEET experiences over a 48-month period from 2009-12, breakdown of all youth in percent




*Note*: Sample members are aged 15-29 years in January 2009 and are observed for 48 consecutive months until December 2012. For Estonia the observation period is January 2008 to December 2011.

Short spells are defined as lasting a maximum of six consecutive months, long spells are those of duration seven months and longer.

Censored spells are included in the calculations with their observed lengths. For Australia, 23% of individuals with at least one NEET spell over the observation period are NEETs in the first or final period of the panel and hence have a censored spell.

*Source:* OECD calculations based on the longitudinal EU-SILC, 2012 and the HILDA Survey (2009-2012).

An alternative way to look at this issue is to examine the *total* time that a young person spends NEET over the 48 month period analysed. This analysis is presented in Annex 2.A3 and confirms that most youth spend a relatively short amount of time as a NEET while 16% spend more than 12 months as a NEET.

The groups of youth most likely to suffer from long NEET spells (Figure 2.16) are those already identified as "high-risk" groups in the cross-sectional analysis. Young women are strongly overrepresented among long-term NEETs: 66% of youth with more than 12 NEET months during the 48-month observation period are women. This reflects the earlier finding that NEET inactivity is much more frequent among young women than young men and that a larger share of young women among inactive NEETs have caring duties. Indeed, 25% of the overall youth population are parents compared to 55% of long-term NEETs. This difference is driven entirely by young mothers (15% of young women have a child while 47% of females experiencing more than 12 months of NEET status do). There is little increased likelihood of having a long total duration of NEET status for fathers.

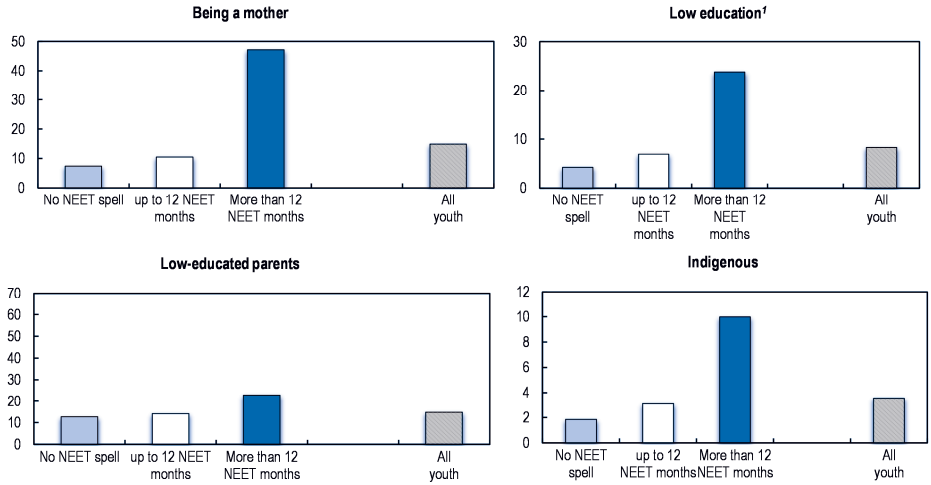
Three other factors are closely associated with long-term NEET status:

- *Low educational attainment*: While only about 8% of all young people have not gone beyond lower secondary, the same is true for 24% of youth with a total NEET duration of over 12 months.[14]
- *Low parental educational attainment*: 23% of youth with a total NEET duration of over 12 month have parents who have not gone beyond lower-secondary education, compared to only 15% in the overall youth population.
- *Indigenous status*: The Indigenous population makes up 4% of the youth population but accounts for 10% of NEETs with more than 12 months of unemployment or inactivity.

Hillman (2005) profiled those at risk of extended NEET periods using data from the 1995 wave of the Longitudinal Surveys of Australian Youth (LSAY) and found similar results. Young people who had not performed well at secondary school, did not have a Year 12 certificate, were female, or who had a health problem or disability were more likely to report extended (longer than 12 months) periods of time outside the labour force and full-time education.[15]

**Figure 2.16. Mothers, those with low education, those whose parents have low education and Indigenous youth have a higher risk of being a long-term NEET**

Proportion in each category




1. Low education indicates having a maximum educational attainment of lower secondary school.

*Source*: OECD calculations using HILDA 2013.

A more comprehensive set of risk factors associated with a problematic school-to-work transition and poor life outcomes is presented by Anlezark (2009) also using data from LSAY. She points to the importance of focussing on those who remain detached from work or education for prolonged time periods and categorises young people who are "at risk" of a poor transition from education which she defines as being a NEET or only being engaged in part-time employment/study. Risk factors include *exogenous* factors (i.e. factors which the individual has little or no control over) such as their ethnic background, their country of birth, low socioeconomic status, parental occupation and education and *mediating* factors (i.e. factors that are the outcome of the young person's choices) such as poor attitudes to school, poor student behaviour and a lack of engagement in extracurricular activities.

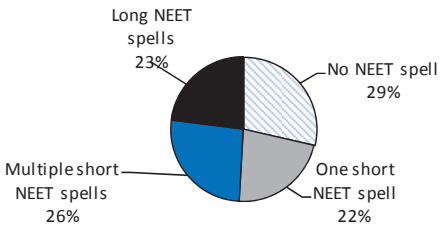
As mentioned, for Australia the analysis of NEET dynamics can be further extended to cover an eight-year observation period. This permits the tracking of young people from the age of 16 years up to the age of 24. This analysis allows for a more comprehensive picture of the periods of NEET status that youth in Australia experience on their way from school into the labour market.

The majority of Australian youth experience at least one NEET spell during their transition from education to work: among the young people observed in the sample, 71% have a period out of employment, education or training at some point during the 96-month observation period (Panel A of Figure 2.17).

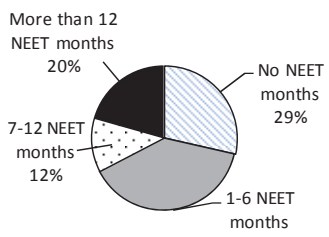
This analysis over a longer time period confirms the fact that for the majority NEET status is not a long-term phenomenon: 67% of all youth in the panel are out of employment, education or training for at most six months in total (Panel B of Figure 2.17). Despite this finding a sizeable proportion of young people have a long-term NEET spell − 20% are NEET for more than 12 months in total out of the 96 months of observation.

**Figure 2.17. In Australia, 70% of youth experience a NEET spell between the age of 16 and 24 years**

Panel A. NEET spell lengths as a percentage of all youth




Panel B. Total time spent NEET across spells as a percentage of all youth




*Note*: Sample members are aged 16 years in the first observation period (January 2001 to 2005, respectively) and are observed for 96 consecutive months (until December 2008 to 2012).

Censored spells are included in the calculations with their observed lengths. 17% of individuals with at least one NEET spell have a censored spell.

*Source:* OECD calculations based on the HILDA Survey (2001-2012).

## 3. Views and time-use of NEETs

In addition to the economic and personal costs of the NEET issue there may also be a social cost. NEET youth may feel less attached to society or more likely to disengage with the political process if they feel disillusioned with their situation. How youth, and in particular NEETs, spend their time can also provide interesting insights into their engagement with their families and the communities they live in. In this section the views and values of NEETs in Australia are examined[16] along with how they spend their time.

On a scale going from 1 ("very happy") to 4 ("very unhappy") NEET youth score higher than non-NEET youth in all categories relating to their personal circumstances and political/economic views indicating higher discontent (Table 2.3). Differences tend to be relatively small regarding political and economic views but larger regarding the youths personal circumstances.[17]

Not only is there evidence that unemployment or inactivity among young people are associated with a greater dissatisfaction about the personal situation (their financial situation and life satisfaction) and more pessimism about the future, young NEETs also tend to be less sociable and less trusting in other people and more likely to be express discontent with the political and economic situation of their country (found also in Carcillo et al., 2013; Eurofound, 2012). This suggests that young people's failure to succeed in education or the labour market may coincide with a broader and more worrying disengagement from society and the communities they live in.

**Table 2.3. NEET show higher discontent with their personal circumstances and have a more pessimistic view on the economy and political system**

| | NEET | Non-NEET | Mean diff. as % standard deviation |
|---|---|---|---|
| Personal circumstances | | | |
| Your future | 1.9 | 1.7 | -33 |
| How well you get on with people in general | 1.7 | 1.5 | -19 |
| The money you get each week | 2.4 | 2 | -61 |
| Your independence | 1.7 | 1.5 | -37 |
| Your standard of living | 1.7 | 1.6 | -21 |
| Your life as a whole | 1.7 | 1.6 | -30 |
| Political and economic views | | | |
| The way the country is run | 2.7 | 2.6 | -14 |
| The state of the economy | 2.7 | 2.6 | -10 |

*Note*: The attitudes are as reported in 2012.

Results are for cohorts aged 21 or 24 years in 2012.

Respondents were asked to rank their attitude towards a variety of factors on a scale from 1 ("very happy") to 4 ("very unhappy").

Differences are statistically significant.

*Source:* Longitudinal Survey of Australian Youth, waves 2003 and 2006.

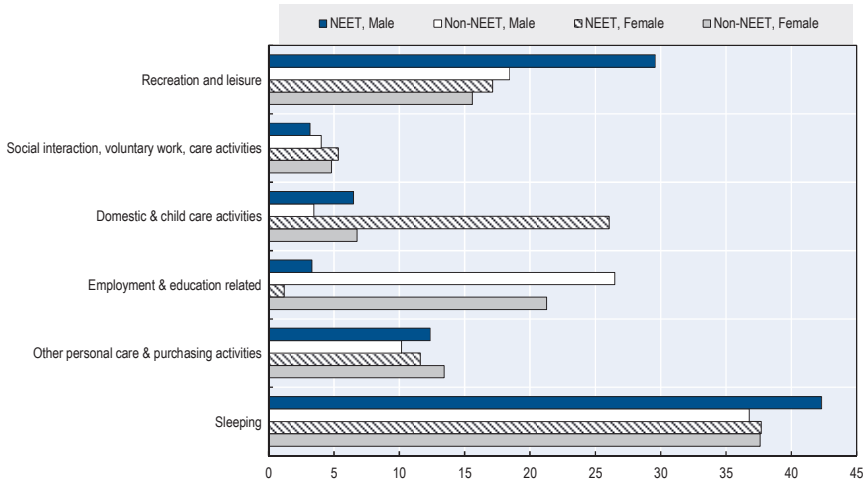
Most young people spend a large part of their day engaged in education or employment and are integrated into society. How NEETs spend their day is less clear: do NEETs spend most their time on "productive" activities such as childcare, voluntary work etc., which would suggest that they are well-connected with their local communities? Or do they spend much their time "idle", i.e. sleeping or engaged in leisure activities, which would make outreach more difficult? And how do these patterns differ between young women and men? Male NEETs spend more time sleeping than male non-NEETs or females in both categories (by over one hour per day, Figure 2.18). Male NEETs also spend significantly more time on "recreation and leisure" activities than male non-NEETs or females.[18] Another striking difference is the time spent on "domestic and childcare activities" by female NEETs, not surprising given the strong link between NEET status and having a young child for females. Female NEETs, on average, spent 12% of their day carrying out domestic activities; double that of male NEETs, and 15% on childcare activities (compared to less than 1% for male NEETs). Female NEETs also spend the highest amount of time of the four groups on voluntary and care work activities – which may suggest they are more likely to be carers for relatives.[19] By definition, an obvious difference exists between NEETs and non-NEETs for employment and education-related activities with male and female NEETs spending little or none of their day engaged in these activities.

The situation in other OECD countries is similar to that in Australia. In a comparable analysis for a selection of five OECD countries (Austria, Italy, Mexico, Spain and the United States), Carcillo et al. (2013) found that female NEETs tended to be engaged in unpaid housework or childcare while male NEETs tended to spend more time on "leisure" activities (such as computing, or watching TV) and more time sleeping than female NEETs.

These results suggest that different solutions will be needed to reach out to and engage male and female NEETs. The availability of affordable childcare solutions and flexible work arrangements, including part-time work, are central to allowing female NEETs to participate in the labour market. To the extent that NEET status among young males is primarily a result of low educational attainment, a lack of suitable employment options and ill health/disability, male NEETs are likely to require comprehensive social, health and employment support to be able to re-engage in education or training.

**Figure 2.18. Male NEETs spend more time sleeping and on leisure activities while female NEETs spend more time on domestic and childcare duties**

Time use: Proportion of the day spent on various activities in percent




*Note*: Results are for 15-29 year-olds.
The time-use diary contained information about the way respondents spent their time over a two day period.

*Source*: Time Use Survey (2006).

## 4. Round-up

In 2015, 580 000 young people aged 15-29 years in Australia were not in employment, education or training (NEETs). This corresponds to just under 12% of the total youth population. Only 41% of these NEETs were actively looking for employment; 19% were inactive, expressed a desire to work, but were not activity seeking work for various reasons; the remaining 40% were inactive and unwilling to work.

A number of risk factors are associated with NEET status:

- Low educational attainment is an important driver of NEET status, in Australia as in other OECD countries. Youth with at-most lower-secondary education (Year 10 Certificate or equivalent) are more than three times more likely to be NEETs as those with tertiary education (37% vs 11% in 2014). As a consequence, many NEETs lack foundations skills (numeracy and literacy) and non-cognitive skills (as measured by the *Big Five* personality traits) needed in the labour

market. Recent research, however, demonstrates that even non-cognitive skills remain malleable for young people.

- There is a substantial gender gap in NEET rates, with rates being much higher for women than men (15% vs 10% in 2013). This gap is driven by much higher inactivity rates for women, in particular young mothers with a child below the age of 4 years. NEET women consequently tend to spend a significant amount of their time on domestic duties and childcare, while NEET men spend more of their time idle, i.e. engaged in leisure activities and sleeping. Access to, and the affordability of, childcare and the flexibility of working arrangements are therefore important factors for the labour market participation of NEET women.
- NEET rates are substantially higher among Indigenous youth, who represent 3% of the youth population but 10% of all NEETs. For Indigenous youth – unlike for other youth – living in a remote area dramatically raises the risk of NEET status. This overrepresentation of Indigenous youth in remote areas, which tend to have weak labour markets, makes reaching out and promoting successful transitions into employment particularly challenging. In spite of much higher NEET rate in remote areas, the majority of NEETs live in urban centres.
- Migrants from non-English-speaking countries have higher NEET rates than native-borns or youth who emigrated from English-speaking countries. Second-generation migrants are by contrast no more likely to be NEET than natives.
- NEET rates are substantially higher also for youth with disabilities, particularly for those facing strong limitations in their daily activities. Even amongst youth with a disability who have "mild" or no limitations in daily activities, NEET rates are twice as high as for youth in general.
- NEETs tend to exhibit higher rates of psychological stress and lower levels of life satisfaction than non-NEET youth.

An analysis of school-to-work pathways shows that periods of NEET status are relatively common amongst young people. Nearly 70% of all youth experience a NEET spell between the age of 16 and 24 years, though these spells tend to be short in most cases. Yet, one out of five young people spend more than 12 months as a NEET when aged between 16 and 24 years. If we assume that this trend stays constant this corresponds to about around 58 000 16-year-olds. The incidence of longer NEET spells is higher for young women (likely again for childcare reasons) and for Indigenous youth.

# Notes

1. 20% of youth leaving school taking take a "gap" year in Australia (Curtis et al., 2012). The majority of this group report working or engaging in some study/training while a small proportion travel. They will only be counted in the NEET population if they are not engaged in any work or study.

2. Note that NEET rates for the same years may differ slightly due to the fact that a variety of different data sources are used: the Australian Census, the Survey of Education and Work (SEW), the Household, Income and Labour Dynamics in Australia Survey (HILDA), etc.

3. In the Australian context specifically "Low" education consists of ISCED 0-2 which includes pre-primary, primary and junior secondary education as well as Certificate levels I and II. "Medium" education consists of ISCED 3-4 which includes senior secondary education and Certificate III level. "High" education consists of ISCED 5-6 which include diploma, advanced diploma, associate degree, bachelor's degree, graduate diploma, graduate certificate, master degree and doctoral degree levels.

4. The remainder place themselves in the "other" category; it is unfortunately not possible to break down this group any further due to small sample sizes.

5. In 9 out of 13 categories women were more likely to state that incentives were more important than men in encouraging their labour market participation, likely a reflection of the fact that female participation rates tend to be lower than men's.

6. Disability was defined as the presence of one or more specified limitations, restrictions or impairments which had lasted, or was likely to last, for a period of six months or more. The specified limitations, restrictions or impairments were: loss of sight; loss of hearing; speech difficulties; chronic or recurring pain or discomfort causing restriction; shortness of breath or breathing difficulties causing restriction; blackouts, fits, or loss of consciousness; difficulty learning or understanding; incomplete use of arms or fingers; difficulty gripping or holding things; incomplete use of feet

or legs; a nervous or emotional condition causing restriction; a restriction in physical activities or in doing physical work; a disfigurement or deformity mental illness or condition requiring help or supervision; long-term effects of head injury, stroke or other brain damage causing restriction; receiving treatment or medication for another long-term condition or ailment, and still restricted in everyday activities and any other long-term condition resulting in a restriction.

7. Throughout this report the term Indigenous refers to Aboriginal and Torres Strait Islander Australians.

8. In fact, there appears to be a lower risk of being NEET for migrants who were aged 6 to 12 years at their time of arrival This group has a NEET rate of 7% compared to a NEET rate of 14% for Australian-born youth. This difference is not explained by a higher proportion of migrants arriving from English-speaking countries as the share of migrants from non-English-speaking countries does not significantly differ between those who arrived at age younger than 6 years, and those who arrived aged between 6 and 12 years.

9. 60% of migrants who came to Australia aged 6 to 12 years are from a non-English-speaking country, compared to around half of those arriving before the age of 6 years.

10. 62% of NEETs' fathers completed an educational qualification after leaving secondary school, while 66% of non-NEETs' fathers did. For NEETs' mothers, the shares are 64% (NEETs' mothers) compared to 80% (non-NEETs' mothers).

11. 10.9% of NEETs' fathers (46.4% of NEETs' mothers) were unemployed when their child was 14 years old, compared to 6.4% of non-NEETs' fathers (28.3% for non-NEETs' mothers).

12. 14.6% for NEETs compared to 7.6% for non-NEETs.

13. The authors thank the Melbourne Institute of Applied Economics and Social Research for access to the data and Nicole Watson for assistance with data queries.

14. Since youth with low education leave school at a younger age, they are however by construction more likely to have periods of NEET status during the observation period.

15. HILDA data do not permit studying the influence of poor health on NEET duration because of the large number of missing responses.

16. This analysis was carried out using the Longitudinal Survey of Australian Youth (LSAY). The authors thank the National Centre

for Vocational Education Research for providing the data. LSAY is a large, nationally representative sample of young people that collects information on education and training, work, and social development. The survey consists of different cohorts that commence the survey at the age of 15 and are followed over time. Survey participants are also asked about their general attitudes to a variety of issues such as their future, the economy, the country as a whole and so on. Due to the structure of the survey the results are shown for those aged 21 or 24 years, in 2012, and are hence not representative of the entire youth population. More recent waves of the survey classify the responses using a different scale thus could not be included.

17. The final column of Table 2.3 gives a measure of how large these differences are: the higher the value, the larger the difference between NEET and non-NEET youth.

18. Leisure time is subjective, therefore it can include a wide range of activities and depends on the individual's point of view. See Aas (1982) for a description of the four main categories of time: necessary (basic physiological needs), contracted time (such as work/education), committed time (such as childcare, volunteering) and free time (leisure).

19. Receipt of carers payments is certainly female dominated with 69% of carers payments going to women in 2013, see Department of Social Services (2014). A Department of Social Services report (2002) found that 17% of carers in Australia were under 26 and that young carers are at a higher risk of leaving school early as well as being significantly more likely to be unemployed or out of the labour force entirely.

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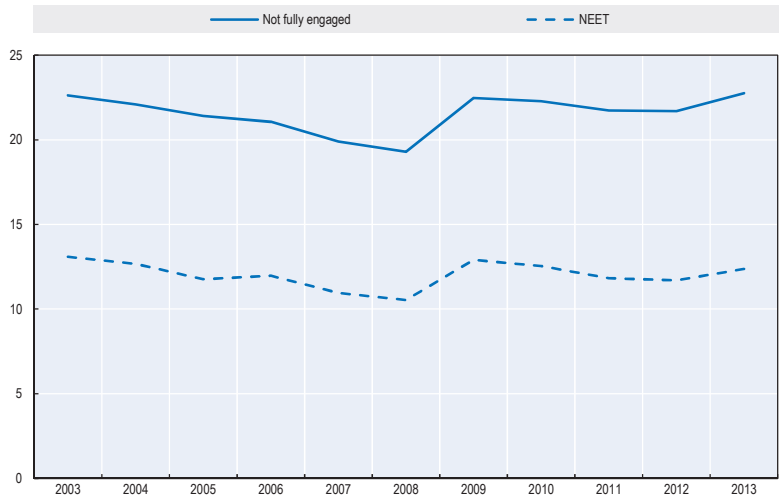
# *Annex 2.A1*
# NEET vs "not fully engaged"

A commonly used statistic produced by the Australian Bureau of Statistics (ABS) is the proportion of youth "not fully engaged". This concept differs from NEET in that it also includes those who are in part-time employment or education (the "partially engaged"). Figure 2.A1.1 shows the development of the rate of youth who are "not fully engaged" between 2003 and 2013 as well as comparing it to the NEET rate.

**Figure 2.A1.1. Rate of "not fully engaged" youth, 2003-13**

Share of all youth in percent, 2003-13




*Note*: The "not fully engaged" rate is the proportion of 15-29 year-olds who are not engaged in *full-time* employment, education or training.

*Source*: Australian Survey of Education and Work (SEW).

The trend in the rate of those "not fully engaged" is very similar to that of the NEET rate, with the proportion of youth in this category declining from 2003 to 2008 before increasing during the recession and staying elevated afterwards.

The "not fully engaged" rate has consistently been between 9 and 10 percentage points higher than the NEET rate, indicating that 9-10% of youth are in part-time employment or education. While the issue of partial engagement is important, to the extent for example that part-time employment may be involuntary, the population of those "not fully engaged" is likely to be less disadvantaged as they have, at least, some engagement with the world or work or education. This report, therefore, focusses on NEETs and not those "not fully engaged".

# *Annex 2.A2*
# Data and methodology of the longitudinal analysis

An analysis of the dynamics of NEET status comes with substantial data requirements: the identification of young people's "NEET trajectories" needs to be based on individual-level longitudinal data that permit identifying the educational status and labour market participation over a longer time horizon. Since the focus of the analysis will be specifically on periods of unemployment or inactivity, the number of individuals in the sample must moreover be reasonably large such that enough NEETs can be identified.

The data used in the first (48-month) part of the analysis come from two different sources: the 2012 panel of the European Union Statistics on Income and Living Conditions (EU-SILC) for a selection of European countries and the 2009-12 waves of the Household, Income and Labour Dynamics in Australia (HILDA) Survey for Australia. Both panels provide monthly information on individuals' activity status – including any periods of unemployment and inactivity – over the 48-month period from January 2009 to December 2012. The sample is restricted to all individuals aged 15-29 years at the beginning of the observation period irrespective of their initial activity status. Individuals with missing information on labour market activity for one or several of the 48 months are dropped. A country is included in the analysis if no more than 10% of all observed trajectories are incomplete.

While HILDA follows households between 2001 and 2013, the EU-SILC has a panel length of only four years. For comparability across countries, the first part of the analysis is therefore restricted to four years.

In the second part of the analysis, the period analysed is expanded just for Australia. Five cohorts are constructed from the 2001-12 waves of HILDA limiting the analysis to all individuals who are 16 years old at the beginning of the observation period (January 2001 to 2005, respectively). These individuals are followed over a 96-month observation period. The five cohorts are then aggregated to form a sample of 609 observations.

The NEET spells studied are defined as consecutive months in which the young respondent reports having been out of employment, education or training. Two periods of NEET status that are interrupted by a single month

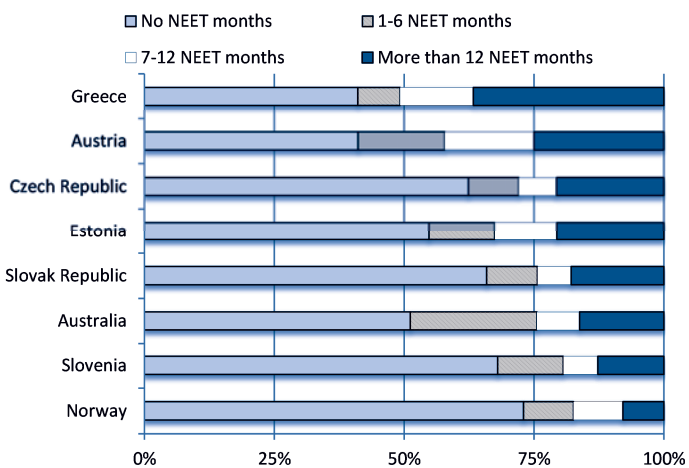
in education or employment are interpreted as distinct spells. No distinction is made between NEET inactivity and unemployment due to the small sample size.

# *Annex 2.A3*
# Total time spent NEET

Amongst youth with a NEET spell, the time spent out of employment, education or training tends to be comparably short (Figure 2.A3.1). 20% of all youth in Australian have only one "short" NEET spell of a maximum of six months over the 48 months observation period. 24% of all youth have a spell longer than six months while only 16% spend more than 12 months as a NEET.

**Figure 2.A3.1. Only 16% of youth in Australia spent more than one year in total as NEETs between 2009 and 2012**

Total time spent NEET across spells over a 48-month period from 2009-12, breakdown of all youth in percent




*Note*: Sample members are aged 15-29 years in January 2009 and are observed for 48 consecutive months until December 2012. For Estonia the observation period is January 2008 to December 2011.

Censored spells are included in the calculations with their observed lengths. For Australia, 23% of individuals with at least one NEET spell over the observation period are NEETs in the first or final period of the panel and hence have a censored spell.

*Source:* OECD calculations based on the longitudinal EU-SILC, 2012 and the HILDA Survey (2009-2012).

Counted across spells, NEET status in Australia is again found to be mostly a short-term phenomenon. When combining the information on spell durations and repeated spells into the total number of months a young person spent out of employment, education or training across spells over the 48-month period (Figure 2.A3.1), it appears that only 16% of all youth in the sample are out of employment, education or training for more than 12 months in total.

It is worth bearing in mind that the spell durations (reported in Figure 2.15) and the implied total duration of NEET status (Figure 2.A3.1) are likely underestimates of the true values. Due to the short observation period, a significant number of spells are not fully observed: amongst all youth in the Australian panel, 23% are not in employment, education or training in either January 2009 (the first period of the panel) or in December 2012 (the final period). In these cases, spells are artificially "cut off" (or "censored") and therefore not included in the calculations with their full duration.

# *Chapter 3*

# Benefit receipt and youth poverty in Australia

*This chapter studies the income situation of youth and in particular NEETs, in Australia. It starts by describing the various types of income-support available to young people in the case of unemployment, disability or caring responsibilities. The chapter then discusses trends in benefit receipt rates since the start of the economic crisis, looks at benefit coverage among NEETs, and presents evidence on the duration of benefit receipt. The final section studies the incidence of poverty among NEETs and other youth.*

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

## Introduction

Income-support programmes, in the form of unemployment benefits, social assistance, housing benefits or family benefits, play an important role as automatic macroeconomic stabilisers. By alleviating income shocks for families and youth affected by joblessness or a decline in earnings, they bolster aggregate demand while ensuring decent incomes.

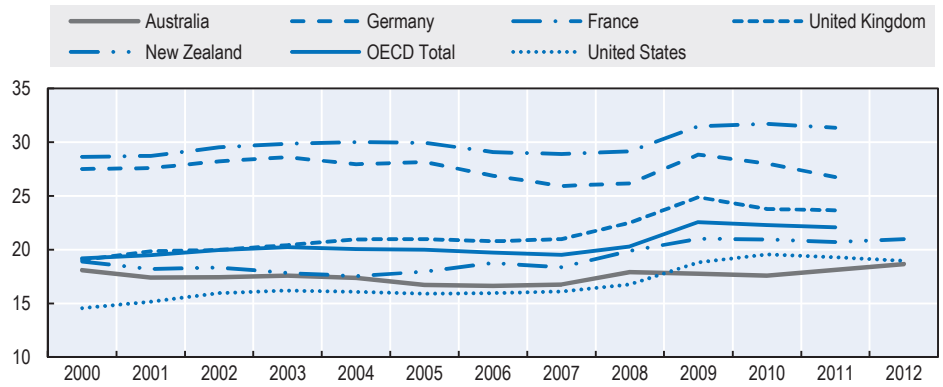
Australia's social expenditure as a percentage of GDP is below the OECD average and has been over the last few decades (Panel A of Figure 3.1). Its expenditure level is close to that of the United States and well below the United Kingdom, Germany and France. In response to the Great Recession, nearly all OECD countries expanded social spending, with an average rise of 13.1% (from 19.5% to 22.1% of GDP) between 2007 and 2011 (Panel B of Figure 3.1). While Australia was much less affected by the crisis than the United States and European countries (see Chapter 1), it reacted like other countries with a relatively sharp rise in social expenditure of 8.3% (from 16.8% to 18.1%) between 2007 and 2011.

Careful attention needs be paid in this context to protecting the needs of the most vulnerable, including youth and families with children. Young people have been affected particularly severely by the economic crisis as illustrated by the rising unemployment and NEET rates described in the previous two chapters.

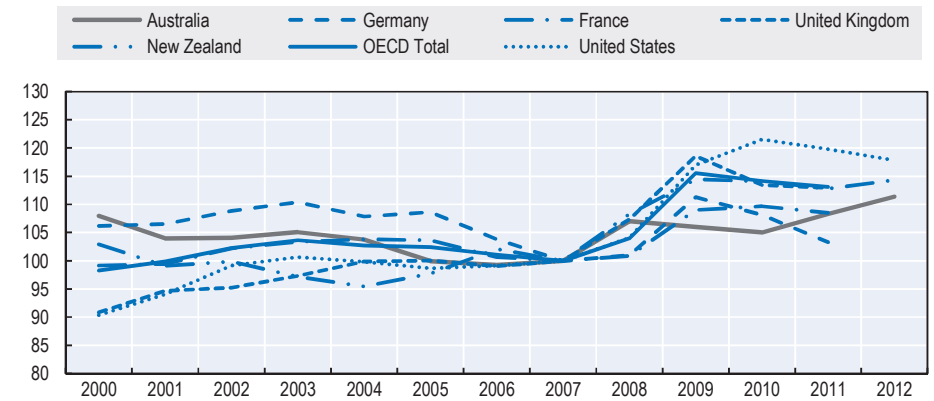
This chapter studies the social safety net for youth in Australia.[1] Section 1 describes the system of income support. Section 2 focuses on coverage of income support for young people by looking at the development of benefit receipt rates during the economic crisis and at patterns of benefit receipt amongst young people. Section 3 provides evidence on benefit adequacy by studying poverty rates for young people in Australia.

**Figure 3.1. Social welfare expenditure rose across the OECD in recent years**

Panel A. Social welfare expenditures as a percentage of GDP, 2000-12




Panel B. Social welfare expenditures 2000-12, 2007 as the base year (=100)




*Source*: *OECD Social Expenditure Database* (SOCX) http://www.oecd.org/social/expenditure.htm.

## 1. The Australian income-support system for youth

Australia – like New Zealand – stands out amongst OECD countries in having no unemployment insurance scheme. Instead benefits are funded from general taxation rather than employer and employee social insurance contributions and are generally means-tested. Benefit receipt duration tends not to be time-limited. Instead entitlement is based on continuing to meet eligibility and means-test requirements. Young people in Australia over the age of 22 are entitled to the same unemployment benefit as older individuals while those under 22 are entitled to an alternative unemployment benefit, paid at a lower rate. Likewise youth over 21 are entitled to the same

disability benefits as older recipients while those under 21 receive a reduced rate payment. Young people can also receive housing benefits, for the most part if they do not live with their parents. Family benefits such as the Family Tax Benefit can be paid to the parents of young people under the age of 20 if in education. In recent years the age up to which the Family Tax Benefit can be paid has fallen from 24 to 19 years for those in education and from 21 to 15 years for children not in education.

This section examines the benefits that different categories of youth are entitled to (for example unemployed youth with and without children, ill or disabled youth, etc.). For ease of comparison between benefits Tables 3.A1.1 to 3.A1.3 in Annex 3.A1 show the rates of the various payments for which young people are eligible.

### *Benefits for unemployed youth*

There are two jobseeker benefits for unemployed youth in Australia: the *Newstart Allowance* (NSA) is payable to all jobseekers from the age of 22 years; *Youth Allowance (other)* [YA(o)][2] is available for those aged 16 to 21 years.[3]

NSA and YA(o) are means tested, flat-rate benefits. NSA recipients face an income limit of AUD 102 per fortnight and the income of partners is taken into account.[4] For YA(o) recipients, the income limit is higher (AUD 433 per fortnight) but parental income is included in the means test unless the parents are themselves income-support recipients. NSA and YA(o) recipients who are seeking employment benefit from a *Working Credit* (AUD 3 500 for YA(o) recipients and AUD 1 000 for NSA recipients), which increases the amount the recipient can earn before their NSA/YA(o) payment is reduced. It also facilitates a return to NSA/YA(o) after short-term employment.

Benefit levels depend on the recipient's marital/cohabiting status, the presence of children in the household, and for YA(o) recipients, their age and whether the young person lives with the parents. YA(o) levels are however generally below those of NSA (see Table 3.A1.1 in Annex 3.A1). For a single, childless jobseeker between the age of 18 and 21 years who lives independently, the YA(o)benefit level for instance corresponds to 82% of the equivalent NSA rate. If the same jobseeker lives in the parental home, the YA(o) benefit level amounts to 54% of the NSA rate.

Recipients of both NSA and YA(o) are subject to strict "mutual obligations" activity requirements, which include active job search, negotiation of a Job Plan, and regular participation in active programmes (see Chapter 5).

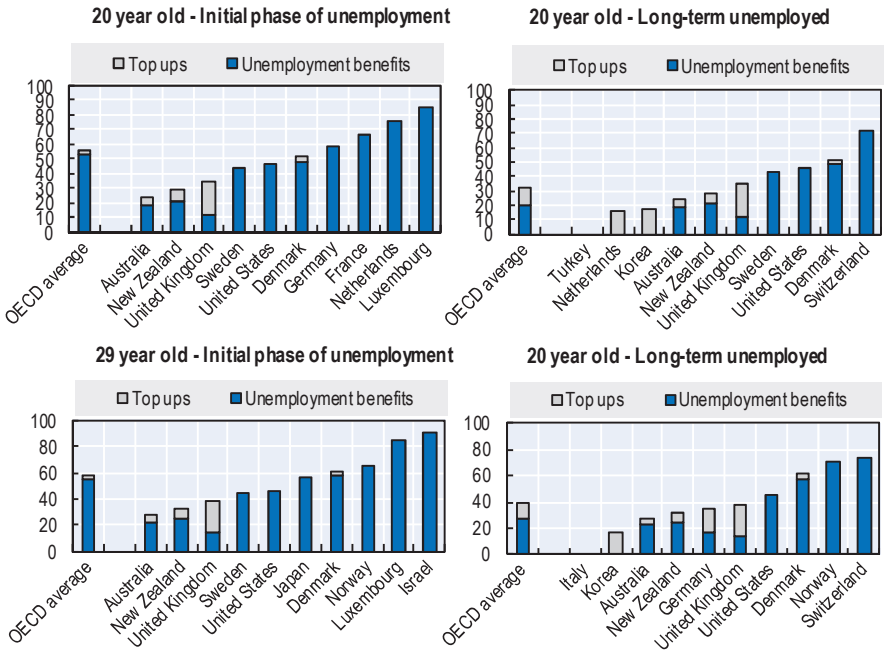
Young people have seen their benefit access restricted over the past few years (see Chapter 5). Eligibility for NSA was removed for 21 year-old first time claimants in 2012, and the age threshold will be raised further to 25 years from July 2016 subject to the passage of legislation. Young people instead have to claim the less generous YA(o). Early school leavers (defined as young people below the age of 22 years without a Year 12 certificate or equivalent) are required to participate in full-time education or training or for the required number (usually 25) hours per week in either a combination of part-time education or training and part-time work or other approved activities in addition to up to 20 compulsory job searches each month (the "*learn or earn"* requirement).

Australian unemployment benefits are significantly less generous than those in other OECD countries. In the initial phase of unemployment, a single 20 year old with no children on YA(o) receives only 24% of the average wage in unemployment benefits and top-ups, compared to 56% across OECD countries (Figure 3.2). Benefits are only slightly higher for a 29 year old NSA recipient at 28% of the average wage, compared to a 57% OECD average. The gap is somewhat smaller for the long-term unemployed, because payment levels are stable over time in Australia unlike in most OECD countries with contribution-based unemployment insurance systems.[5] The Australian replacement rates of 24% and 28% for a 20 and 29 year old, respectively, remain, however, below the OECD average of 32% for a 20 year-old and 39% for a 29 year old.[6]

Unemployed single parents with a dependent child aged less than 8 years generally qualify for the more generous Parenting Payment Single (PPS) and therefore generally do not claim NSA or YA(o).[7] PPS has a higher maximum rate, a higher income limit and a lower withdrawal rate compared to NSA/YA(o). Mutual Obligation Requirements still hold for those in receipt of PPS but are more flexible for those deemed to be the principal carer of the child.[8]

**Figure 3.2. Unemployment benefits in Australia are substantially less generous than in most other OECD countries**

Net replacement rates for a 20 and 29 year-old jobseeker as a percentage of the average wage, 2013




*Note*: Calculations are for a 20 or 29 year-old single, childless person who has been in continuous employment for 24 months earning the average wage. For Turkey, calculations are based on the Average Production Worker (APW) from the manufacturing sector.

The initial phase of unemployment is measured in month 2 of unemployment; long-term unemployed is measured in month 13 of unemployment.

"Top-ups" consist of social assistance top-ups and housing benefits, with housing costs being assumed to equal to 20% of the average wage. Where receipt of social assistance or other minimum-income benefits is subject to activity tests (such as active job search or being "available" for work), these requirements are assumed to be met.

Countries are ranked by the net replacement rate including top-ups in ascending order.

*Source*: OECD tax-benefit models, http://www.oecd.org/els/soc/benefitsandwagestax-benefitcalculator.htm.

Youth in severe financial need who have no other means of support and for whom no other income support payment is available can benefit of the Special Benefit (SB). It is payable for instance to young people who do not meet the residency requirements for NSA or YA.[9] The SB level is identical to that of YA/NSA and the same activity requirements apply.

### *Family benefits*

Young people in Australia can also benefit from a range of family benefits, either by being directly eligible or by benefiting from payments received by their parents on their behalf.

Low-income families with dependent children can benefit from Family Tax Benefit Part A (FTB Part A). To be entitled, they must have a dependent child (aged 0 to 15 years) or a secondary-school student (aged between 16 and 19 years) who does not receive a pension, payment, or benefit in their own right. In recent years the age up to which FTB Part A can be paid has fallen from 24 to 19 years for those in education and from 21 to 15 years for children not in education. Payment of FTB Part A is subject to a family income test and residence requirements.

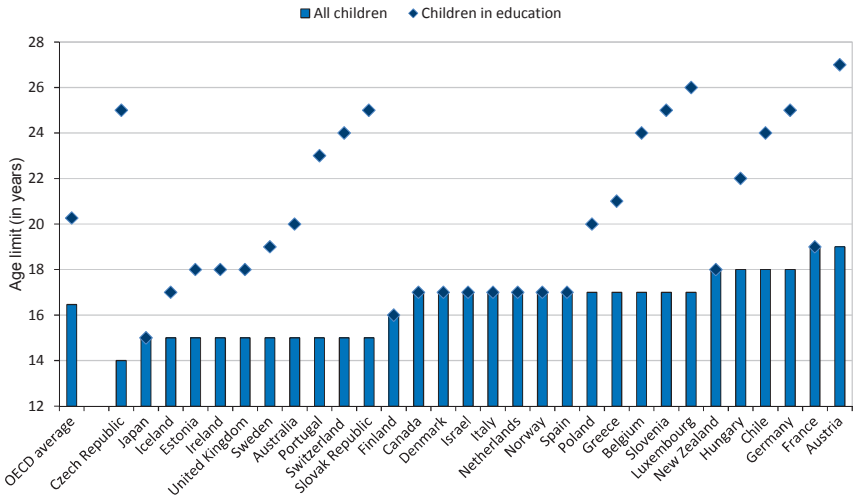
Single parents and families with one main income (for example because one parent cares for a child full-time) can benefit from Family Tax Benefit Part B (FTB Part B). To receive FTB Part B, a family must have an "FTB child" i.e. a child under 16, or a dependent full-time student up to the age of 18[10] and be under a certain income limit. In 2015 this income limit fell from AUD 150 000 to 100 000 per annum. From 1 July 2016 eligibility for FTB Part B for couple families (excluding grandparent carers) will be limited to families with a youngest child under 13 years of age.

Figure 3.3 shows the maximum age for children up to which family benefits can be paid. These figures are slightly lower in Australia than the OECD average for all children (16 years) and close to this average for children in education (20 years).

Two main types of financial support are available to help families cover childcare expenses:

- A means-tested subsidy for childcare expenses, the Child Care Benefit (CCB), is payable to eligible parents using CCB-approved care. Families may be eligible for CCB-approved care for up to 50 hours of care per child per week if both parents (or a single parent) are working, training, studying or if they are looking for work at least 15 hours a week.
- The non-means-tested Child Care Rebate (CCR) covers 50% of a family's out-of-pocket childcare costs up to a given threshold. Unless they have an exemption (e.g. have a disability), parents must meet the work, training, or study test to be eligible for the CCR.

**Figure 3.3. Australia has average age limits for family cash benefits for children/children in education**




*Note*: Family cash benefits or non-wastable tax credits.

For Canada: State of Ontario; for Switzerland: Zurich

Australian information for 2014, other countries for 2012.

*Source:* OECD tax–benefit models, http://www.oecd.org/els/soc/benefitsandwagestax-benefitcalculator.htm.

In addition to these payments the Jobs, Education and Training Child Care Fee Assistance (JETCCFA) payment is available for parents in receipt of an income support payment who receive the maximum rate of CCB. The payment provides childcare assistance in addition to the CCB and CCR for parents engaged in work study, training or job search. Recipients receive the difference in the amount charged for childcare and the amount received for CCB subject to a AUD 1 per hour charge. This AUD 1 charge is reduced to AUD 0.10 per hour for teenage parents completing secondary education.

The *Families Package* government reform (see Section 2 of Chapter 5) will add an additional AUD 3.5 billion in funding for assistance with childcare and will merge the CCB and CCR into a simplified Child Care Subsidy in 2017.

### *Sickness and disability benefits*

Young people over the age of 21 who temporarily cannot work or study because of an injury or illness can receive the means-tested Sickness Allowance (SA). Those under 21 suffering from an illness can receive

YA(o) and are exempt from the YA(o) activity test but do not qualify for the more generous Sickness Allowance.

Those with a permanent physical, intellectual or psychiatric impairment, which prevents them from working 15 hours or more a week or from being re-skilled for work for a two year period, can claim the Disability Support Payment (DSP).[11] A claimant must be aged 16 years or over.[12] DSP payment rates and income and asset test limits are lower for recipients under 21 years than for those 21 years or over (see Annex 3.A1).[13]

Young people who are unable to work because they care for a child with a disability or act as a carer to an elderly person are eligible for the means-tested Carer Payment (CP).[14] The same applies to parents caring for a disabled young person.[15] A non-means-tested Carer Allowance (CA) payment of AUD 123.50 per fortnight can be received in addition to employment income or CP.

### *Housing assistance*

Assistance with housing costs is available via the Commonwealth Rent Assistance (CRA). Benefit rates depend on family circumstances (see Table 3.A1.3).[16] Those in receipt of other benefits such as DSP, NSA, YA(o) or FTB are eligible if they rent in the private or community housing rental markets. CRA is generally not payable to a single, childless person who lives in their parent's home and is aged less than 25 years (or less than 21 years if in receipt of DSP).

### *Payments for students*

Low-income youth in full-time education between the age of 18 and 24 years can benefit from income support through the Youth Allowance, Student payment [YA(s)]. For a young person deemed to be dependent on their parents the means test takes into account both personal and parental income; if the individual is deemed independent only personal income and assets are included. Those under 22 are automatically assumed to be dependent on their parents.[17] YA(s) benefit levels are identical to those for YA(o). YA(s) recipients however benefit from a more generous earnings disregard.[18] Young people aged 16 or 17 years can receive YA(s) if they need to live away from home to study or if they meet the independency criteria. 16-24 year-olds engaged in a full-time Australian Apprenticeship are also eligible.

Full-time students and apprentices aged above the age of 24 years who are not eligible for YA(s) can receive support through ABSTUDY. Fortnightly payment rates range from AUD 433.20 for a single, childless person to AUD 567.60 for a lone parent. ABSTUDY supports Indigenous

Australians enrolled in approved courses or undertaking a full-time apprenticeship. A student living away from home can receive a maximum fortnightly amount of AUD 526.30 if aged over 22.[19]

## 2. Benefit receipt among youth

Eligibility rules say only little about the actual coverage of income-support programmes.[20] This section looks at the share of youth, and NEETs in particular, who receive different types of benefits in Australia, and at how long they typically remain on benefits.[21]

In the analysis below,[22] the term *Unemployment Benefits* (UB) is used for those in receipt of for the NSA and YA. *Disability Benefits* (DB) include the Disability Support Pension, Sickness Allowance and payments made to carers. *Family Benefits* (FB) are the sum of Family Tax Benefits A and B, maternity payments, baby bonus and the Parenting Payment.

### *Rates of benefit receipt among youth*

Increasing youth unemployment since the start of the economic crisis (as documented in Chapter 1) is reflected in a corresponding rise in receipt of UB. 11% of 16-29 year-olds in 2008 received either YA(o) or NSA at some point during the year (top left panel of Figure 3.4). The UB receipt rate increased during the crisis to 12.3% in 2010. This rise was driven by increasing receipt rates of both NSA and YA(o) (top middle panel of Figure 3.4). While receipt rates declined slightly between 2010 and 2012, they increased again to over 6% in 2013 and remain 20% above their 2008 level.

The UB receipt rate among youth in Australia at 12.2% was above the OECD average of 8.1% in 2013 (bottom panel of Figure 3.4).

Like UB, DB receipt rates also show an upward trend since the start of the crisis. Starting in 2008 from a base of 2.4%, the DB receipt rate rose to 2.8% in 2013, a 14% increase. This increase is driven by a rise in DSP as well as an increase in the receipt rate of carer's payments (top right panel of Figure 3.4). This increase occurred in spite of the 2005 *Welfare To Work Bill*, which introduced stricter criteria for assessing a person's ability to work with a view to reduce dependency on DSP.[23]

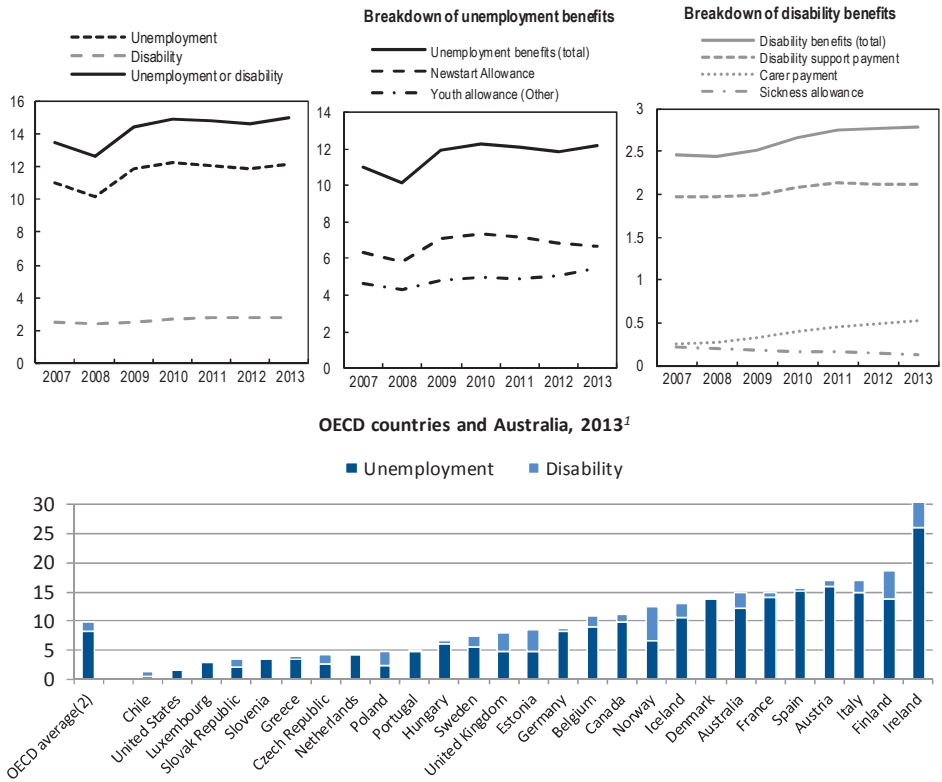
The recent upward trend in DB receipt is a reason for concern: the Australian DB receipt rate among youth is currently the sixth-highest among OECD countries (behind Norway, Ireland, Finland, Estonia and the United Kingdom). This is worrying, as research shows that a person's chances of returning to employment are very low once DB has been granted (OECD, 2010). This may be particularly true for young people with little or no

previous work experience. Therefore, the gatekeeping of disability benefits for youth should be monitored. OECD (2010) examined challenges in the current disability benefit system in many OECD countries, which are often passive and do not promote employment for those persons with disabilities who can work. It argues for a stronger focus on the reassessment of benefit eligibility and work capacity for long-term recipients and improving work incentives to ensure work pays. Disability recipients have been found to have a higher poverty risk than those with no disability and work, where possible, may help to reduce their poverty risk. Some countries have incentivised employers to increase employment rates of those with illness or disabilities through discrimination legislation and quotas or through employer responsibility for sickness benefit payments for a period of time. A report into mental health, OECD (2015), found an improved quality of assessments for disability benefits with strengthened gatekeeping in recent years in Australia, yet called for more intensive reactivation support as significant numbers of people with mental health disorders continue to be granted a Disability Support Pension.

For family benefits an opposite trend of declining benefit receipt rates can be observed (top left panel of Figure 3.5). The share of youth who lived in a household that received family benefits in the past 12 month fell from 3% to 29% between 2007 and 2013.

**Figure 3.4. UB and DB receipts increased since 2008 and are trending upwards**

Share of youth who receive unemployment and disability benefits in percent




*Note*: Numbers are for youth aged 16-29 years.

Results in the bottom panel are for 2013, except for Germany and Mexico (2012) and Canada (2011)

Benefits were classified as follows: unemployment benefits (UB) correspond to Newstart Allowance and Youth Allowance (other); disability benefits (DB) correspond to Disability Support Pension, Carer Payment and Sickness Allowance.

Benefit receipt rates give the number of youth who received a positive amount of benefits during the past year as a share of the total youth population.

The share of youth who received both UB *and* DB is negligible and therefore not displayed in the bottom panel.

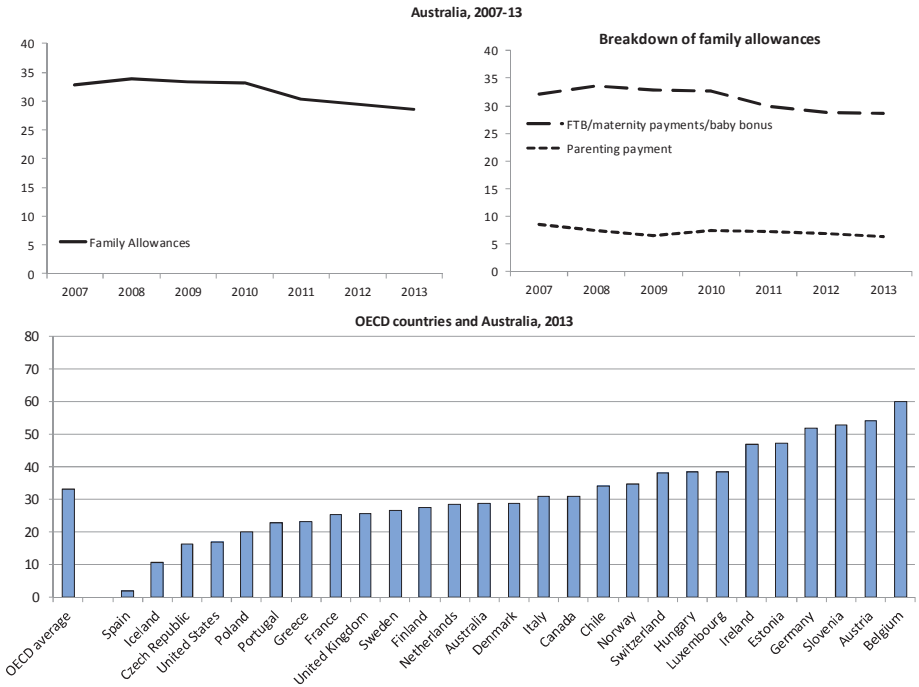
RED data for Australia does not contain numbers for the total youth population; these are taken from the Australian Demographic Statistics published by the Australian Bureau of Statistics.

The OECD average is non-weighted.

*Source*: OECD calculations based on EU-SILC, RED (Australia), SLID (Canada), CASEN (Chile), ENIGH (Mexico), and CPS (United States).

**Figure 3.5. Family benefit receipt has decreased since 2007**

Share of youth who are covered by family benefits in percent, 2007-13




*Note*: Numbers are for youth aged 16-29 years.

Results in the bottom panel are for 2013, except for Germany and Mexico (2012) and Canada (2011)

Family benefits correspond to Family Tax benefit (A and B), maternity payments, baby bonus and Parenting Payment.

Benefit receipt rates give the number of youth who report living in a household that received a positive amount of benefits during the calendar year as a share of the total youth population, except for the series followed by "(ind)" which give the share of youth directly receiving the benefit.

Countries are ranked in order of the receipt rate of family benefits.

The OECD average is non-weighted.

*Source*: OECD calculations based on EU-SILC, HILDA (Australia), SLID (Canada), CASEN (Chile), ENIGH (Mexico), and CPS (United States).

The family benefit can be broken down into two components – FTB A and B and maternity payments plus the baby bonus on one side[24] and the parenting payment on the other side (top right panel, Figure 3.5). Parenting payment receipt declined from 8.6% to 6.3% between 2007 and 2013, while the receipt of other family benefits also fell. This is more than likely driven by the reduction in the age of entitlement to Family Tax Benefit as discussed

earlier so that the parents of young people have experienced a decline in the receipt of this benefit. Overall, the rate of family benefits receipt is slightly lower than in the OECD on average (29% in 2013, see bottom panel of Figure 3.5).

### *Targeting and coverage of benefits*

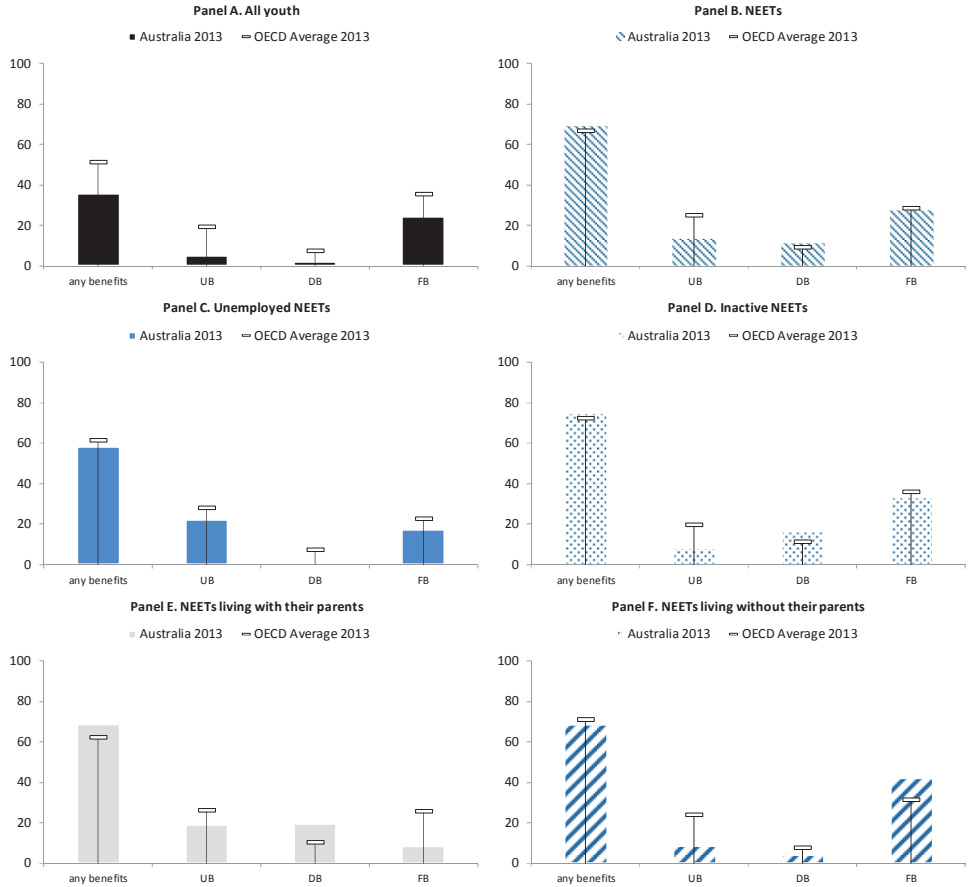
Income-support for young people in Australia is targeted at NEETs. While benefit coverage for all youth is comparatively low (Panel A of Figure 3.6), benefit receipt rates among NEETs are just above the OECD average (Panel B of Figure 3.6). This likely reflects the fact that most benefits in Australia – including family allowances – are means-tested. Within the NEET group UB coverage[25], at 13%, is well below the 25% OECD average, again a likely reflection of means-testing while DB receipt at 11% is just above the OECD average. Coverage of NEETs by FB is in line with the OECD average.

There are notable differences in benefit coverage between unemployed and inactive NEETs (Panels C and D of Figure 3.6):

- Amongst unemployed NEETs, UB is an important source of income support, with 22% of NEETs receiving YA(o) or NSA while a further 17% of unemployed NEETs live in an FB-receiving household. DB does not play an important role.
- Amongst inactive NEETs, 33% of NEETS live in a household receiving FB. A substantial 17% receive DB, significantly more than in the OECD on average (11%). The UB receipt rate of 8% is lower than for unemployed NEETs and well below the OECD average of 20%.[26]
- Overall benefit coverage is considerably higher for inactive than for unemployed NEETs. This mainly reflects the comparatively low share of FB beneficiaries among the unemployed. 25% of inactive NEETs but 41% of unemployed NEETs report having not received *any benefits* in the past year.

## Figure 3.6. The targeting of benefits in Australia is relatively effective

Benefit receipt rates in Australia by subgroup in percent, 2013




*Note*: Benefit receipt rates give the number of youth who report having received a positive amount of benefits during the past year as a share of the total youth population. For FA, the receipt rate gives the share of youth who live in a benefit-receiving household.

Benefits in Australia were classified as follows: unemployment benefits (UB) correspond to Newstart Allowance and Youth Allowance (other), disability benefits (DB) correspond to Disability Support Pension, Carer Payment and Sickness Allowance, family benefits (FB) correspond to Family Tax benefit (A and B), maternity payments, Parenting Payment.

Data are for 2013 except for Mexico (2014), Germany (2012) and Canada (2011).

*Source*: OECD calculations based on EU-SILC, HILDA (Australia), SLID (Canada), CASEN (Chile), ENIGH (Mexico), and CPS (United States).

Differences in benefit coverage between NEETs living with and without their parents appear to be primarily due to the young person's activity status.

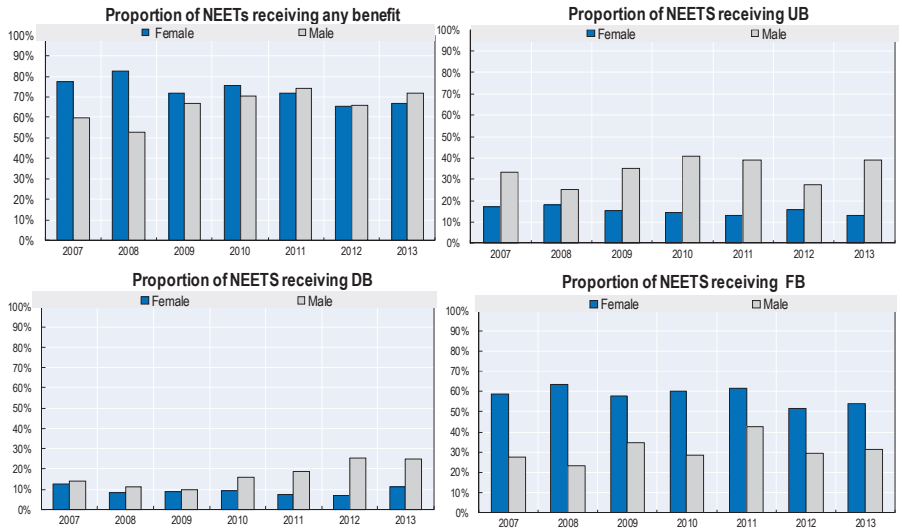
- For those living without their parents FB receipt rates (42%) are higher than the OECD average (32%) which likely reflects the higher share of young parents who live independently compared to other OECD countries as seen in Chapter 2.
- Individuals with a recognised disability and an entitlement to DB receipt appear more likely to live with their parents. DB receipt for NEETs living with their parents (20%) is more than twice the OECD average.

Male and female NEETs in 2013 had a similar benefit coverage rate (72% vs. 67%). Benefit receipt patterns among NEETs differ by gender, however, as do the trends in benefit receipt since 2007 (Figure 3.7). Female NEETs were 1.3 times more likely to be in receipt of benefits in 2007 (78% compared to 60%). Female NEETs have been consistently more likely to be in receipt of FB compared to male NEETs, reflecting the fact that the majority of PP (single) recipients are women (ranging from 94-95% between 2007 and 2013, see DSS, 2014). Male NEETs tend to be more likely to be in receipt of UB and DB. The overall rise in UB and DB receipt seen earlier, therefore, has equalised the benefit coverage of male and female NEETs in recent years.

The analysis of receipt rates just presented can only provide insights into benefit coverage. To examine the adequacy of these benefits, the final section of this chapter describes poverty rates amongst young people and in particular NEETs.

## Figure 3.7. Female NEETs are more likely to receive family benefits while males are more likely to receive unemployment and disability benefits

Benefit receipt rates among NEETs by sex, in percent




*Note*: Numbers are for youth aged 16-29 years.

Benefits were classified as follows: unemployment benefits (UB) correspond to Newstart Allowance and Youth Allowance for non-students, disability benefits (DB) correspond to Disability Support Pension, Carer Payment, Carer Allowance and Sickness Allowance, family allowances (FA) corresponds to Family Tax benefit (A and B), maternity payments, baby bonus and Parenting Payment. Family benefits consist of Family Tax benefit (A and B), maternity payments, baby bonus.

Benefit receipt rates for UB and DB give the number of NEET who report having received a positive amount of benefits during the past year as a share of the total NEET population. Benefit receipt rates for FA give the number of NEET who report living in a household that received a positive amount of benefits during the calendar year as a share of the total NEET population. Benefit receipt rates for any benefit give the proportion of NEET individually receiving UB or DB as well as the number of NEET in a household receiving FA.

*Source*: OECD calculations based on HILDA 2013.

### *The length of benefit receipt spells*

The previous subsection gave an overview of the broad trends in income-support benefit receipt in Australia since 2007 and of how benefit receipt rates in Australia compare to those in OECD countries. This section focuses on the *dynamics* of benefit receipt: for how long did young people remain on benefits during the crisis? And did they have one single or multiple spells of benefit receipt?

Individual-level dynamics of benefit receipt are identified using administrative data on benefit recipients from the Research and Evaluation Database (RED) for the years 2005 to 2014.[27] The analysis compares benefit receipt for two cohorts – one that started receipt of a benefit before the onset of the Great Recession (up to October 2008) and another one that commenced benefit receipt during the crisis (from November 2008).[28] For each of the two cohorts, benefit dynamics are studied for a period of 30 months.

The duration of UB receipt spells [i.e. periods in which young people received either YA(o) or NSA] tend to be relatively short in Australia, though spell lengths increased slightly over the crisis. Young recipients who started receiving benefits in the pre-crisis period had a median spell duration of five months. 22% of them remained on benefits for longer than a year (Table 3.1). For those who started after November 2008, the median spell duration increased to six months, and 28% of spells lasted longer than one year.

Youth are not more likely than prime-age recipients (aged 30-49 years) to experience long periods of benefit receipt. The median duration of UB receipt over the 30-month observation period for both youth and prime age adults was six months (Table 3.2). Youth were also less likely to remain on benefits for longer than 12 months with 25% of youth receiving UB for more than 12 months compared to 27% of prime-age adults.[29]

**Table 3.1. Unemployment benefit receipt tends to be short while disability and family benefit spell durations are long**

| | Unemployment benefits | | | | |
|---|---|---|---|---|---|
| | Duration in months | | Share of spells in percent | | |
| | median | mean | > 6 months | > 12 months | censored |
| *2005-08* | *5* | *8.7* | *40.8* | *22* | *8.4* |
| *2008-11* | *6* | *10* | *47.7* | *28* | *10.8* |
| | **Disability benefits** | | | | |
| | Duration in months | | Share of spells in percent | | |
| | median | mean | > 6 months | > 12 months | censored |
| *2005-08* | *30* | *18.9* | *67.2* | *59.7* | *52.4* |
| *2008-11* | *30* | *21.5* | *76.5* | *69.7* | *61.4* |
| | **Family benefits** | | | | |
| | Duration in months | | Share of spells in percent | | |
| | median | mean | > 6 months | > 12 months | censored |
| *2005-08* | *30* | *21.8* | *86.5* | *73.7* | *53.2* |
| *2008-11* | *30* | *21.5* | *76.5* | *69.7* | *61.4* |

*Note*: Benefits were classified as follows: unemployment benefits correspond to Newstart Allowance and Youth Allowance for non-students, disability benefits correspond to Disability Support Pension, Carer Payment and Sickness Allowance. As RED data mainly include individuals in receipt of Department of Human Services managed income support payments, some details about maternity benefits, family tax benefits or mobility allowance are missing. Therefore family benefits as shown in the table are restricted to Parenting Payment only.

Durations are calculated for all spells for two cohorts – the first beginning benefit receipt between November 2005 and October 2008 and the second beginning benefit receipt between November 2008 and October 2011. The observation window for these spells is 30 months (starting from the first month of the spell). A spell is considered as censored if it is ongoing at the end of the 30-month observation period. Therefore, the maximum observable duration for spells is 30 months.

Benefit spells are defined as consecutive months during which a young person receives UB/DB ignoring any interruptions of up to three months. In case of such an interruption, the spell is treated as ongoing, but the interruption itself is not counted towards the duration of the spell. A spell is considered as having ended if the young person does not receive any benefits for a period of four months.

Numbers are for youth aged 16-29 years at the beginning of their spell. Numbers were calculated using 20% sample of the recipient population.

*Source:* OECD calculations based on administrative data from the Research and Evaluation Database (RED).

**Table 3.2. Young people have shorter unemployment benefit receipt durations than prime-age recipients**

| | Median duration | Share of spells in percent | | |
|---|---|---|---|---|
| | | >6 months | >12 months | Censored |
| Youth, 16-29 | 6 | 44.5 | 25.3 | 9.7 |
| Prime age, 30-49 | 6 | 46.7 | 27.4 | 10.9 |

*Note*: Benefits were classified as follows: unemployment benefits correspond to Newstart Allowance and Youth Allowance for non-students

Durations are calculated for all spells beginning between November 2005 and October 2011. The observation window for these spells is 30 months (starting from the first month of the spell). Benefit spells are defined as consecutive months during which a person receives UB/DB ignoring any interruptions of up to three months. In case of such an interruption, the spell is treated as ongoing, but the interruption itself is not counted towards the duration of the spell. A spell is considered as having ended if the person does not receive any benefits for a period of four months.

Numbers are for youth aged 16-29 years (youth) aged 30-49 (prime-age persons) at the beginning of their spell. Numbers were calculated using 20% of the initial sample.

*Source:* OECD calculations based on administrative data from the Research and Evaluation Database (RED).

These results should alleviate some concerns about possibly widespread long-term unemployment benefit dependency amongst young people in Australia, which appear to have motivated the recent and proposed tightening of benefit eligibility criteria for young people (in the form of an increase in the age threshold for NSA receipt and the planned introduction of a four-week waiting period for YA(o) claimants under the age of 25 years which is currently subject to legislation).

A concern, by contrast, should be the growing long-term benefit dependency amongst DB recipients. The majority of DB recipients in the sample stay on benefits for the entire 30-month observation period (Table 3.1). A large share of spells are censored, i.e. still ongoing in the in the final month of the observation period. This implies that actual spell durations are even longer. These results confirm earlier research, which finds that DB receipt in Australia is strongly affected by labour market conditions (Cai and Gregory, 2004).[30] The long spell durations for DB primarily reflect long-term receipt of Disability Support Pension, while spell durations for Sickness Allowance are much shorter.[31]

Earlier studies show that prevalence of mental health problems amongst 12- to 25-year-olds is high, but also that this group is the least likely to seek treatment (OECD, 2015). Young people with poor mental health are moreover more likely to drop out of school without a qualification. Given the link between low educational attainment and being NEET, it is important

that this group receive support to help continue their engagement in education, and that DB recipients are assisted to remain in education or employment. More specifically,

- GPs and mental health specialists should receive more support to evaluate the working or studying capacity of youth who seek help for health problems.
- The DSP eligibility two-year rule, whereby those who are deemed unable to work within the next two years are eligible for DSP, is arbitrary. For youth, this is a particularly long period. Reassessments need to be strengthened to prevent DB receipt from becoming permanent. Disability benefits should only be granted to those with permanent conditions.

Finally, FB receipt tends to be long-lasting, with the majority of recipients remaining on benefits for the full 30-month observation period (Table 3.1).

## 3. Youth poverty

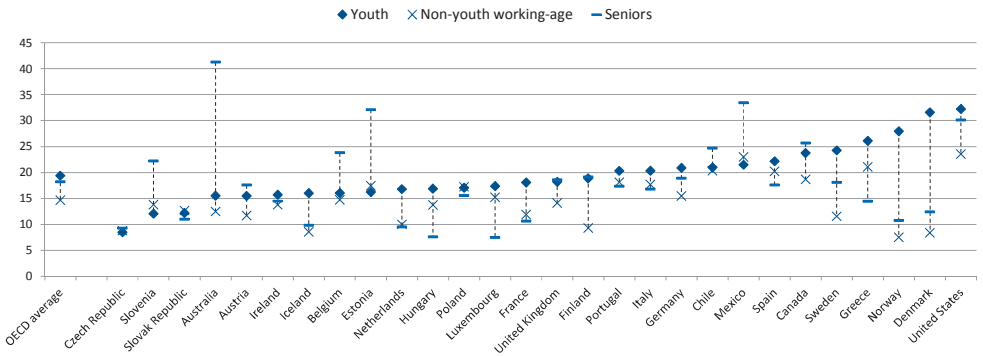
This section examines the *adequacy* of benefits by studying poverty rates of young people in Australia.[32] Youth poverty rates in Australia are amongst the lowest in OECD countries standing at 15.5% in 2013 compared to an OECD average of 19%. Poverty rates are lower only in the Czech Republic, Slovenia and the Slovak Republic, where very few young people live independently from their parents.

Poverty rates of youth in Australia are slightly higher than those of adults aged 30-59 years (12.4%, Figure 3.8). This pattern is common across OECD countries.[33]

Poverty rates for youth and working age (16-59) adults have been relatively flat since 2007 (Figure 3.9) with a slight decline for working age adults. Poverty rates amongst NEETs saw sharper declines, falling from 38% in 2007 to 30% in 2012, before increasing to 36% in 2013. This fall is partially explained by a rising proportion of NEETs living with their parents (44% in 2007 rising to 49% in 2013) as poverty rates are calculated using household income.

**Figure 3.8. The youth poverty rate in Australia is among the lowest in OECD countries**

Poverty rates by subgroup in percent, 2013



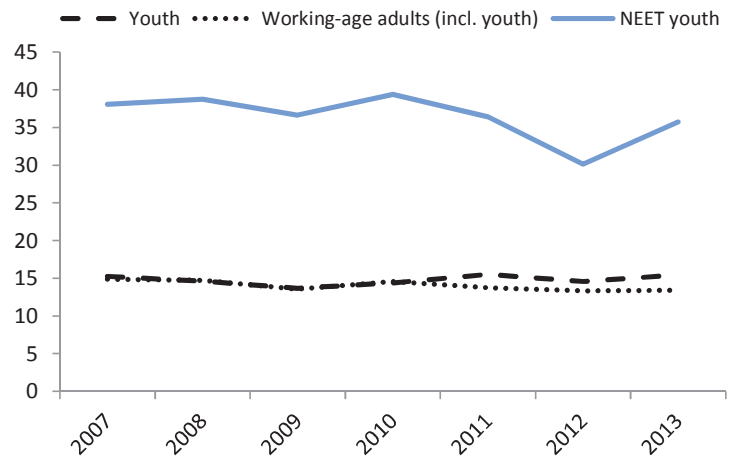

*Note*: Numbers are for youth aged 16-29 years and non-youth working-age adults aged 30-59 years.

Individuals are defined as poor if they live in a household with an equivalised household income below 60% of the median income.

*Source*: OECD calculations based on EU-SILC, HILDA (Australia), SLID (Canada), CASEN (Chile), ENIGH (Mexico), and CPS (United States).

**Figure 3.9. Poverty rates for NEETs have fallen in recent years**

Poverty rates in percent among NEETs, youth and adults, 2007-13




*Note*: Numbers are for youth aged 16-29 years and working-age adults aged 16-59 years.

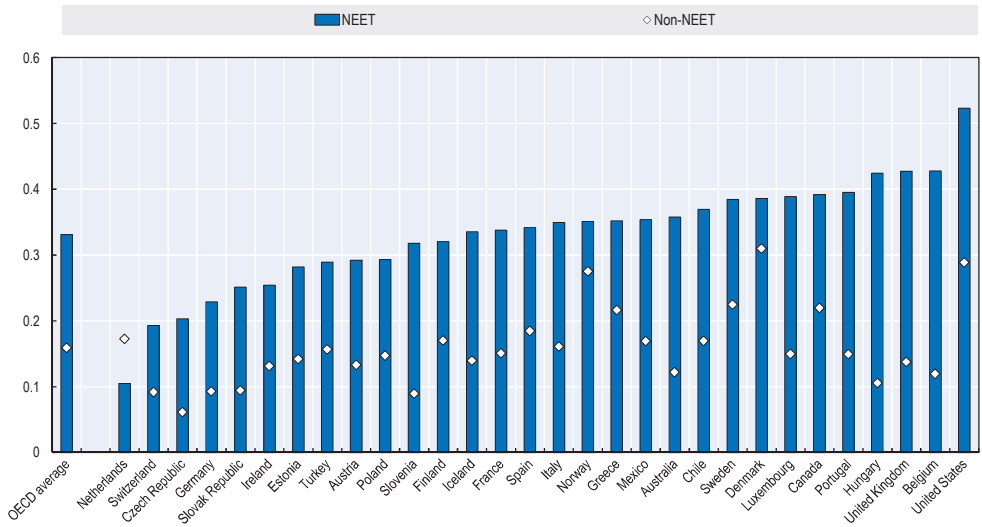
Individuals are defined as poor if they live in a household with an equivalised household income below 60% of the median income.

*Source*: OECD calculations based on HILDA.

Despite low overall poverty rates for youth, NEETs face a very high risk of poverty in Australia. More than one out of three NEETs were living below the poverty line in 2013, implying that the risk of poverty is nearly three times as high for NEETs as for other youth (36% vs 12%). This is the sixth highest NEET/non-NEET gap in poverty rates across the OECD(Figure 3.9). Amongst Australian NEETs, inactive youth and those no longer living with their parents tend to face a much higher poverty risk (Figure 3.10).

**Figure 3.10. The poverty gap between NEETs and non-NEETs is higher in Australia than in most OECD countries**

Poverty rates among NEETs and non-NEET youth in percent, 2012




*Note*: The poverty line is defined as 60% of median equivalised disposable household income.

Numbers are for individuals aged 15-29 years; for the United States, the age range considered is 16-24 because as information on student status is not available above 24.

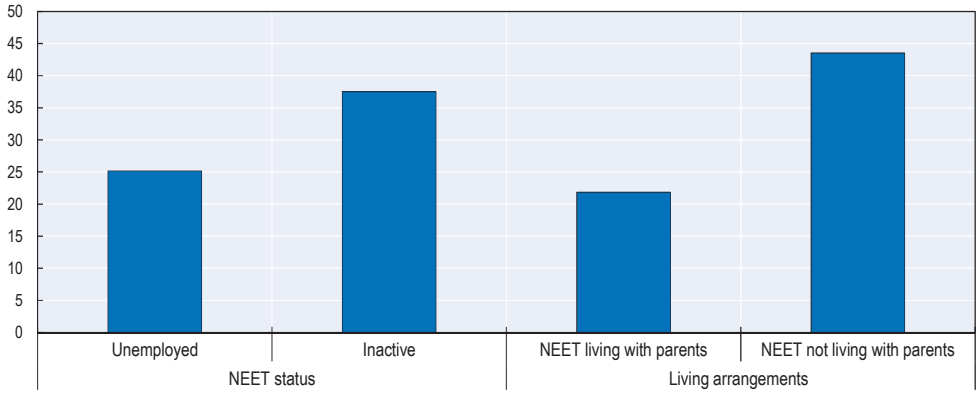
Data used are for 2013.

Countries are sorted by the NEET poverty rate in ascending order.

*Source:* OECD calculations based on EU-SILC for European countries, HILDA for Australia, SLID for Canada, CASEN for Chile, ENIGH for Mexico, HES for New Zealand and CPS for the United States.

**Figure 3.11. The poverty risk is highest for inactive NEETs and NEETs living without their parents**

Poverty rates by activity status and living arrangements in percent, 2013



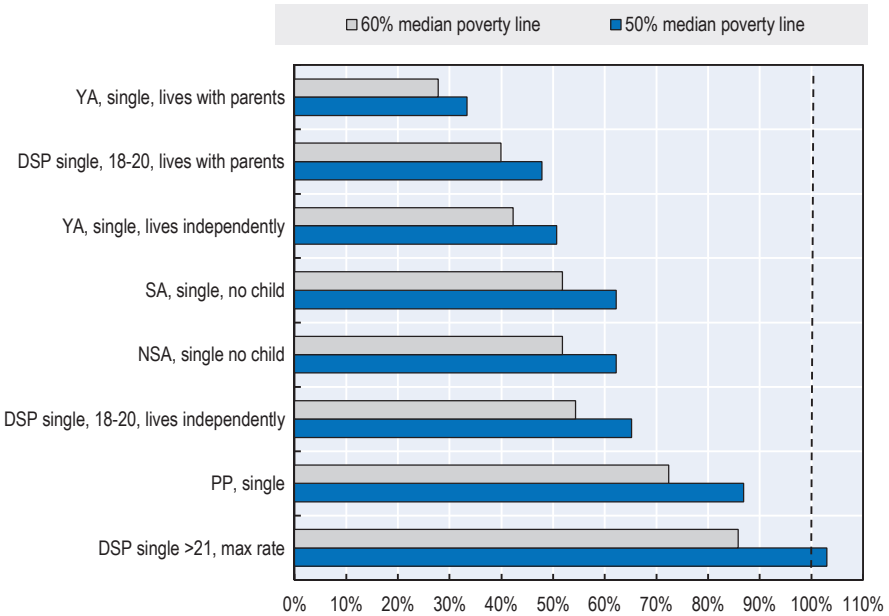

*Source*: OECD calculations using HILDA.

The high incidence of poverty among NEETs points at a possible inadequacy of income support for unemployed and inactive youth. Since the rate of benefit receipt among NEETs is comparable to that in other OECD countries (see Figure 3.6), higher poverty rates imply that benefits fail to lift young NEETs above the poverty line. This may be true in particular for FB as indicated by the high poverty rates among inactive NEETs.

Figure 3.12 examines the adequacy of benefits in keeping youth out of poverty by comparing the amount received under the main schemes discussed above to the two commonly used poverty lines, 50% and 60% of median income. It is clear that the benefit rates on their own are not sufficient to keep a young person above the poverty line, particularly in the case where the young person is living independently of his or her parents. This helps explain the higher poverty rate experienced by NEETs not living with their parents (Figure 3.11). It is worth bearing in mind, however, that poverty rates are based on *household* income and that only 10% of NEET youth live alone or as a lone parent (see Chapter 2). Those living with their parents or partners will be much more likely to have higher household income and have a lower risk of poverty.

**Figure 3.12. Benefits for (single) youth all fall below the poverty line**

Benefits for single youth as a proportion of the poverty line, 2013-14




*Note*: Benefit levels are expressed relative to the 2013 poverty line (i.e. 50% and 60% of equivalised median household income).

The dashed line indicates the poverty line.

DSP: Disability Support Pension; NSA: Newstart Allowance; PP: Parenting Payment; SA: Sickness Allowance; YA: Youth Allowance.

*Source:* OECD calculations, median income for the calculation of the poverty line taken from the Survey of Income and Housing (SIH) 2013-14.

## 4. Round-up

Social benefits for working-age individuals in Australia are financed through general taxation and are not insurance-based like in most other OECD countries. The principal benefit programmes for NEETs are *Youth Allowance (other)*, which is payable to unemployed youth up to the age of 22 years, and the more generous *Newstart Allowance*, payable to registered unemployed above the age of 22 years. Both benefits are means-tested and can in principle be received for an unlimited duration as along as the claimant satisfies his *mutual obligations* activity requirements. Additional

categorical social benefits exist for NEETs with reduced work capacity and for young parents.

The Great Recession led to an increase in benefit receipt amongst youth, and receipt rates continue to be elevated compared to their pre-crisis levels. The share of youth who receive unemployment-related benefits [*Youth Allowance (other)* or *Newstart Allowance*] increased by 20% (from 10.1% to 12.2% of youth between 2008 and 2013). Australia also saw an increase in the receipt rate of disability-related payments (mainly *Disability Support Pension* and *Carers Payment*) of 14% (from 2.4% to 2.8% between 2008 and 2013). Australia is among the OECD countries with the highest rate of disability benefit receipt by youth in 2013.

Young recipients spend a relatively short time on benefits in spite of rising receipt rates. For unemployment-related benefits, a majority of young jobseekers receive payments for less than six months, even though receipt durations have increased a little since 2008. Benefit receipt durations moreover tend to be slightly shorter for youth than for prime-age recipients. Receipt of disability-related benefits tends to last substantially longer, with 70% of spells among youth being longer than one year. This is particularly troublesome given the relatively high receipt rate of disability-related benefits and the gatekeeping of such payments needs to be ensured.

Benefits for youth tend to be strongly targeted, with receipt rates being about twice as high for NEETs than for youth in general. *Inactive* NEETs are more systematically covered than *unemployed* NEETs. This primarily reflects high receipt rates of disability-related benefits and family allowances.

There remains a concern, however, about adequacy of benefit levels. Net replacement rates for benefit recipients in their initial phase of unemployment are the lowest in Australia across OECD countries, both for persons below and above the age of 22 years. Replacement rates are substantially below the OECD average also for the long-term unemployed.

This low benefit generosity is reflected in a relatively high incidence of poverty among NEETs. While the youth poverty rate in Australia is amongst the lowest across OECD countries (13% compared to 19% in the OECD in 2013), it is nearly three times as high for NEET youth. This is one of the largest NEET/non-NEET gaps in poverty rates across OECD countries.

# Notes

1. Much of this information is taken from the summary of the Australian tax-benefit system, which is basis of the OECD tax-benefit simulator (http://www.oecd.org/social/benefits-and-wages.htm).

2. Youth Allowance (student) also exists and is a means-tested income-support benefit for youth engaged in full-time education

3. YA(o) was introduced in 1998 consolidating three separate payments that could be received by young people: NSA, the Youth Training Allowance (YTA) and Study Assist (SA).

4. Since January 2013, a more generous income test applies for single persons who are the principal carer of their child.

5. In most OECD countries, unemployment insurance benefit entitlements expire after a certain period, and jobseekers get moved to less generous unemployment assistance or social assistance benefits. In some countries, unemployment insurance benefit levels moreover decline with increased duration on benefits.

6. The replacement rate gives the ratio of benefits to the earnings from work during the previous employment.

7. Recipients of NSA, YA(o)and PP are also entitled to the Income Support Bonus (ISB), a tax-free payment made twice annually to assist eligible recipients with unexpected costs. The ISB has however been ended, and the final payments will be made in September 2016.

8. In order to qualify for PP a dependent child can only be the "PP child" of one person at a time (for example in the case of separated parents). A higher benefit rate may be paid to singles receiving NSA or YA(o) who have partial responsibility for a dependent child (for example, parents with shared custody, or care of a dependent child aged 8 years or older).

9. To qualify for unemployment payments a person must either be an Australian citizen, a holder of a permanent visa, or a protected

Special Category Visa holder. SB recipients must be either Australian residents or holders of a specified subclass of visa including temporary visa due to a humanitarian concern.

10. A person is not a qualifying child for FTB purposes if they receive an income support payment in their own right; are aged 5 to 15 years, not in full-time study and are earning AUD 13 775 or more during the income year; are aged 16-19 years and not in full-time secondary study and are earning AUD 13 775 or more during the income year.

11. DSP recipients under 35 with no children under 6 and with an assessed weekly work capacity of 8 hours or more are required to attend "participation interviews" to help the individual to prepare for and find work.

12. A Mobility Allowance (MA) exists to assist with transport costs for people with a disability who are unable to use public transport without substantial assistance.

13. Youth (<21) DSP rates are higher than the equivalent YA(o) rates as they include a fortnightly Youth Disability Supplement (YDS) in recognition of the additional costs faced by youth with a disability.

14. An annual lump sum (AUD 600) Carer Supplement also exists to assist carers with the costs of caring for someone with a disability/medical condition.

15. The Child Disability Assistance Payment (CDAP) consists of an AUD 1 000 annual payment made for a child with disability under 16 years who attracts a payment of CA for their carer.

16. Public housing is provided by state and territory governments with financial assistance from the Commonwealth Government.

17. A young person under 22 may be considered independent under a variety of scenarios such as if they have supported themselves financially through employment, are married or have a dependent child.

18. The YA(s) earnings disregard is AUD 433 per fortnight compared to AUD 143 for YA(o). A 50% withdrawal rate applies for earnings above this level but below AUD 433, while income above AUD 519 attracts a withdrawal rate of 60%.

19. Those aged under 16 receive a maximum of AUD 233.60 while those aged 16-21 receive a maximum of AUD 426.80.

20. Table 3.A3.1 in Annex 3.A3 summarises entitlement to the various social transfer schemes across OECD countries. For an overview of

eligibility conditions for income-support receipt of youth in OECD countries, see Carcillo et al. (2015).

21. The analysis does not examine receipt of the SB as numbers receiving it in the survey are too low for analysis (less than 1% of youths receive this benefit over the time period in question). Nor does it examine the proportion of youth receiving Commonwealth Rent Assistance as it is paid in conjunction with other benefits and is not classified separately, therefore is not possible to extract from the data.

22. This part of the analysis uses data from HILDA. As HILDA surveys the entire household, it allows for the analysis not of just benefits received by youth but also to capture family benefits received by the parents of young people

23. The measure reduced the work incapacity test from 30 to 15 hours. New applicants deemed capable of working 15-30 hours were placed on an "enhanced" NSA and required to seek part-time work. Hanel et al. (2013) examined the impact of the change on those with a partial work capacity (i.e. over 15 but under 30 hours per week). They found that the welfare to work reform increased the probability of exiting benefit receipt but also increased the likelihood of simply moving to another form of income support. This latter effect (14%) was found to be higher than the former (9%). They also found that those who exited benefit receipt due to the reform returned to benefit receipt faster than they would have without the reform, possibly due to their exiting benefit receipt having not been based on a feasible long-term solution.

24. It is not possible to break down these groups into the individual components as they are not disaggregated in the underlying HILDA data.

25. This includes social assistance benefits.

26. Some youth may be classified as receiving unemployment benefits while inactive for two reasons. Firstly, benefit receipt is measured in terms of the payment received in the last financial year, which implies that it might not be ongoing. Secondly, the classification as inactive is based on job search activity as reported in HILDA. This self-assessment may differ from an assessment made through the Centrelink benefit administration or an employment service provider.

27. The RED data contain information on all benefit recipients. For ease of analysis, the results presented here are based on a 20% sample.

28. The cut-off point between the two sub-periods was chosen by studying the number of new NSA and YA(o) spells for individuals aged 16 to 29 years old at the beginning of the spell. Being the main unemployment benefits for youth in Australia, the monthly numbers of NSA and YA(o) spells can reflect the macroeconomic employment situation of youth in the country. November 2008 seems to be the first month when the number of spells soared unusually compared to the pre-crisis period.

29. Another indication for the lower incidence of long-term benefit receipt among youth is that at 9.7% young people had a lower share of censored spells than prime aged adults (10.9% had censored spells) i.e. spells that were still ongoing in the final month of the 30-month observation period. This suggests that the reported differences in UB spell durations among youth and prime-age adults underestimate the true gap.

30. Cai and Gregory examined flows into DSP, and found that that changes in labour market conditions from 1970 to 1999 explain around 40% of the increase in benefit receipt. One explanation is that being laid off from employment may aggravate health conditions, such that the number of persons eligible for illness or disability payments rises when the labour market is poor. Another explanation could be that in times of crisis, when employments opportunities are scarce, young people were more likely to apply for a disability pension as it remained the only non-activity-tested payment. For the United States, Coe and Rutledge (2013) examined the rise in disability allowance receipt during the Great Recession. They found no significant change in the health status of individuals applying for disability payments; If anything, new applicants had slightly better health than previous applicants. They suggest that some eligible persons may be particularly hesitant to claim benefits, but when faced with unemployment and little prospects of finding new employment due to the recession, they turned to disability payments as a last resort.

31. The mean duration for Sickness Allowance (4.3 months) is much lower than the one of Disability Support Pension spells (29 months), which indicates that long-term DB receipt is totally driven by Disability Support Pension. One additional aspect worth pointing out is that an analysis of starting spells (or "inflows") like the one presented in Table 3.1 does not account for the large number of DB spells that were already ongoing in November 2005. Many of these young people may have been diagnosed with a disability at a much younger age, and their DB spell durations may

be even longer than those of youth starting a new spell during the years 2005-11.

32. The poverty rate is defined as the proportion of the population who live in households with an income below 60% of the equivalised median household income.

33. Extremely high poverty rates among seniors in Australia (38% compared to 18% in the OECD on average) result from the fact that many retirees take their pension as a lump-sum payment upon retirement. They consequently have a very low annual income, which however is used to calculate the poverty rate OECD (2013).

# *References*

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Hanel, B., D. McVicar and R. Zakirova (2013), "Income Support Recipients with Disability on DSP and NSA: Their Characteristics, Income Support Duration and Employment Participation", Melbourne Institute.

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OECD (2010), *Sickness, Disability and Work: Breaking the Barriers: A Synthesis of Findings across OECD Countries*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264088856-en.

## Database references

OECD Social Expenditure Database (SOCX)
http://www.oecd.org/social/expenditure.htm.

# *Annex 3.A1*
# Benefit levels

**Table 3.A1.1. Rates of Newstart Allowance, Youth Allowance, Parenting Payment and Sickness Allowance, 2016**

| | Maximum fortnightly payment (in AUD) |
|---|---|
| NewStart Allowance | |
| Single, no children | 527.60 |
| Single, with a dependent child or children | 570.80 |
| Single, aged 60 or over, after nine continuous months on payment | 570.80 |
| Partnered | 476.40 (each) |
| Single principal carer granted an exemption from Mutual Obligation Requirements[1] | 737.10 |
| Youth Allowance | |
| Single, with no children, younger than 18 years and living at parental home | 237.10 |
| Single, with no children, younger than 18 years, and required to live away from parental home to study, undertake training or look for work | 433.20 |
| Single, with no children, 18 years or older and living at parental home | 285.20 |
| Single, with no children, 18 years or older and required to live away from parental home | 433.20 |
| Single, with children | 567.20 |
| Member of a couple, with no children | 433.20 |
| Member of a couple, with children | 475.70 |
| Single job seeker principal carer granted an exempltion form Mutual Obligation Requirements | 737.10 |
| Parenting Payment | |
| Singe | 737.10 |
| Couple | 475.70 |
| Couple, separated due to illness, respite care, or prison | 567.20 |
| Sickness Allowance | |
| Single, aged 22 years or older but under age pension age, with no children | 527.60 |
| Single, aged 22 years or oder but under age pension age, with dependent children | 570.80 |
| Single, aged 60 years or older but under age pension age, after nine countinuous months of payment | 570.80 |
| Partnered | 476.40 (each) |

*Note*: Mutual Obligation Requirement exemptions for recipients are due to: foster caring, non-parent relative caring under a court order, home schooling, distance education, caring for a large family (4+ dependent children).

1. Parenting Payment single rate includes the Pension Supplement.

*Source:* Department of Human Services.

## Table 3.A1.2. Rates of Disability Support Pension and Carer Payment, 2016

| | Maximum fortnightly payment (in AUD) | | | |
|---|---|---|---|---|
| **Disability Support Pension** | | | | |
| | Under 21 with no children | | | |
| Single, under 18 years of age, at home | 360.60 | | | |
| Single, under 18 years of age, independent | 556.70 | | | |
| Single, 18-20 years of age, at home | 408.70 | | | |
| Single, 18-20 years of age, independent | 556.70 | | | |
| A member of a couple, up to 20 years of age | 556.70 | | | |
| | Over 21 or <21 with children | | | |
| | Single | Couple each | Couple combined | Couple each, separated due to ill heatlh |
| Maximum basic rate | 794.80 | 599.10 | 1 198.20 | 794.80 |
| Maximum Pension Supplement | 65.00 | 49.00 | 98.00 | 65.00 |
| Energy Supplement | 14.10 | 10.60 | 21.20 | 14.10 |
| TOTAL | 873.90 | 658.70 | 1 317.40 | 873.90 |
| **Carer Payment** | | | | |
| | Single | Couple each | Couple combined | Couple each, separated due to ill heatlh |
| Maximum basic rate | 794.80 | 599.10 | 1 198.20 | 794.80 |
| Maximum Pension Supplement | 65.00 | 49.00 | 98.00 | 65.00 |
| Energy Supplement | 14.10 | 10.60 | 21.20 | 14.10 |
| TOTAL | 873.90 | 658.70 | 1 317.40 | 873.90 |

*Source:* Department of Human Services.

## Table 3.A1.3. Commonwealth Rent Assistance rates, 2016

| | Maximum fortnightly payment | No payment if fortnightly rent is <: | Maximum payment if fortnightly rent is >: |
|---|---|---|---|
| **No dependent children** | | | |
| Single, with no children | 130.40 | 116.00 | 289.87 |
| Single, with no children, sharer | 86.93 | 116.00 | 231.91 |
| Coupe, with no children | 122.80 | 188.20 | 351.93 |
| One of a couple who are separated due to illness | 130.40 | 116.00 | 289.87 |
| One of a couple who are temporarily separated | 122.80 | 116.00 | 279.73 |
| **With dependent children** | | | |
| Single, one or two children | 153.03 | 152.60 | 356.63 |
| Single, three or more children | 172.90 | 152.60 | 383.13 |
| Couple, one or two children | 153.02 | 225.82 | 429.85 |
| Couple, three or more children | 172.90 | 225.82 | 456.35 |

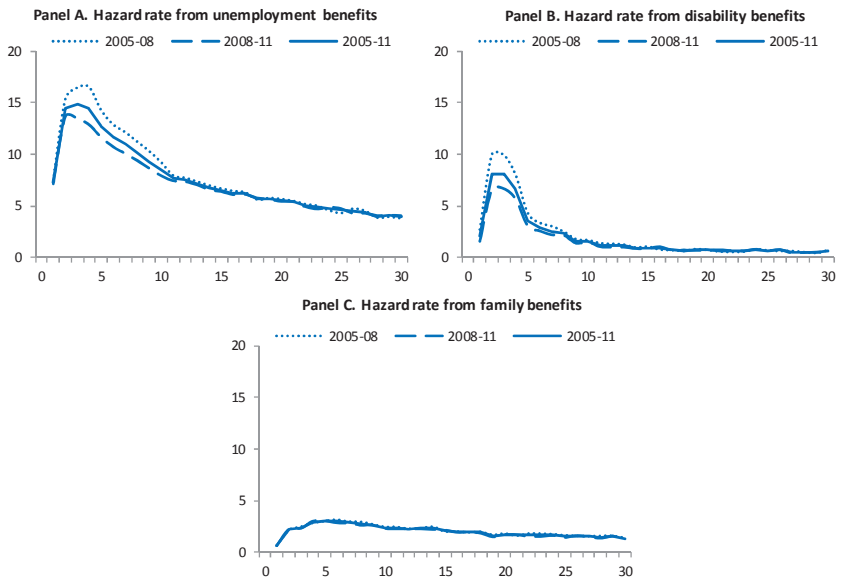
*Source:* Department of Human Services.

# *Annex 3.A2*
# Hazard rates

An alternative way of looking at changes in benefit dynamics during the observation period is by plotting the period-specific exit rate (or "hazard rate") from benefits for the spells described in the main text. Figure 3.A2.1 gives the monthly probability of exit from UB (Panel A), DB (Panel B) and FB (Panel C) for a young person in the first 30 months of a spell.

**Figure 3.A2.1. Changes in the hazard rates from UB, DB and FB among youth**

Hazard rate by sub-period in percent




*Note*: Numbers are for youth aged 16-29 years and the beginning of their spell.

The hazard rates give the period-specific exit rates from UB (unemployment benefits), DB (disability benefits) and FB (family benefits) receipt among recipient youth who have not left benefit receipt in any of the previous months.

*Source:* OECD calculations using administrative data from the Research and Evaluation Database (RED).

For UB, monthly hazard rates show a declining pattern, falling from 17% after three months to only around 3% for very long spells. A "hump" in exit rates after three months confirms that many young people leave unemployment benefits early. The hump is however higher for the 2005-08 than for the 2008-11 sub-period, implying that the pre-crisis cohort exited from UB receipt at a quicker rate.

For DB, exit rates are at a very low 1%, except for a peak after two months of benefit receipt. This can be explained by the receipt of temporary Sickness Allowance, which is included in DB. As for UB, the peak is higher for the pre-crisis period than for the crisis period implying that during and after the crisis, young DB recipients remained on benefits for longer

FB exit rates are very low with little variation throughout the first 30 months of the spell.

# *Annex 3.A3*
# Income-support programmes for youth without employment record

**Table 3.A3.1. Unemployment benefits are often available to youth without an employment record**

| | Unemployment benefits | | Other benefits available | | Additional child-contingent benefits | |
|---|---|---|---|---|---|---|
| | UA | UI | SA | HB | LP | FB |
| Australia | • | | • | • | • | • |
| Austria | | | • | | • | • |
| Belgium | | • | • | | • | • |
| Canada | | | • | | • | • |
| Czech Republic | | | • | • | | • |
| Chile | | | | | | • |
| Denmark | | • | • | • | • | • |
| Estonia | | | • | | • | • |
| Finland | • | | • | • | • | • |
| France | | | | • | • | • |
| Germany | • | | | • | • | • |
| Greece | • | | | | • | • |
| Hungary | | | • | • | • | • |
| Iceland | | | • | • | • | • |
| Ireland | • | | • | • | • | • |
| Israel | | | • | | • | • |
| Italy | | | | • | • | |
| Japan | | | • | • | • | • |
| Korea | | | • | • | • | |
| Latvia | | | • | • | • | • |
| Luxembourg | | • | | | • | • |
| Netherlands | | | • | • | • | • |
| New Zealand | • | | | • | • | • |
| Norway | | | • | • | • | • |
| Poland | | | • | • | • | • |
| Portugal | | | • | • | • | • |
| Slovak Republic | | | • | | • | • |
| Slovenia | | | • | • | • | • |
| Spain | | | | | | • |
| Sweden | • | | • | • | • | • |
| Switzerland | | | • | | | • |
| Turkey | | | | | | |
| United Kingdom | • | | • | • | | • |

*Note*: FB: Family benefit; HB: Housing benefit; LP: Lone parent benefit; SA: Social assistance; UA: Unemployment assistance; UI: Unemployment insurance.

Information is for 2012.

*Source:* OECD tax-benefit models, http://www.oecd.org/els/social/workincentives.

# *Annex 3.A4*
# Distribution of benefit spells amongst youth

An important question related to the length of benefit spells is *how* the spells are distributed amongst individuals. Close to half of youth with a period of UB receipt received it for one single short spell (of at most six months) only, while close to half begin a long receipt spell (more than six months). Very few UB recipients started multiple short spells in the 2005-11 observation period. A "hump" in exit rates after three months confirms that many young people leave unemployment benefits early (see Annex 3.A2).

Due to the long-term nature of receipt of DB and FB, very few recipients (<1%) experienced multiple short receipt spells. The vast majority (90%) of individuals in receipt of FB experience a long receipt spell over the 30 month period.

**Table 3.A4.1. Unemployment, disability and family benefit spell numbers among youth**

| | **Unemployment benefits** | | |
|---|---|---|---|
| | Types of spells | | |
| | One short spell | Multiple short spells | Long spell(s) |
| *2005-08* | *45.9* | *7.7* | *46.4* |
| *2008-11* | *39.3* | *6.5* | *54.2* |
| | **Disability benefits** | | |
| | Types of spells | | |
| | One short spell | Multiple short spells | Long spell(s) |
| *2005-08* | *30.8* | *0.9* | *68.3* |
| *2008-11* | *22* | *0.6* | *77.4* |
| | **Family benefits** | | |
| | Types of spells | | |
| | One short spell | Multiple short spells | Long spell(s) |
| *2005-08* | *10.7* | *0.4* | *88.9* |
| *2008-11* | *10.4* | *0.5* | *89.1* |

**Table 3.A4.1. Unemployment, disability and family benefit spell numbers among youth**
*(cont.)*

*Notes to Table 3.A4.1:*

Benefits were classified as follows: unemployment benefits correspond to Newstart Allowance and Youth Allowance for non-students, disability benefits correspond to Disability Support Pension, Carer Payment and Sickness Allowance. As RED data mainly includes all individuals in receipt of Centrelink-managed income support payments, some details about maternity benefits, family tax benefits or mobility allowance are missing. Therefore family benefits as shown in the table are restricted to Parenting Payment only.

Durations are calculated for all spells beginning between November 2005 and October 2011. The observation window for these spells is 30 months (starting from the first month of the spell). For the two shorter sub-periods, spells beginning between November 2005 and October 2008/November 2008 and October 2011 are considered. Again, the observation window is 30 months. A spell is considered as censored if it is ongoing at the end of the observation period (at the end of the 30 months of observation). Therefore, the maximum observable duration for spells is 30 months.

Benefit spells are defined as consecutive months during which a young receives UB/DB ignoring any interruptions of up to three months. In case of such an interruption, the spell is treated as ongoing, but the interruption itself is not counted towards the duration of the spell. A spell is considered as having ended if the young person does not receive any benefits for a period of four months.

A "short" benefit receipt spell is defined as lasting six months or less, a "long" spell is defined as receipt of more than six months.

Numbers are for youth aged 16-29 years at the beginning of their spell. Numbers were calculated using 20% of the initial sample.

*Source*: OECD calculations based on administrative data from the Research and Evaluation Database (RED).

# *Chapter 4*

# Raising school completion rates and providing high-quality professional training in Australia

*This chapter discusses Australia's upper secondary education and training system, especially its performance for disadvantaged and at-risk youth. It looks at early school leaving, policies aimed at identifying at-risk youth and combating school drop-out, and strategies to adapt services for students who are not successful in the mainstream school system. It then examines vocational education and apprenticeship in Australia, with a focus on completion rates and career guidance. Finally, it gives an overview of social services offered to school-age youth, and the co-ordination of these services with schools.*

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

## Introduction

With high school attendance and above average literacy and numeracy scores in PISA, the Australian educational system is one of the better performers in the OECD. Expenditure per student is slightly above OECD average for both primary and secondary education.[1] It nevertheless faces a number of challenges notably due to the diversity of the youth population and the large geographical area that needs to be served. Low performers and drop-outs are most often found amongst youth who already have a disadvantaged background. Completion rates of vocational education and apprenticeship programmes, which are key for at-risk youth, remain relatively low. To improve Year 12 attainment levels, programme completion and reduce disparities across groups and regions, the Australian Government as well as the states and territories have implemented various innovative and targeted strategies over the last decade. They notably leave schools and social service providers a lot of flexibility in adapting service to the local needs, but these programmes are usually short-lived.

This chapter is structured as follows: Section 1 presents the overall architecture and governance of the system. Section 2 examines the policies to improve school attendance. Section 3 investigates strategies to promote quality vocational training including apprenticeships, while Section 4 focuses on the support to at-risk students.

## 1. General architecture and governance

The Australian education and training system is very comprehensive, flexible and offers a multitude of pathways to students. It is also quite complex due to the involvement of the state/territory and Commonwealth governments in the design, supervision and financing of programmes. It has undergone profound reforms over the past decade in order to implement a national curriculum while also improving literacy, numeracy and Year 12 attainment. Primary, secondary education and vocational education and training, are the responsibility of state and territory governments with the Australian Government providing funding and national policy direction. Tertiary education is the responsibility of the Australian Government. The objective of this section is to give a brief description of its functioning with a focus on interventions for disadvantaged youth. For a more detailed presentation see OECD (2011).

### *Compulsory schooling*

Compulsory school lasts for ten years, starting in the year in which a child turns 6[2] and ending around age 16. Primary education includes one preparation year – also called "foundation" year − before year 1. It starts at age 5 and is usually not compulsory, although almost all children attend. Compulsory school consists of primary and secondary school, and ends at the normal age for completing secondary school. After that, students may enter "senior secondary" school (see Figure 4.1). Pre-school education is relatively unregulated and not compulsory.

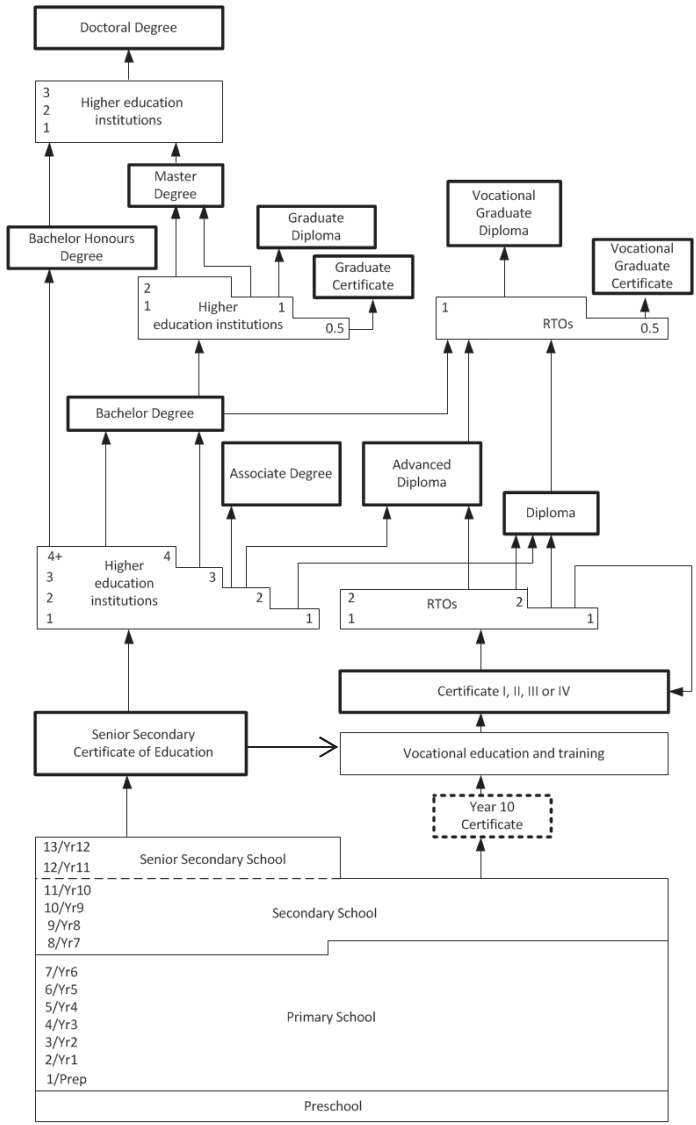
Australia has both public and private schools which are usually referred to as "government" and "non-government" schools. Government schools, which enrol about two-thirds of students, operate under the direct responsibility of the relevant state or territory minister, while non-government schools, which comprise catholic and independent institutions, operate under conditions determined by government and state or territory registration authorities. While state and territory governments provide the majority of recurrent funding to government schools, the federal government is the primary source of public funding for non-government schools. Schools may also receive funding from various National Partnerships signed between the Australian and state governments to achieve specific goals.

The Foundation to Year 10 Australian Curriculum was recently endorsed by all state and territory education ministers at the Council of Australian Governments (COAG) Education Council on 18 September 2015. The Australian Curriculum includes the learning areas of English, mathematics, science, humanities and the social sciences, technologies, health and physical education, the arts and languages. Through the general capabilities in the Australian Curriculum students have the opportunity to develop literacy, numeracy, critical thinking skills, information and communications technologies capability, intercultural understanding, personal and social capability and ethical understanding.

States and territories are responsible for implementing the Australian Curriculum. Beyond the core requirements of the Australian Curriculum there is flexibility for innovation and creativity in its delivery at the school level.

Through the general capabilities the Australian Curriculum promotes approaches that improve students' non-cognitive skills, such as resilience, social and emotional skills, which are recognised to be decisive for lifelong learning and labour market outcomes (OECD, 2015a). Teaching these skills at school may be particularly important to promote equity since the parents of at-risk or disadvantaged youth may also suffer from a deficit of non-cognitive competencies.[3]

**Figure 4.1. The Australian education system**




RTOs: Registered training organisations.

*Source:* Australian Government (2012), http://internationaleducation.gov.au/.

At the end of Year 12, students take a final exam and receive an official certificate of qualification, the name of which varies depending on the jurisdiction, but which is recognised by all Australian universities, higher education and VET institutions.

### *Post-compulsory schooling*

Post-compulsory schooling is regulated by the Australian Qualifications Framework (AQF), a unified system of national qualifications introduced in 1995 and fully implemented by 1999. It was reviewed in 2010 and a new levels based AQF was introduced with ten levels in 2011. It is used by all Registered Training Organisations (RTOs) and higher education institutions (universities, etc.).

The management of the AQF is delivered through the Australian Government Department of Education and Training in consultation with the Australian Government Department of Industry and Science and state and territory governments. The Department of Education and Training monitors and maintains the AQF, supports its users and promotes the AQF and its role in Australia's education and training system. Expert consultative bodies are convened as required to advise ministers on any AQF policy matters which arise.

In "senior secondary" school, students can follow several types of programmes. These include specialised programmes in preparation for tertiary education[4] and programmes that can result, or lead towards the award of a VET qualification. Access to university in Australia is via exam and the provision of a ranked entrance score, or via a comparative entry qualification. Australian Year 12 subjects have significant breadth and depth in their coverage, and vary across states and territories. The final school-leaving qualification is known as the *Senior Secondary Certificate of Education* (Year 12 award).

### *Vocational education and training*

VET is provided through Registered Training Organisations (RTOs), which can be public (TAFE institutes/colleges, secondary schools and universities) or private (enterprise or industry-body-owned institutions, community organisations, etc.). Publicly owned RTOs are financed by the state and territory governments and are responsible for serving a given region. They typically offer a wide range of subjects, though they may have more specialised course offerings in big cities.

TAFEs used to have a quasi-monopoly in vocational training provision until the early 1990s. Following a series of important reforms, the provision

of vocational training in Australia progressively shifted towards a competitive training market where all providers, public or private, compete for students, who can chose their training using vouchers (see below). As a result, the market for training has expanded over the last decade. In 2014, only about 60% of VET government-funded students attended technical and further education (TAFE) and other government providers, compared with about 80% in the mid-1990s.[5] In Victoria this share has even fallen below 50%.[6] When all VET activity is considered (not just publicly funded activity) the proportion of students attending TAFE in 2014 is 27% (NCVER, 2015a).

VET certificate courses are open to anyone aged 15 and older, and the average student is not a school leaver. Youth remain the main beneficiary group though: 29% of all VET students in 2014 were below 25 years old; this share was 42% among government-funded students. Participation is high among youth: participation is high among youth: in 2014 about 54.5% of young Australians aged between 15 and 19 years participated in the VET system, and about 34.3% of 20-24 year olds did so (NCVER, 2015a). All states and territories have recently introduced reforms to increase the number of students who participate in VET.

Qualifications delivered within in the VET system range from Certificate I and II level qualifications which provide base level vocational skills up to Certificate level III, IV, Diploma and Advanced Diploma courses in the traditional trades and higher skilled occupations. Associate Bachelor degrees and partnerships with universities for Bachelor courses are also becoming more common as are RTOs delivering Graduate Certificates, which are equivalent level qualifications to some university level courses and prepare students for highly skilled occupations such as accounting or engineering.[7]

VET is delivered through "competency-based" training: a training package sets out the nationally recognized competencies that are required for a given occupation. Students may demonstrate some of the required competencies through prior work experience or education in a process called "recognition of prior learning (RPL)".

### *School-based VET*

After completing Year 10, the majority of students go on to Year 11 studies, but they have the choice at this point, depending on their location, to include VET subjects from an AQF course in their senior schooling package. Some students leave school at this point may opt to take up an apprenticeship, or train directly through an RTO.

Those who remain at school may undertake a VET qualification, either at school if their school is also an accredited RTO, or through a local RTO if it is not. They can choose to pursue a VET qualification through an Australian School-based Apprenticeship (ASbA) but this requires an employment relationship as well as an RTO (see "Apprenticeships" section).

The Preparing Secondary Students for Work framework, set up by the Australian Government and the state and territory governments, distinguishes between VET courses delivered to secondary students and vocational learning. Vocational learning is becoming aware of the world of work and includes career education. It is an important precursor to VET, and helps secondary students identify career options and equips them to make effective decisions about subject choice, post-school education and training and career pathways. More than 90% of schools now offer VET course in Years 11 and 12. Between 2005 and 2012, the number of secondary students participating in VET increased by 38% (Education Services Australia, 2014).

### *Training package development*

In April 2015, the Australian Government announced new industry led arrangements for developing and maintaining training packages. The new arrangements are designed to be more responsive and flexible to meet the skills needs of Australian industry.

The Council of Australian Governments (COAG) Industry and Skills Council established the Australian Industry and Skills Committee (AISC) in May 2015. A key responsibility for the AISC is approving training packages and an important feature of the new model is a stronger focus on prioritising and scheduling of training package development based on evidence of industry demand and government priority.

Under this model, Industry Reference Committees (IRCs) are the industry engagement mechanism at the centre of training package development and are the formal point through which industry requirements for skills are defined. IRCs are made up of voluntary industry representatives with expertise from a cross-section of the particular industry or sector. The purpose of the IRC is to provide industry intelligence to the AISC that represents the experience, expertise and needs of the industry or sector.

### *The Australian Skills Quality Authority*

The quality of trainings delivered by RTOs, including TAFE colleges, and adult and community providers, is certified by the Australian Skills

Quality Authority (ASQA) which is the independent national regulator for Australia's VET sector.[8] ASQA insures that nationally approved quality standards are met, registers RTOs and accredits VET courses.[9] As a result of a strategy to improve training quality, the number of training not corresponding to any AQF certified levels has strongly declined over time (see Panel A in Figure 4.6).

### *Apprenticeships*

Apprenticeships have a long history in Australia. The current *Australian Apprenticeships* programmes distinguish *apprenticeships* and *traineeships*, both of which combine on- and off-the-job training:

- *Apprenticeships* typically take three to four years. Like in the case of VET, the competency-based approach to certification provides some flexibility. Apprentices can move through their apprenticeship as they attain competencies rather than serving a set time. In some cases there is also wage progression once a level of competency has been achieved. Despite this, most training periods approach the nominal duration.
- *Traineeships* were introduced in 1985 as a labour market programme aimed mostly at disadvantaged early school leavers. They typically took less than two years to complete, and usually led to Certificates II or III. They turned out to be helpful in extending the apprenticeship model, which had been previously been mostly associated with the traditional trades, to a much wider range of service-oriented occupations such as business, retail, financial services, childcare, health and community services

The Australian School-based Apprenticeship (ASbA) is an Australian Apprenticeship undertaken on a part-time basis as part of senior secondary studies with VET subjects and can also count towards the state or territory Senior Secondary Certificate of Education.

Australian Apprenticeships are now available in a variety of certificate levels in more than 500 occupations across the country.[10] They are open to anyone of working age, which starts at 15 in most states and territories. No senior secondary school certificate is required to enter an apprenticeship. Youth can start an apprenticeship either if they have already left school, or while still at school in Years 11 or 12.

An Australian Apprenticeship is defined as an employment and training arrangement, covered by a registered training contract. While responsibility for the regulation and operation of the Australian Apprenticeships system sits with the states and territories, the Australian Government is instrumental

in designing the strategic orientations of the programme, its financial incentives and support services. There are a range of stakeholders directly involved in the Australian Apprenticeships system. In each state or territory, the State Training Authorities (STA) – which are government departments responsible for the operation of the VET system – approve training contract, regulate training and provide funding. Registered Training Organisations (RTOs), including TAFE colleges, provide the off-the-job component of training takes place. The Australian Apprenticeship Support Network (AASN) contracted by the Australian Government to facilitate the establishment of Australian Apprenticeships, manages the execution of the training contract between the Australian Apprentice and the employer and provides support to both parties for the life of the contract.

States and territories remain the primary funding source of training subsidies that are directly paid to RTOs "User Choice" is a national policy introduced in 1998 whereby state and territory governments contribute towards the cost of training RTOs provide to the employers and the apprentice who choose them.[11]

At the completion of an Australian Apprenticeship, the employer validates that the apprentice or trainee has achieved on-the-job competency and provides this verification to the RTO and/or the STA, as requirements vary between jurisdictions. The RTO issues the qualification to the apprentice or trainee on completion of all required competencies. In most jurisdictions the STA provides certification of achieved competency in the trade or occupation to the apprentice or trainee. In 2015 The Indigenous Apprenticeship Programme (IAP) was established and is administered and managed by the Australian Government Department of Human Services. Participation in the IAP is available to all Australian Government agencies. The IAP offers an entry level pathway for Aboriginal and/or Torres Strait Islander applicants to start their career in the Australian Public Service (APS). The 12-month programme provides apprentices the opportunity to work full time, while training towards a nationally recognised qualification (either a Certificate IV or Diploma). Successful completion of the IAP will result in advancement to either the APS3 or APS4 classification level in their employing agency's classification structure.

### *Education for students with additional needs*

Students from disadvantaged backgrounds or those with learning difficulties generally benefit from attending mainstream schooling along with other youth all the way to upper-secondary education (OECD, 2012a). To the extent possible, policies should therefore generate a learning environment that is flexible and supportive enough to cater for at-risk

students in standard schools and to minimise the share of youth taught in separate special education programmes.

While it can be costly to create an environment suited to integrate students who require special attention into mainstream schooling, this challenge can be eased by an adequate training of staff and an early identification of students who require additional attention. Youth with severe learning difficulties or social problems may benefit from being taught in special smaller classes, with an adjusted and more practically-oriented curriculum and specially trained teachers and support staff.

In Australia, the Disability Discrimination Act 1992 (the DDA) makes it unlawful to discriminate on the basis of disability in a number of areas of public life, including education and employment. The Disability Standards for Education made under the DDA clarify the obligations of education providers, and the rights of students with disability and their families to eliminate, as far as possible, discrimination against students with disability; and to ensure, as far as practicable, that people with disability have the same rights as the rest of the community in the area of education and training.

Some special needs students are eligible for state/territory targeted funding for students with disabilities. Eligibility criteria vary across states, complicating any national comparisons (OECD, 2015b). In the school year of 2013, 5% of all students nationwide qualified for state/territory funding as a student with disability. These students may be educated either exclusively at mainstream schools, attend special education classes at mainstream schools, or enrol in one of the country's special needs schools (435 in 2014; ACARA, 2014; ABS, 2015b ). There is some concern among stakeholders that mainstream schools try to encourage youth with disabilities to enrol in special needs schools because they do not have the expertise and have concerns how to deal with their difficulties. While a recent regional breakdown does not exist, figures from 2009 suggest significant regional variations in the fraction of students with a disability attending special needs schools. South Australia exhibited the lowest (4%), and Victoria the highest fraction (13%) of disabled students studying at special institutions, although the fraction of students identified as having a disability was similar in both states (8% and 7% respectively; ABS, 2012).[12] In 2014, the share of all students attending special needs schools ranged from 0.3% in Tasmania to 1.2% in Western Australia (ABS, 2015b). A new "Nationally Consistent Collection of Data on Schools Students with Disability" is in the process of being rolled out and in future years will give us a better understanding of how many students with special needs are in Australian schools.

### *School performance for at-risk students*

As mentioned in Chapter 1, while still above the OECD average, Australia's PISA scores declined between 2003 and 2012. All jurisdictions, except Victoria, experienced a significant decline in their mathematics and literacy performance. The decline was strongest in South Australia and the Northern Territory, followed by Western Australia and Tasmania. In these four jurisdictions, the proportion of low performers increased while the proportion of top performers decreased significantly. Tasmania and the Northern Territory have the largest proportion of low socioeconomic status (low SES) students enrolled in their schools.[13]

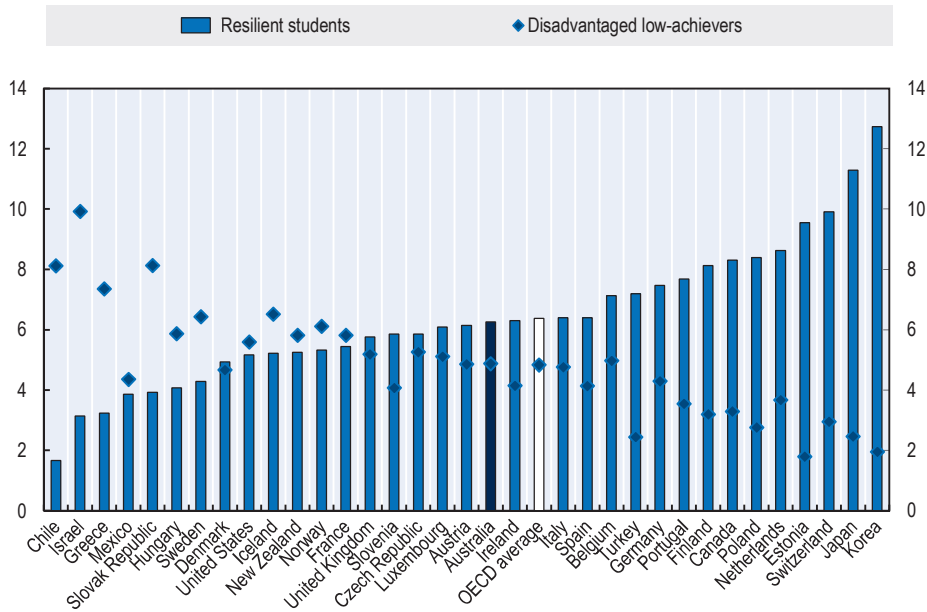
The share of low performers is larger among low SES youth: 33% of students in the lowest SES quartile were low performers compared to 8% of students in the highest quartile.

Across the OECD, the score point difference in mathematical literacy performance between students in the highest SES quartile (advantaged students) and the average student is 39 score points. While this difference is slightly higher in Australia − 46 score points, more than a full year of schooling − the overall share of variation in scores across students explained by economic background is slightly lower in Australia than on the OECD average.[14] Also, the share of resilient students – those who achieve good results despite a disadvantaged background – and the share of low-achievers – those who achieve low results after controlling for socioeconomic status – are comparable to the OECD average (see Figure 4.2).[15,16]

The share of low performers is also higher in remote areas than in metropolitan areas: 39% compared to 18%. For instance, the mean difference in mathematics between students attending schools in metropolitan areas and remote areas was equivalent to about one year of school. Of course, schools in remote areas are more likely to welcome low SES students than schools in metropolitan areas; but significant differences remain even after accounting for the socioeconomic background (OECD, 2013).

Indigenous youth, who are more likely to be low SES and live in remote areas than other youth, fare even worse: 51% are low performers, compared to 18% for non-Indigenous youth. On average, Indigenous students are about two-and-a-half years of schooling behind non-Indigenous students in mathematical and scientific literacy, as well as in reading.

**Figure 4.2. Percentage of resilient students and low-achievers among all students, by gender**




*Note*: A student is classified as resilient if he or she is in the bottom quarter of the PISA index of economic, social and cultural status (ESCS) in the country/economy of assessment and performs in the top quarter of students from all countries, after accounting for socioeconomic status. A student is classified as disadvantaged low-achiever if he or she is in the bottom quarter of the PISA ESCS in the country/economy of assessment and performs in the bottom quarter of students from all countries, after accounting for socioeconomic status.

*Source:* OECD (2013), Table II.2.7.a.

Students with a migration background also perform worse, albeit to a lesser extent: 18% of students with a foreign background who speak English at home are low performers, compared to 23% for other foreign background students. Interestingly, being born abroad or having parents who were born abroad does not alter performance significantly.

## 2. Pathways to improving school attendance

Chapter 2 illustrated that there is a strong relationship between a young person's risk of being NEET – and of remaining NEET for longer – and low educational attainment. Key for improving the labour market situation of youth is therefore to ensure that all young people obtain an upper-secondary

education that provides them with the knowledge and skills needed to succeed in the labour market or to pursue further studies.

### *Early school leaving and Year 12 attainment*

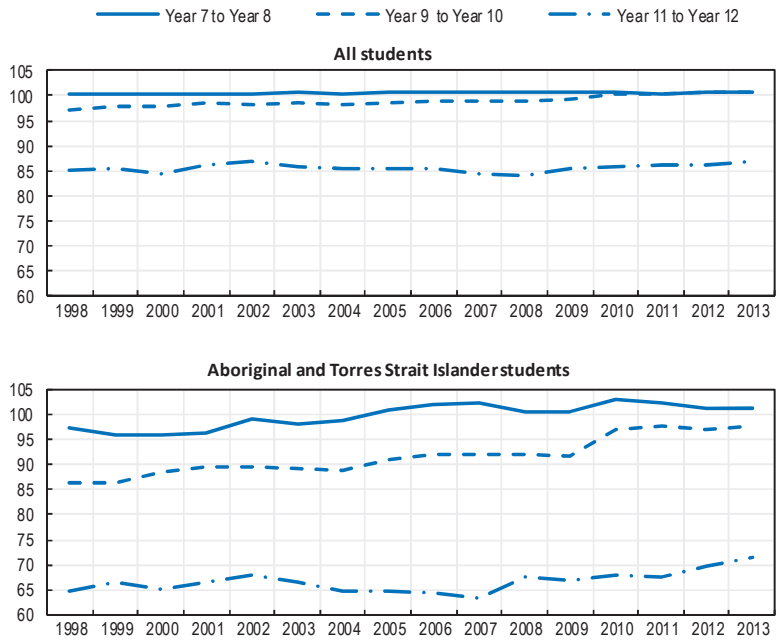
Young people aged between 15 and 24 years old with below Year 12 attainment are three to six times more likely to be NEET. The negative impact of early school leaving is, however, not restricted to the first years of young adulthood, but carries on through later adult life (OECD, 2015b).

In Australia, Year 12 attainment is problematic, although the situation has been improving in recent years. A useful indicator is the Apparent Retention Rate, the number of students in a given grade divided by the number of students in the grade below a year before. As shown in Figure 4.3, this rate is high and has been increasing to reach levels close to 100% until the end of compulsory education (Year 10), even for Indigenous youth. However, there is a significant drop in retention after Year 10, and notably between Year 11 and 12: only 88.5% of all students transition from Year 11 to Year 12, and despite a 9-percentage point increase over the last ten years, this rate is only 73% for Indigenous students (ABS, 2016).

Another measure of school completion, Year 12 or Certificate III and above attainment among 20-24 year-olds,[17] rose from 80% in 2005 to 87% in 2015 (ABS, 2015c). This positive trend was reinforced by a national strategy. In 2009, the Council of Australian Governments (COAG) agreed on a national target of 90% Year 12 or Certificate II or above attainment in this age group by 2015. For 2020, the strategy aims to reach the more ambitious target of 90% of this age group having achieved Year 12 or Certificate III or higher.[18] The effect of the strategy is already apparent in the rising number of trainings at the level of Certificate III (see Panel A of Figure 4.6).

School retention varies across states and territories with the Queensland having the highest proportion of Year 12 or Certificate III graduates (89% on average) in 2015, and the Northern Territory the lowest (74.5%, ABS, 2016). However, low school retention does not necessarily mean low educational attainment if alternative options are offered. For instance, the Year 12 or Certificate III and above attainment rate in the Northern Territory for the age group 20-25, reached the national average (87%) in 2015 (ABS, 2015c). This underscores the importance of second chance programmes for older youth (see Chapter 5).

**Figure 4.3. Apparent retention rates in secondary schools**




*Note*: Apparent retention measures the extent to which students progress to their final year of schooling. The term "apparent" is used because the measurement is based on the total number of students in each year level compared to the number in the year before, rather than by tracking the retention of individual students. All schools are considered. Full-time students.

*Source*: *Schools, Australia, 2015*, Australian Bureau of Statistics, NSSC Table 63a, http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4221.02015?OpenDocument.

Year 12 attainment is strongly related to demographic and socioeconomic characteristics of youth (ABS, 2011):

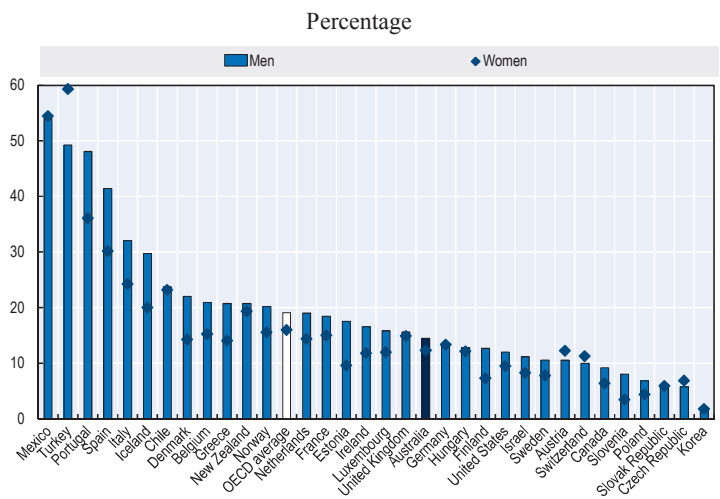
- Year 12 or equivalent attainment rates are lower in remote than in metropolitan areas. In 2014, 81% of 20–24 year-olds in major cities had completed Year 12, compared to 47% in remote or very remote areas (ABS, 2014). This statistic is not straightforward to interpret, though, as youth who have attained Year 12 are more likely to leave remote areas to pursue employment opportunities or further education in major cities than youth without a completed school education.
- Youth whose parents have not completed Year 12 are also less likely to do so. In 2009, 90% of young people aged 20–24 years whose

parents/guardians both had attained Year 12 completed Year 12, compared to 68% of youth whose parents had not attained Year 12.

- Indigenous youth have lower rates of Year 12 attainment – in 2012/13, 59% of Indigenous 20-24 year-olds had attained Year 12 compared to 86% of non-Indigenous youth. The 2009 COAG's National Indigenous Reform Agreement (revised in 2011) aims to halve the gap in Year 12 attainment rates between Indigenous and non-Indigenous youth between 2008 (when the gap stood at 40%) and 2020; this target is considered "on track" (Australian Government, 2015).
- Youth with disability and youth with long term health conditions experience poorer Year 12 completion rate. In 2009, only about 60% of all 20–24 year-olds with a disability or with a long term health condition (such as asthma or a mental health condition) had attained Year 12, compared to almost 80% of all youth in good health.

In international comparisons, the share of 25-34 year-olds who have not attained at least upper-secondary education is often used as a proxy for high school drop-out rates. In 2012, 14% of Australian men and 12% of Australian women aged 25-34 had below upper secondary education, a smaller percentage than the one observed on the OECD average (see Figure 4.4).

**Figure 4.4. Share of the 25-34 year-olds who have not attained at least upper secondary education, 2012**




*Source: OECD Education Database* (the output of educational institutions and the impact of learning).

### *Monitoring and reporting of school attendance*

School drop-out is typically not a sudden, unexpected event but the consequence of a longer process of gradual disengagement (Lyche, 2010). This process may be driven by a range of different factors – learning difficulties, mental health issues, family problems, parents' attitudes towards education or a more general disappointment with the school experience – which tend to interact and accumulate over time (OECD, 2012b). Since re-engaging drop-outs with the education system is difficult, identifying students at-risk from dropping out early is crucial.

The continuous monitoring of students' attendance can contribute to an early identification of students' disengagement. At the local level, the collection and reporting of attendance information can help ensure that all important actors – notably the school administration and the municipal social services – quickly become aware of attendance problems as they arise. The regular reporting of attendance information to the responsible education authorities at the national level can moreover ensure that teachers, schools and municipalities take non-attendance seriously.

**Box 4.1. *My School* website**

This website was created in 2010 by the Australian Government to increase transparency for parents, students, and teachers, as well as schools to improve performance in the long-run. It is managed and supervised by the Australian Curriculum, Assessment and Reporting Authority (ACARA), which is an independent public body.

For each of the nearly 10 000 schools in the country, *My School* provides a rich set of information for students and policy makers. This information is particularly important for youth belonging to disadvantaged groups. The website notably allows:

- Comparing *student outcomes* such as attendance and performance in reading, writing and numeracy (based on annual NAPLAN tests) across schools whose students have comparable socioeconomics characteristics, and with other schools in the same area;
- Assessing *student gain*s in reading, writing and numeracy over time using the NAPLAN tests for students who stayed at the same school.
- Assessing both *human* (teaching and non-teaching staff) and *financial resources* (sources of funding, capital expenditures, etc.) of the school, and the socioeconomic background of the student body;
- Assessing *class attendance* separately for Indigenous students and non-Indigenous students;
- Learning about the *availability and nature of VET courses* by industry area and qualification level.

*Source*: http://www.myschool.edu.au and the Australian Curriculum, Assessment and Reporting Authority (ACARA) (http://www.acara.edu.au).

School attendance is monitored by ACARA, who also publishes school level attendance results along with student gains in reading, writing and numeracy over time on the My School website (see Box 4.1).[19]

This monitoring system allows identifying schools where attendance is a challenge. The resulting transparency of outcomes helps parents make educational choices and creates a sound basis for schools and communities to improve their performances. However, there is no systematic and institutionalised transmission of individual attendance records from schools to social services which could help youth overcome any barriers to school attendance or offer alternative education or training options. The co-ordination between schools and social services is crucial for preventing school drop-out, and may vary significantly across communities. While co-ordination is often easier in small communities than in large cities, it can be difficult in remote areas where providers and schools are far apart (see the section on co-ordination at the end of the chapter).

In some countries, such as the Northern European countries or New Zealand, the identification of drop-outs or youth at risk of dropping out is facilitated by a mandatory and frequent exchange of information between schools and specialised external services, who offer educational and training options to youth (see Box 4.2). In Australia, despite excellent information and reporting systems on school performance and programme outcomes, a coherent structure for systematically registering and individually monitoring early school leavers is lacking. Only young people receiving benefits and under a programme participation obligation are followed by the DHS/Centerlink. There is no obligation for schools to co-operate with social and health service providers and exchange information. There is no obligation for local authorities to offer alternative learning options and follow up on those who refuse to or cannot go back to school.

This situation could be improved through the sharing of attendance information between educational establishments and registered service providers for the 15-18 year-olds who dropped out of school or are at risk of dropping out. The database could be shared, for instance, with the DHS/Centerlink and local social service administrations to ensure confidentiality. After youth and their families have been contacted and agree to participate in a programme, information would be transmitted by these authorities to local service providers. Service providers would then need to inform the referring administration on the situation of youth on a regular basis.

### Box 4.2. Follow-up Services in Northern Europe and New Zealand

Several Northern European countries have implemented strong-arm approaches to fight school absenteeism. They address the causes of non-attendance through a regular exchange of information and dedicated follow-up services; and avoid youth falling through the cracks by systematically offering alternative education or training pathways to school drop-outs.

In **Norway**, all 19 county authorities are legally obliged to follow up on NEETs aged 15 to 21. Since 1994, each county has its own "Follow-up Service" with a mandate to keep an overview of the activity status of all young people who finish compulsory lower-secondary education. The Follow-up Services reach out to all youngsters who are not in employment or education to offer counselling and establish a contact with the local employment and welfare office NAV. They also function as a co-ordinator of the various other actors who provide services for this group. In Oslo, the Follow-up Service for instance receives a list of drop-outs four times per year.[1] 110 counsellors are located directly in Oslo's schools (both lower- and upper-secondary). Besides, additional follow-up offices exist in each of the 15 district NAV offices (which combine employment and social services). NAV co-operates with the follow-up service directly to provide tailored combinations of work-practice from NAV and elements of schooling offered by an educational establishment.[2] (OECD, 2016a)

In **Sweden**, schools also have the legal obligation to report drop-outs under the age of 20 to municipal services.[3] The municipality has the responsibility to offer these youth activities, with the primary goal to get them back into secondary school. Furthermore, they have to report on any and all measures they offered youth, and track participation and outcomes of these measures.[4] (OECD, 2016b).

In **Denmark** the "Municipal Youth Guidance Centres" are responsible for monitoring 15-24 year-olds' transition from lower to upper secondary school and for following up on those who drop out of school. There are 45 Youth Guidance Centers covering 98 municipalities. Guidance activities include individual and group guidance sessions as well as introductory courses and bridge-building programmes to give pupils a clearer idea of their options. These bridge-building programmes combine individual counselling and teaching, and last for 1-4 weeks. Counsellors prepare an education plan jointly with the pupils and their parents to ensure a smooth transition into upper secondary education and employment. Those aged 15-17 are a special target group. In case of school non-attendance, counsellors have to get in touch with the youth's parents within five days after being notified by the school, and youth must be able to begin an activity within 30 days. The offered activity should be agreed upon by the youth, their parents and the counsellor, but young people may still reject the offer. In fulfilling its tasks, the Youth Guidance Centers are obliged to co-operate closely with the educational institutions and also the municipal job centre for those 18 and above.

In **New Zealand**, a system of systematic exchange of information has been implemented since 2012 between schools and social services to identify and serve at-risk youth very early in the process of disengagement. The Ministry of education collects information on youth who do not attend school any more. It sends this information with individual contact information to the Ministry of Social Development fortnightly. The Ministry of Social

Development then filters this information based on the timing of non-attendance, educational attainment, and other socioeconomic information, thanks to a "risk-profiling tool". It then forwards the relevant contact information about youth in urgent need of support to the local providers of Youth Service. The latter is a network of community providers. They supports young people aged 16 to 17 years and young parents aged between 16 and 18 most at risk of long-term benefit receipt to help them get back to education, training or work-based learning. They set out an action plan to get into education, training or work-based learning, help youth in their application process, follow up on them while in school and training, check their progress, and make sure help they stay on track. Providers are selected through a tendering procedure and remunerated based on outcomes such as attending school or training, getting a qualification, not being on benefits after three months after quitting service.

### *Tailored schooling options for those with difficulties*

To allow every young person to reach their full potential, and also to minimise the risk of school failure and drop-out, school environments need to be tailored to the students' needs.

The organisation of teaching in schools is generally flexible, and it is possible to offer differentiated programmes for low (but also top[20]) achievers. For instance, individual student learning plans can be developed for students who require additional support to strengthen their numeracy and literacy. This support is not necessarily one-on-one, but requires a personalised approach to identify barriers, to set realistic targets and to identify the best alternative learning options. These plans are developed for identified at-risk students based on state and territory guidelines.[21]

The Australian Government also signed a partnership with states and territories to finance local initiatives and support reforms that are suitable to improve outcomes in low socioeconomic status schools, including schools that serve Indigenous students, students from a non-English speaking background and students with disabilities. The five-year National Partnership for Low Socio-economic Status School Communities targeted a range of strategies implemented differently at the state/territory and local level (see Box 4.3). These strategies comprise incentives to attract high-quality principals and teachers, more flexibility in management, operational, and staffing arrangements, development of alternative learning options for students, external partnerships with parents, schools, businesses and local communities. About 1 700 schools across the country received up to AUD 1.5 billion to finance their initiatives between 2008 and 2013.

With the same objective, in 2013, the COAG signed the National Plan for School Improvement (NPSI) "Better Schools", which is a needs-based school funding model that will provide additional Commonwealth resources to

schools from 2014-18. Under the new NPSI, a school's funding will be calculated according to the needs of every student enrolled. This extra funding can be used by schools to fund smaller class sizes, more specialist literacy and numeracy teachers, dedicated equipment, greater support for students with higher needs and additional training and support for teachers. There will also be extra funding for small schools and schools in regional, rural and remote areas. No evaluation of this ongoing agreement is available yet.

Furthermore, a variety of alternative education (or flexible learning) programmes, that aim to enable youth who have disengaged from mainstream schooling to continue their education, have been developed over the past few decades (Te Riele, 2014). In the context of the national target to increase Year 12 or equivalent attainment (see Section 1 above), the profile of existing flexible learning programmes was raised, and new programmes were established, using funding from various National Partnerships between the Australian Government and the states and territories. In 2014, there were 900 flexible learning programmes, with over 70 000 enrolled students (Te Riele, 2014).[22]

Flexible learning programmes may be offered by schools, but also by TAFEs and other RTOs in the VET sector, or community organisations. As a result there is significant heterogeneity in the type of available programmes across the country. Usually, out-of-school programmes are stand-alone facilities for young people who have disengaged from schooling. They offer specific curricula, such as intense literacy and numeracy training with the aim of getting students back into the mainstream schools. One example of such programmes is Brotherhood of Saint Laurence's *Community Victorian Certificate of Applied Learning* (VCAL) which is based in Melbourne's south. The programme specialises in "real world" projects and offers apprenticeships and traineeships, with the support of teachers, trainers, counsellors and youth workers, who teach the curriculum but also support students to overcome personal barriers to educational achievement. They work on the development of the non-cognitive skills that are important for life and work. Other programmes may be tailored to specific groups of youth such as Indigenous students, students with mental health problems, etc. These programmes can achieve significant completions rates even among students with multiple barriers (e.g. low self-esteem, relationship difficulties, addiction, low motivation, etc.; Mykonos, 2014).

### Box 4.3. Smarter Schools National Partnerships (SSNP)

In 2008 the Council of Australian Governments (COAG) signed a National Education Agreement to improved educational outcomes in disadvantaged primary and secondary schools. The objectives were to improve schooling attendance, to improve basic literacy and numeracy standards, to reduce the education disadvantage of children, especially Indigenous children, and to improve transitions from school to work. The SSNP provided about AUD 2.5 billion in funding through three partnerships:

- AUD 1.5 billion to the Smarter Schools National Partnership for Low Socio-economic Status School Communities (Low SES NP).
- AUD 540 million to the Smarter Schools National Partnership for Literacy and Numeracy and (NPLN).
- AUD 550 million to the Smarter Schools National Partnership for Improving Teacher Quality.

The first two partnerships covered about 25% of all Australian school students and 55% of all Indigenous students. No specific activities were mandated and initiatives were often determined at the school or region level to meet students' needs.

The first two partnerships were evaluated between 2009 and 2012. The main activities financed through these funds were i) coaching and mentoring of principals or teachers ii) training of principals or teachers in areas they identified in order to provide innovative instruction to students and cope with issues specific to Low SES areas iii) facilitating the formation of professional learning teams and collaboratively using data and iv) establishing local partnerships schools and their communities (parents, associations, other schools and businesses). Other activities included extended extra-curriculum programmes on weekends and holidays, parenting programmes, and holiday literacy and numeracy programmes.

Because the activities funded by these initiatives were so diverse, it was impossible to identify the most efficient type of intervention. However, the design of the Low SES NP partnership allows a meaningful evaluation: the partnership targeted schools that were identified as disadvantaged based on their index of relative socioeconomic disadvantage (IRSED). Hence, schools scoring just below or above the threshold that triggers funding are a suitable control group. Based on this strategy, and using National Assessment Program – Literacy and Numeracy (NAPLAN) test score, the "Impact stage" of the national evaluation finds that participating in the Low SES NP partnership significantly increased literacy and numeracy tests scores. This is despite the fact that improved school attendance among disadvantaged students in participating schools could also have led to lower performing students taking the test.

*Source*: National Evaluation for the Low SES National Partnership and the Literacy and Numeracy National Partnership − Impact Stage (Final Report), March 2014 https://docs.education.gov.au/documents/national-evaluation-low-ses-national-partnership-and-literacy-and-numeracy-partnership.

South Australia offers Flexible Learning Options (FLO) enrolment as part of the Innovative Community Action Networks (ICAN) initiative. Youth up to the age of 19 who have dropped out or are at risk of dropping out can enrol through FLO at a school, Community Centre or RTO. If a young person leaves a school, the student's funding follows her to the FLO provider. Students develop an individual learning plan with a caseworker, who also liaises with other government agencies (social services, health care) if necessary. Timetabling is much more flexible than in a mainstream school setting, and e-learning may be an option. FLOs put an emphasis on treating the young person as an adult to provide a starker contrast to mainstream schooling and motivate and engage students. Interviews with participants show that the flexibility of the class schedule and the individualised support is appealing to youth who are disappointed with a school system they perceive as rigid (Msapenda and Hudson, 2013).

In a qualitative study, Te Riele (2014) identifies key characteristics of successful flexible learning programmes based on interviews with students and teachers at eight different programmes. These are personalised curricula that are relevant to students, strong individualised learning support and close and respectful relationships to teachers, practical support for youth regarding housing, transport, childcare, health etc., and strong links to parents, public agencies and employers.

While individual case studies paint a positive picture of many flexible learning programmes, a rigorous evaluation that would allow quantifying their effects on programme participants is lacking. Studies based on interviews can provide insights into how satisfied youth are with these programmes; however, they cannot speak to the impact of participation on further education and employment careers. For example, Msapenda and Hudson (2013) report that interviewed youth tend to prefer FLO programmes to mainstream schooling, but also describe them as less academically challenging. Indeed, offering students a reduced or exclusively vocationally oriented curriculum may in some cases demotivate students, lead to qualifications of limited value, and limit future opportunities (McInerney, 2006). Anecdotal evidence indicates that youth rarely continue their studies at the tertiary level (Te Riele, 2012). How increased engagement in schooling and possibly less valuable qualifications balance out, and for which groups of youth, can only be answered by a rigorous evaluation. Unfortunately, the National Partnership on "Smarter Schools" did not condition funding on impact evaluation.

Another concern is that because they are tailored to the needs of disadvantaged students, participation in these programmes can stigmatise youth. The school system can also use them as a "dumping ground" for more difficult to teach students, relieving schools of the necessity to adapt to

a heterogeneous student body (Kim and Taylor, 2008). At the same time, schools might be reluctant to send students to FLO service providers because they do not want to lose funding after having made hiring decisions they cannot reverse in the short term.

## 3. Promotion of quality vocational training and apprenticeships

Quality VET plays an essential role in preparing young people for work and responding to the skill needs of the labour market. By providing a mix of general competences and job-specific skills, VET can assist young people acquire the knowledge and tools required for a successful entry into employment. The combination of classroom learning and practical training moreover offers an attractive career pathway and can support a smooth transition from school to work.

Apprenticeship typically combines on-the-job and classroom learning from day one. The relationship with the employer is thus established very early on and may last several years, which facilitates transitions to full-time regular employment. The matching of students with private- or public-sector employers via apprenticeships is also a way of ensuring the relevance and quality of the practical training provided. Such an arrangement may be of interest particularly in the context of high drop-out rates from secondary education, because it may appeal also to more practically-minded youth, who may lack the motivation for solely classroom-based learning.

Expanding Australian Apprenticeships, particularly school-based apprenticeship, may be of interest particularly in the context of high drop-out rates from secondary education, because it may also appeal to more practically-minded youth drawn to this style of learning. But promoting classroom learning with practical training for disadvantaged youth can be difficult, either because of a lack of motivation, basic skills or an adequate network to provide support through the transition from schools.. A number of innovative strategies have been developed in Australia over the last decade in this area but some challenges remain.

### *Providing youth with the relevant practical skills*

#### *Vocational Education and Training (VET)*

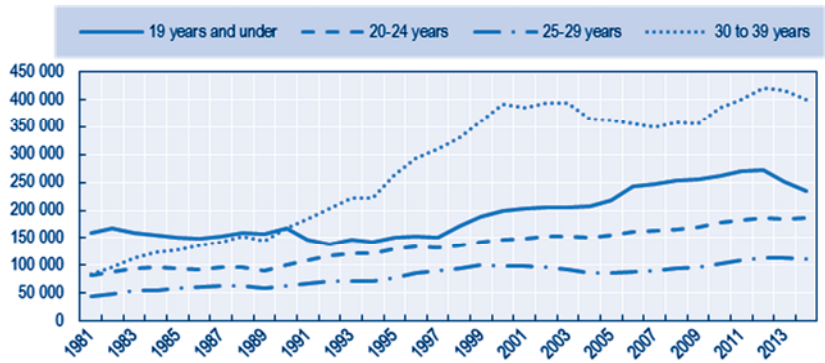
The VET system is an important educational pathway for youth in Australia. In 2013, 4.7% of all 15-19 year-olds are estimated to have been engaged in an apprenticeship or traineeship, 14.6% to have participated in VET in schools programmes, and 6.1% to have participated in other VET programmes (NCVER, 2015b). More than 40% of the Aboriginal and Torres Strait Islander population aged 18–24 years participated in VET.

The system is flexible and able to satisfy many different needs at different points throughout the life cycle, catering to those preparing for a first career, those updating their skills while working and those who seek to validate skills acquired outside of the education system. Employer participation in the VET system is strong, as industry takes the lead in defining necessary competencies for occupations through the training packages. While employer satisfaction with the VET system is traditionally high, a survey showed a decline in recent years (NCVER, 2015c), and some authors cite anecdotal evidence of a loss of employer confidence following the 2008 VET reform, see below (e.g. Harris, 2015; Mitchel, 2012).

The possibility of undertaking VET certificates directly at school increased participation in this type of education. Offering VET classes directly in schools can turn out to be decisive for at-risk youth since it offers alternative learning options before some of these youth drop-out. In 2014 about 14.6% of all youth aged 15-19 in schools participated in VET school programmes (NCVER, 2015b). It has been shown notably that participating in VET at school helps to obtain full-time employment and is associated with a lower incidence of unemployment (Lamb and Vickers, 2011). This is notably true for participants who left after Year 11 compared with comparable youth who also left after Year 11, but who had not participated in VET in Schools (Anlezark et al., 2006). Contact made during the work experience component of training probably smoothed transitions to work. Work experience also is likely to have helped youth refine their occupation choices and figure out how to interact with employers very early in their pathways. However participating in VET in school is not associated with higher probabilities of completing Year 12.

**Figure 4.5. Students in VET by age, 1981-2014**

Number of students




*Source*: NCVER historical time series of government-funded vocational education and training in Australia, revised September 2015.

The flexible structure of VET means that students do not have to complete a full qualification to achieve an employment or educational benefit. The proportion of students who successfully pass VET subjects (83.1% in 2013) is much higher than the estimated proportion who will go on to complete a full qualification (34.0% of 2013 students).

The relatively low qualification completion rate is nevertheless a concern.

- While the proportion of subject completers who reported (in 2015) that they fully or partly achieved their main reason for training (79.6%) is very similar to the proportion of graduates reporting the same (80.4%), a much lower proportion of subject completers (48.8%) reported improved employment status after training compared to graduates (58.6%). Only 74.4% of subject completers were employed or in further training (including at university) compared to 85.2% of graduates.
- For those who started their training in 2013, the completion rate for VET programmes[23] was only 34% nationally, which is an improvement from 32.1% for those who started their training in 2009 (NCVER, 2015d). Estimated completion rates are lowest in Tasmania (25.7%). Completion rates, which had been relatively low in the Northern Territory (as low as 18.2% for 2009 students), are estimated to be above average (34.8%) for 2013 students.
- This challenge is particularly acute among part-time students, who represent over 90% of VET students (including youth aged 15-19, NCVER, 2015e), and notably among males undertaking Certificate I/II in remote areas, as opposed to urban females undertaking Certificate III and diploma trainings who tend to complete courses and graduate more often (Fieger, 2015).
- But even for full-time students completion rates seem rather low at only 46%, compared with an average rate of 64% in other OECD countries (OECD, 2014d, Table A2.4).
- Certificate IV training completion rates are twice as high as those of Certificate I trainings, (44% compared with 19.9%) but they also remain quite low (NCVER, 2005d).

The varying quality of training and the relative difficulty to identify the appropriate courses within such a flexible and diverse system of training service provision may contribute to these low completion rates. This can be an issue of particular importance for disadvantaged youth who have troubles navigating the system.

Indeed, since the 1990s, private providers have been introduced into the publicly funded VET system via a sequence of incremental reforms. In 2008,

states and territories agreed to open public VET funding to competition between private and public providers in all states and territories. In 2012, student entitlement to a government-subsided training place up to the first Certificate III level qualification, as a minimum, as well as their choice of training provider was introduced nationally. This transformed the former system characterised by the supply of a fixed number of training places by TAFE institutes into a demand driven one (Toner, 2014). The main intent of this reform was to increase the number of VET participants in the face of skill shortages and enhance equity of access and boost student choice. In this respect the reform succeeded:

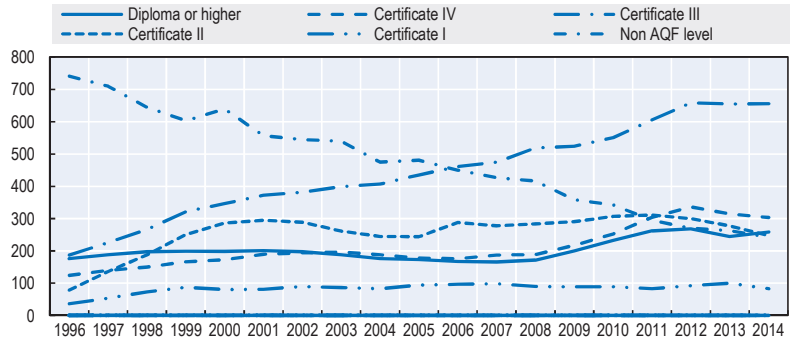
- In Victoria, for instance – the first state in 2009 to publicly guarantee funded training places to eligible students while also allowing private providers to compete for students – the number of private providers on the market doubled within three years following the reform, and publicly funded training hours increased by 68%[24] from 2009 to 2012. Post-training employment outcomes also improved after the reform over the period 2008-11 compared with New South Wales, notably for the 15-19 year-olds (see Box 4.4).

- Over all states and territories, following the set of reforms, publicly funded VET enrolment increased by 15% between 2008 and 2014, and real public spending on VET increased by 19% between 2008 and 2013 (NCVER, 2015e; and Productivity Commission, 2015). The share of publicly funded VET students enrolled at TAFE colleges and other government providers decreased from 77% in 2008 to 61% in 2014 (see Panel B of Figure 4.6), and the category "other registered providers", which includes for-profit training providers, more than doubled its market share from 15% to 33% (NCVER, 2015e; NCVER, 2015f). Besides, the reform mostly benefited the older age groups (30 and over, see Figure 4.5).

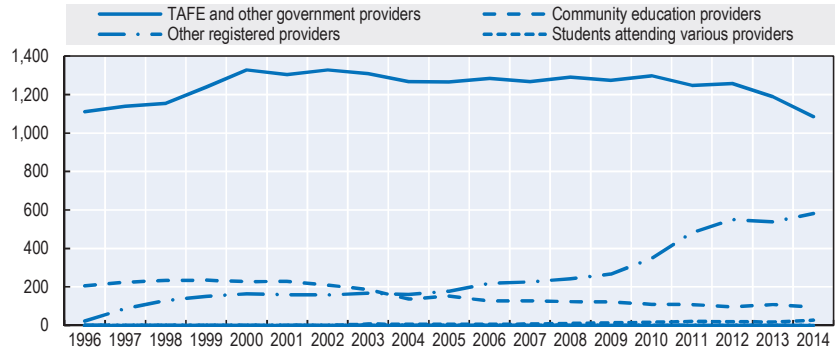
But the reform also created a number of challenges. The growing presence of private providers triggered concerns about the quality of publicly funded VET courses (e.g. Harris, 2015; Guthrie et al., 2014, Victoria State Government, 2015). Training providers are paid according to "nominal hours" of instruction / training associated with a study programme, but these hours of training do not necessarily need to be delivered because of the competency-based training nature of VET provision: the course provider assesses students' prior knowledge and their pace of study, which generates an incentive to cut costs by cutting class hours (Toner, 2014). In the reporting year of 2013-14, ASQA found 75% of all registered training providers it audited not compliant with their standard of quality in training and assessment (ASQA, 2014).

**Figure 4.6. Students in VET by selected characteristics, 1996-2014**

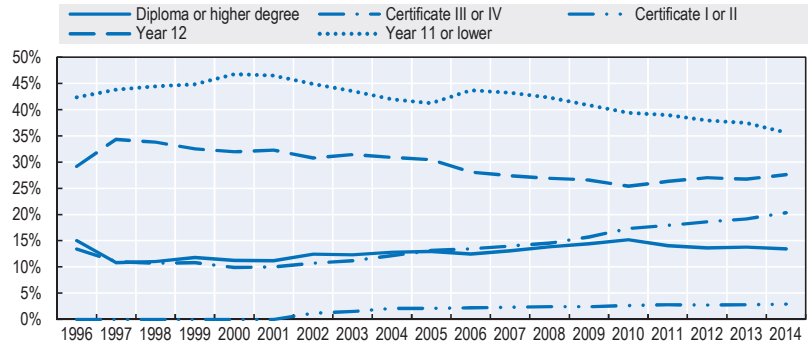
Panel A. Major programme level (number of students, in thousand)




Panel B. Provider type (number of students, in thousand)




Panel C. Previous education (percentage of students for which education level is known)




*Source*: NCVER historical time series of government-funded vocational education and training in Australia, revised September 2015.

The introduction of student choice in 2011 furthermore transferred responsibility from the government, which can consult with employers about skill needs, to students, who are left to navigate a complex system of courses and various training providers, which is especially problematic given the low educational background of many VET students (Toner, 2014). There is also anecdotal evidence that private providers collude with students by offering them gifts and shopping vouchers for signing up for courses, effectively offering them a share of the public subsidy (e.g. Mitchell, 2012). A recent report by the Senate recognizes the problems of abuses and low quality (Australian Senate, 2015). The report recommends giving a larger role to ASQA to control and take action against RTOs found to be providing inadequate training to their students.

As the VET sector in Australia moves towards a more competitive model of provision it becomes crucial for students and their advisers to be able to evaluate the quality of training, not only based on ex ante certification of courses (quality of the curriculum, quality of trainers, etc.), but also based on ex post training outcomes (e.g. completion rates, course satisfaction, adjusted employment and earning outcomes of former trainees). This is key also to create the right incentives for providers to improve their performance and make sure that the increase in the quantity of available training offers permitted by the quasi-market is also accompanied by an improvement of the quality of service. At present, there is still limited information available for students to make such decisions despite recent improvements (Lee and Polidano, 2010; Deloitte Touche Tohmatsu, 2015). To address some of these concerns, in 2012 the Australian Government introduced the MySkills website to improve transparency on training availability and quality. The website provides information on training places, students' satisfaction and employment and as well earnings outcomes. But currently this information is only available for at aggregated course level for around 230 of the most popular courses, as well as for groups of similar training courses where survey sample sizes are too small to produce course-level data. Work is underway across jurisdictions to agree on nationally-consistent course and RTO-level quality indicators for potential publication on My Skills and other sites in 2017.

### Box 4.4. The Victorian Training Guarantee

In 2009, the Victoria Government introduced the *Victorian Training Guarantee (VTG)*. This new initiative was set out under the National Agreement for Skills and Workforce Development signed in 2008 by the COAG which set objectives and policy recommendations to improve the quality and access to training. Victoria was the first state to introduce reforms. The new guarantee makes vocational training more accessible to people who do not hold a post-school qualification, or who want to gain a higher level qualification than they already hold.

More precisely the VTG offers an *unlimited* number of government-subsidised training places to people who meet the eligibility criteria. Eligible groups are: i) all youth under 20 years wanting to do nationally recognised training; ii) those 20 years old and above who want to become an apprentice; or iii) those 20 years old and above seeking a higher qualification than the highest qualification already held. Available courses also cover foundation skills, such as literacy and numeracy for those without post-secondary education. Eligible people are allowed to commence a maximum of two subsidised courses at the *same* qualification level in a lifetime (except for foundation skills), whether or not the courses were completed. Only a maximum of two government subsidised courses can be undertaken at a time.

The VTG differs from other reforms undertaken under the National Agreement in that training places are uncapped, and there is full contestability between public and private providers for places (a feature later introduced in other states and territories). The system is also demand-driven, with clients free to choose their training provider thanks to a system of vouchers. Some courses get a higher level of subsidy than others, notably in areas where there are strong economy needs. This is a drastic change with the former system which was primarily supply-driven, with providers setting classes based on past enrolments and skill forecasts and financed through block grants.

Since similar guarantees were not implemented in other states at the same period, it is possible to build a counterfactual to estimate the impact on enrolments and post-training outcomes. Leung et al. (2014) adopt this strategy, comparing Victoria and New South Wales. They find that the reform led to a 35 percentage-point growth in enrolments, with much of this growth happening in private providers (Leung et al., 2014). In 2011, new enrolments in New South Wales were 6% higher than they were in 2008. In Victoria they were 41% higher. Enrolments notably increased for disabled students and students from non-English speaking backgrounds, no discernible impact was found for Indigenous students. For those aged 15 to 19 the VTG improved by 5 percentage points the chances of being full-time employed six months after studying and by 4 percentage points the chances of being satisfied with their course. Lower effects were found on those aged 20 to 24 years who completed a higher qualification, which is mostly driven by less favourable effects for those who have already attained a Certificate level III and above. This suggests that the impact is larger for the least skilled youth and those who would need re-training in another field than for those who are already qualified in one field and aim for higher qualifications.

**Box 4.4. The Victorian Training Guarantee** *(cont.)*

This reform also demonstrates that the new system was more difficult to accommodate for TAFE colleges and institutes, than for private providers. TAFE had suddenly to compete with private providers to receive funding. Besides, TAFE simultaneously suffered from simultaneous block grant cuts while they carried heavier infrastructures, provided expensive courses that private providers usually avoid, and have a legal obligation to cater to the needs of disadvantaged students, who are more likely to be enrolled in TAFE rather than in privately provided VET courses (Hetherington and Rust, 2014). Because TAFEs have had to increase the fees charged to students as a response to the funding cuts, some TAFEs report that disadvantaged youth had had to withdraw from courses (Guthrie et al., 2014). This experience suggest that introducing a quasi-market and demand-driven funding in VET must be accompanied and even preceded with reforms of historical public VET organisations to allow them compete with the private sectors.

*Source*: Leung, F. et al. (2014), *Early Impacts of the Victorian Training Guarantee on VET Enrolments and Graduate Outcomes*, NCVER, Adelaide. .

### *Apprenticeships and traineeships*

The apprenticeship system is often regarded as exemplary because it provides the skills needed by firms and enables them to screen and pre-select young candidates which contributes to smooth transitions towards full-time regular employment. There is growing evidence of the substantial returns of apprenticeship for youth and its advantages notably compared with school-based training (Carcillo et al., 2015). This is particularly true in the case of Australia where completing an apprenticeship typically leads to the best pathways from school to work for youth at risk of leaving school early (Ryan, 2011; Lamb and Vickers, 2011). It may even be superior to achieving Year 12 for males, and always superior than completing a Certificate II or III (Ryan, 2011).

Participation in the apprenticeship programme strongly increased over the last two decades (Figure 4.9). The share of the working-age population (15-64) in apprenticeships rose from 1.3% in the mid-1990s to 3% in the mid-2000, before declining again to around 2% after 2012. About two-thirds of commencements concern the 15-24 year-olds.

The strong increase in take-up in the 1990s coincides with the set of reforms which deeply restructured the Australian training system and reinforced its flexibility and quality.

- Notably in 1998 the New Apprenticeships (later called Australian Apprenticeships) were introduced and eliminated much of the inconsistency and variation of training systems among the states. The system also became available for existing employees, part-time

apprentices and trainees, with greater freedom in the choice of the off-the-job training provider.

- School-based apprenticeships (ASbAs) and traineeships were later introduced to allow youth from age 15 or 16 start training while in secondary school (NCVER, 2011).
- The Australian Government (through the Australian Apprenticeship Support Network) offers incentive payments that employers can receive for commencing or completing an Australian Apprenticeship (see Table 4.1), including some extra support for school-based apprenticeship, amongst others.
- Individual benefits to Australian Apprentices are also available. Apprentices may be eligible to a Living Away from Home Allowance which is available for those whose who move away from their parents, as well as to the national Youth Allowance (Student), Austudy and ABSTUDY programmes (see Chapter 3).
- In 2014, the Australian Government introduced Trade Support Loans to encourage more young people to take up and complete a trade. Since the programme began, more than 38 000 apprentices have accessed Trade Support Loans. Apprentices only have to start paying back their loan when they start earning a sustainable income (AUD 54 126 in 2015-16).

**Table 4.1. Main apprenticeship and traineeship incentives for employers**

As of 1 July 2015

| | |
|---|---|
| Commencement | • AUD 1 500 – Certificate III, IV or above (Diploma and Advanced Diploma) for trainings in priority occupations (aged care, childcare, disability care and nursing) |
| Recommencement | • AUD 750 – where apprentices/trainees recommence at Certificate III, IV, or above for trainings in priority occupations list |
| Completion | • AUD 2 500 – when apprentice or trainee (new worker) completes Certificates III/IV (less for part-time apprentices), or above for trainings in priority occupations<br>• AUD 3 000 – when apprentice or trainee (existing worker) completes Certificates III / IV (less for part-time apprentices), or above for trainings in priority occupations<br>• AUD 1 000 – when apprentice or trainee completes Certificates II though Group Training Organisations |

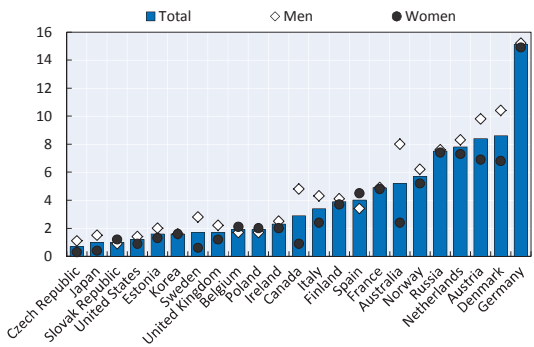
*Source:* Australian Government, http://www.australianapprenticeships.gov.au/publications/summary-australian-government-australian-apprenticeships-incentives-programme.

The growth of Australian Apprenticeships also relied on small and medium size enterprises (SME). This is an interesting feature since SME might be more reluctant to bear the risk of the contract with an apprentice than larger firms, or do not have the necessary resources to fully train youth. Australia has developed an innovative approach to answer this challenge by facilitating the creation of Group Training Organisations (GTOs, see Box 4.5). These groups of employers sign the employment contracts for the on-the-job training component and place apprentices and trainees with "host" employers. GTOs represent about 9% of all apprentice and trainee commencements (NCVER, 2016).

As a result of past reforms, apprenticeship now concerns a significant share of all youth between 15 and 29 years old. In 2012, around 5% of youth were participating in an apprenticeship, a figure comparable to that observed in France or Norway, but still below that of countries with strong apprenticeship systems such as Austria, Denmark or the Netherlands (at 8%) or Germany (at 15%). Between 2005 and 2012, school-based apprenticeship increased by 77% (Education Services Australia, 2014). Participation in an apprenticeship is particularly strong amongst young men. This feature is common to most countries but it is particularly salient in Australia: up to 8% of young men participate in these programmes compared with only 2.4% for young women. This is despite the recent policies that promote the development of trainings in the service sector, notably though traineeships.

**Figure 4.7. Participation in apprenticeship programmes, OECD, 2012**

As a proportion of total youth aged 15-29 years



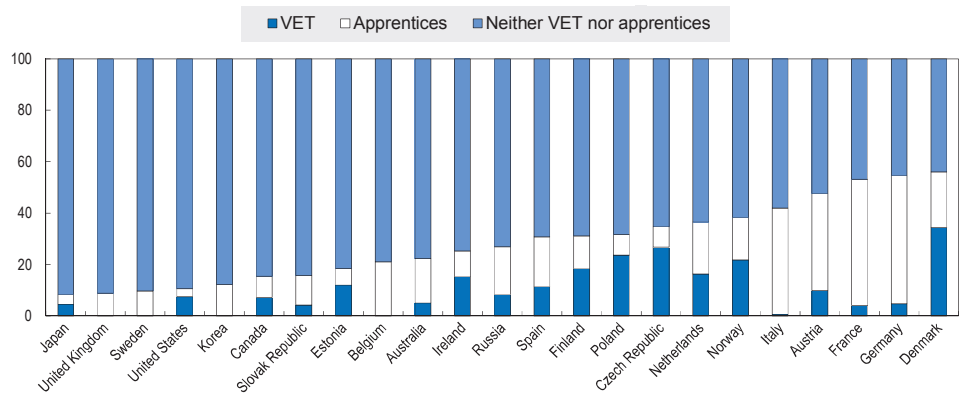

*Note*: Results obtained for Belgium and United Kingdom refer to Flanders and England/Northern Ireland only, respectively. The data from the Russian Federation are preliminary and may be subject to change. Readers should note that the sample for the Russian Federation does not include the population of the Moscow municipal area. The data published, therefore, do not represent the entire resident population aged 16-65 in Russia but rather the population of Russia excluding the population residing in the Moscow municipal area.

*Source*: OECD Survey of Adult Skills (PIAAC), 2012.

There is certainly potential to expand further apprenticeship programmes in the future, notably in the context of the recent decline in participation.[25] The challenge is to maintain at the same time quality and manage to enrol the least skilled youth who would benefit most from this type of training. Finding an employer often requires social ties and maintaining a relationship with the employer requires social skills that disadvantaged youth or their families may lack. Another challenge for disadvantaged youth is to succeed in the formal components of training. Apprenticeships are a good pathway for disadvantaged youth, if they are properly supported to succeed.

**Figure 4.8. Composition of work and study by type of programme[1]**

Percentages of all youth (16-29) combining work and study[2]




*Note*: The OECD Survey of Adult Skills only covered Flanders (Belgium) and England/N. Ireland (United Kingdom).

1. Information to identify VET programmes is missing in the following countries: Flanders (Belgium), England/Northern Ireland (United Kingdom) and Sweden. Values for Denmark and Italy represent a lower bound as the distinction between VET and not is not available at all relevant ISCED levels.

2. The categories are mutually exclusive. Hence VET refers to all students in VET programmes who do not report being apprentices. All apprentices – by labour market status and/or by contract type – are counted as combining work and study, irrespective of what they report. Indeed, some apprentices classify themselves as students while others see themselves as simply working.

*Source*: OECD calculations based on the Survey of Adult Skills (PIAAC) 2012.

As such, the Australian Apprenticeship programme currently suffers from low completion rates, a problem shared with other types of vocational trainings (see above).

- Individual completion rates for apprentices and trainees commencing in 2010 were 56.0% for trades occupations and 57.6% for non-trades occupations (NCVER, 2015g). This performance

belongs to the lower tier of comparable programmes in other countries for which information is available and where completions rates are 70% on average, and can be close to 90% even among widespread and popular programmes (e.g. Germany or Switzerland, see Box 4.4).

- These rates declined in the 1990s when apprenticeship expanded, but have remained more or less stable since the mid-2000s.
- Completion rates are lower amongst youth, notably those aged 20-24 who are more mobile in the labour market (Ball and John, 2005). This is particularly the case for those working with small employers and in urban areas where there are more options.
- Apprentices usually quit early on: 60% of those who leave do so within the first year (Bednarz, 2014). Most of them are not satisfied with the on-the-job component, more so than with the off-the-job component of the apprenticeship.

Low completion rates may give youth and their parents the impression that apprenticeship is not a reliable pathway to get the right skills, which in turn will bear on the development of this type of training. To answer these challenges, the Australian Apprenticeship Support Network (Apprenticeship Network) replaced Australian Apprenticeships Centres in July 2015. It is financed by the Australian Government to provide advice and support services for employers and apprentices throughout the apprenticeship lifecycle. Services are delivered by private providers in more than 400 locations nationally, including in rural and remote areas. In addition to providing administrative support in contracting and payment processing (which was the main role of the previous Apprenticeship Centres), the Apprenticeship Network provides pre-commencement services including screening candidates, testing and job-matching, as well as in-training support services including mentoring to help apprentices and employers at risk of not completing the apprenticeship arrangement to work through issues and difficulties.

Improving completion of apprenticeships in the future will also require better guidance on career choice in the first place. For the most at-risk youth it will also require the provision of pre-apprenticeships (see below).

### Box 4.5. Group Training Organisations (GTO)

Group Training is an alternative employment arrangement for apprentices and employers whereby a Group Training Organisation (known as a GTO) recruits apprentices under an Apprenticeship/Traineeship Training Contract and places them with "host" employers while they undertake their training.

The GTO is the employer and bears the responsibility of the contract. This arrangement is attractive for some employers and trainees:

- It is attractive to small and medium firms that may be reluctant to bear the administrative costs, notably for hiring, paying and firing.
- It creates quality employment and training opportunities for the apprentices, who have a guarantee to find another on-the-job training opportunity in case they lose their initial employer.
- It provides potentially a breadth of experience for youth gained in a number of different enterprises.

GTOs also provide additional services:

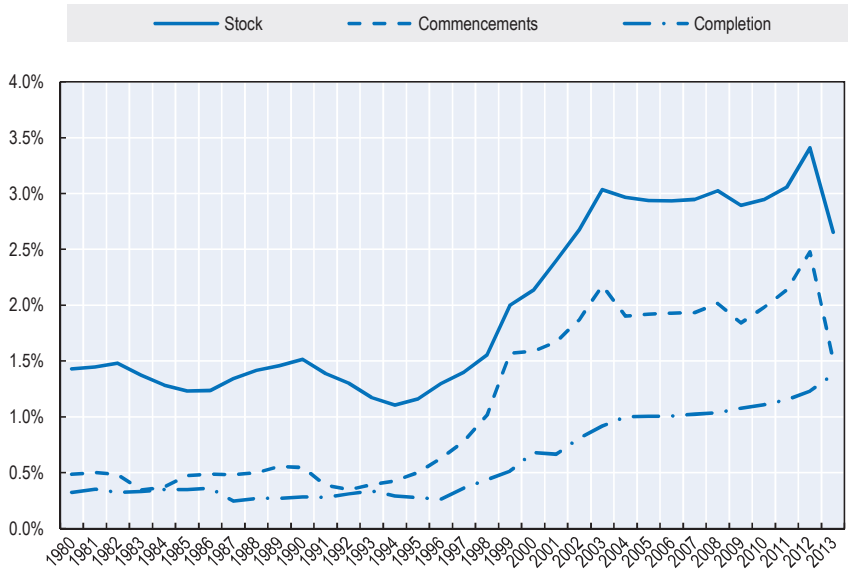
- They help match employers' training vacancies and young people.
- They review the quality and continuity of training, both on and off the job.
- They often provide mentoring for young people (career orientation and educational forms of mentoring).
- They also sometimes provide pre-apprenticeships for those not ready to participate in a full apprenticeship.

The first GTOs were established in the early 1970s in the automotive and construction industries where providing training for the four year was challenging for many employers. There are now approximately 190 group training companies operating in Australia, representing about 9% of all apprentice and trainee commencements in 2015 (NCVER, 2016). Some specialise in servicing a particular industry, while others may cater for an entire region, covering many industries. They are private entities regulated by the *National Standards for Group Training Organisations*. Only GTOs who are registered under and comply with the National Standards can apply for Commonwealth funding. Usually this funding only covers a small part of the organisations operational expenses.

*Source*: Australian Government (http://www.australianapprenticeships.gov.au/group-training), and Acil Allen Consulting (2014).

**Figure 4.9. The rising participation in apprenticeship**

As a percentage of the 15-64 population




*Source*: NCVER data.

### *Offering career guidance and pre-apprenticeships*

Career guidance is a key component of VET and apprenticeship systems to avoid poor starts. The type of guidance offered varies across states (OECD, 2014a). In Victoria, for instance, a Managed Individual Pathway Plan (MIPP) is developed for all students of government schools aged 15 and over, to be reviewed annually. This programme features many of the desirable components of a career guidance system:

- All students must be provided with careers counselling before selecting their secondary subjects or change to another education or training programme.
- Students who are identified as at risk of early school-leaving or as less likely to make a successful transition to employment or further education should additionally be connected to other social agencies/programmes offering additional mentoring and support.[26] Indigenous students are required to have an education plan from the beginning of school that is transformed into a MIPP in secondary school.

- Schools receive additional funding if they have a high share of students deemed at risk of disengaging or failing to make a smooth transition into further education or employment (risk factors include Indigenous background, migration background or low education/socioeconomic family background). The MIPP also includes following up on youth who left school after six months, and connect them to social / employment agencies if they are NEET.
- Schools have nominated careers/ welfare co-ordinators (transition staff) who manage the MIPP and can draw on the expertise of service providers like the local learning and employment networks (LLENs). LLEN staff are teachers trained in career counselling, but they also have links to local industry, education providers etc. Intensive case management is limited to students who are deemed at risk. This division of responsibilities seems appropriate as provision by external service providers is generally preferable to counselling provided directly by the school (see Box 4.6.).

### Box 4.6. The role of Career Guidance for vocational education

Career guidance can improve the match between youth and their chosen education or training path. It increases the likelihood of programme completion, improves the link between the labour market and the education system by encouraging youth to choose paths that are likely to lead to stable employment, and fosters social mobility by informing youth of career paths that might not be suggested by their family and social networks. Career guidance is of special importance for youth considering a VET programme/apprenticeship, because these programmes affect students' career prospects more directly than general secondary tracks.

Although school-based career counselling is usually associated with higher participation rates among students (Sweet et al., 2014), there is evidence that career guidance within school tends to emphasise general education programmes at the expense of VET programmes (pro-academic bias; OECD, 2014b), and to favour programmes offered at the school over external programmes, especially when funding is linked to enrolment (Watts, 2009). Provision of career guidance by actors outside of school such as external specialists and employers can be more impartial, and better linked to the realities of the labour market (Sweet, 2009).

For instance, in Denmark, for instance, where student's participation in career guidance is high (see Figure 4.8), the Ministry of Science, Innovation and Higher Education is in charge of seven regional guidance centres and services such as a national guidance portal and call centre. The guidance centres co-operate with stakeholders such as the social partners in industry and commerce and local municipalities to offer a range of activities (workshops, seminars, career fairs, individual counselling etc.) in various settings in and out of school. The co-operation with both educational and labour market institutions makes the guidance offered relevant for a variety of stakeholders in both the education system and the labour market (Field et al., 2012).

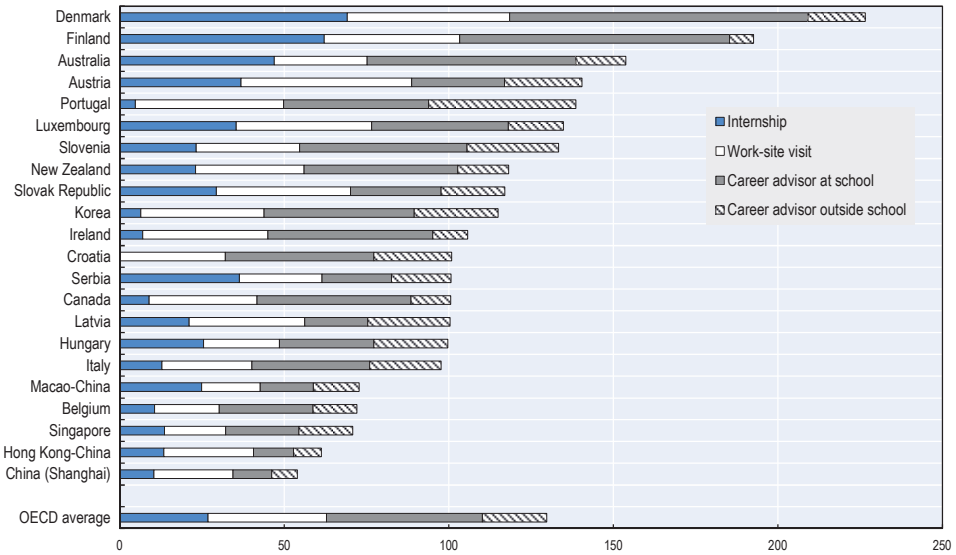
As part of the National Partnership on Youth Attainment and Transition (see below and also Chapter 5), effective between 2009 and 2014, the Congregation of Australian Governments (COAG) agreed in 2009 to streamline existing programmes aimed to facilitate school to work transition that receive federal funding, including career counselling ("career development support"). More importantly, the aim of the national funding for career development included improving qualifications of career advisors at school and teachers who participate in the career development of students, and improving access to career guidance among disadvantaged groups, particularly Indigenous youth. The national Career Development Strategy was developed as part of the Partnership. The National Partnership on Youth Attainment ended in 2013 (dandelopartners, 2014).

The OECD PISA survey (2012) is one of the rare sources of quantitative data on career guidance for students towards the end of compulsory school (15-year-olds); it covers 22 countries. Australian students report above average participation in career development activities; the share of 15-year-olds who completed an internship is also among the highest of all countries studied (see Figure 4.10). In line with high participation, the confidence of youth in their own career planning competence is comparatively high (Sweet et al., 2014). However, participation varied widely across students and schools. In contrast Denmark, that is often cited as a best practice in the delivery of career guidance at the end of compulsory school (e.g. Sweet, 2009), combines high participation and a low variation across students and schools (Sweet et al., 2014).

Pre-apprenticeships are an important feature of VET in Australia. While, again, their design can vary across states, they typically involve classroom based VET courses that can also be part of regular apprenticeships and work placements (e.g. in Western Australia, the ratio of classroom training to work-placements is 60:40). Because there is no consensus on what constitutes a pre-apprenticeship, reported enrolment numbers are only comparable across studies to a certain extent (GTA, 2012), but there is a consensus that pre-apprenticeships are an important part of VET education: in 2010, an estimated 28% of all apprentices had completed a pre-apprenticeship (Karmel and Oliver, 2011).

**Figure 4.10. Participation in career guidance activities**

Percentage of 15-year-olds who report to have participated




*Note*: Countries are ordered according to the sum of the proportion of participating students over all four categories, similar to the participation scales in Sweet (2014).

*Source: PISA 2012 Database*.

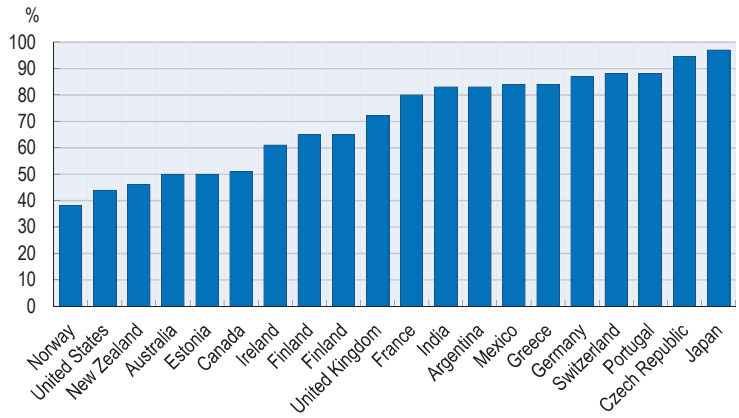
In recognition of the value and importance of pre-apprenticeship programmes, the Australian Government is currently funding for the "The Multi Industry School Based and Pre Apprenticeship Support Pilot Project" which was launched in April 2016. The pilot, delivered by the Apprenticeship Employment Network, provides young people, both those in school and those experiencing unemployment, the opportunity to have a hands-on trial of several vocational occupations over 6 to 12 months. Conducted over two years, the pilot will target up to 1 000 secondary students and up to 1 000 unemployed youth who have already left school.

Pre apprenticeships can be full-time or part time for youth who are still at school. They may focus on a particular occupation or give insights into various fields. The aim of pre-apprenticeships is to allow prospective apprentices to learn more about a trade before committing to an apprenticeship, and to increase their technical knowledge and thereby their chances of securing an apprenticeship. Consequently, enrolment tends to be counter-cyclical, and enrolment rates increased during the economic crisis (Stromback, 2012). Pre-apprenticeships tend to be concentrated in the

engineering and technology and architecture and building fields, and in 2009, 82% of pre-apprentices were male. In the same year, Indigenous students and students from remote and very remote areas were also overrepresented compared to all students enrolled in VET courses (9% vs 5% and 8% vs. 5% respectively; Foley and Bloomberg, 2011).

**Figure 4.11. Apprenticeship completion rates**

Percentage




*Note*: Programmes included: Argentina: "Acciones de Entrenamiento para el Trabajo" (Job training actions); Australia: Australian Apprenticeship; Belgium: Flanders Dual system: Syntra; Brazil: Professional Apprenticeship (Aprendiz Legal); Canada: Interprovincial Standards Red Seal Program; Estonia: Apprenticeship study form of formal VET (available both iVET and cVET programmes); Finland: Apprenticeship is one form of vocational education system; France: Contrat d'apprentissage; Germany: Dual training; Greece: Apprenticeship Programme for Technical Education Graduates for the Acquisition of Professional Experience ; Hungary: Apprenticeship programme; India: Apprenticeship Training Scheme under the Apprentices Act, 1961; Ireland: Standards Based Apprenticeship Programme; Italy: Apprenticeship; Japan: Practical Human Resource Development System; Korea: Work-study dual system; Mexico: "Bécate"; New Zealand: New Zealand Apprenticeships/ replacing Modern Apprenticeships programme; Norway : VET at upper secondary level – apprenticeship training; Portugal: Apprenticeship Courses (Dual Courses); Spain: Dual training system; Switzerland: Formation professionnelle initiale (système dual, apprentissage); Turkey: Vocational Education Centres. Apprenticeship Programmes; United Kingdom: Apprenticeship Programme – England; United States: Registered Apprenticeship system.

*Source*: Answers to the 2014 G20-OECD questionnaire on apprenticeships.

Because a rigorous (experimental) evaluation of pre-apprenticeships has not been carried out to date, evaluations are unable to control for unobserved differences in ability and motivation between youth who did and did not participate in a pre-apprenticeship, which is particularly problematic in the case of pre-apprenticeships as they represent a significant time commitment. With this caveat in mind, Karmel and Oliver (2011) find that apprentices in

the construction or electro-technological sectors who completed a pre-apprenticeship are 4% more likely to complete their programme than those who did not; apprentices in hairdressing and engineering who had completed a pre-apprenticeship on the other hand were less likely to complete their programme.

## 4. Social support for at-risk students and their families

School absenteeism and low educational performance are often caused or reinforced by non-educational factors – like problems in the family, health issues, or substance abuse. Where such non-educational barriers are recognised, students need to be offered comprehensive support. In addition to any help that the school can provide directly through its own specialised staff, social services outside of school might have to become involved and work with the young person and their family to address problems at home, solve a difficult housing situation, put the young person in touch with health services or act as a mediator between the young person and the police.

This subsection discusses the support available to troubled youth and their families within schools and outside of schools, and looks at the co-ordination of those services.

### *Services offered within schools*

The availability of specialised support staff in schools is key to quickly identifying and addressing challenges a troubled young person may be facing. Trained psychologists or social workers can be an important first point of contact for students, parents and teachers alike when problems arise. They can also act as the link to specialised services that are available outside of school.

Schools remain the first access point for supporting at-risk youth though. Mission Australia's Youth Survey 2014 (including 13 600 subjects aged 15 to 19 nationwide) found that even though relatives/family friends remain the first people from which to seek help, over one-third of youth indicate that they would go to their teacher or school counsellor for help with important issues and only 10% directly to the community services (Fildes et al., 2014). It is therefore important to help schools provide the first level of support and then connect with the relevant providers in the community.

In Australia school support systems for students vary from one state or territory to another, and schools are permitted to allocate funding and adapt their support to local conditions, which makes it difficult to identify the type and intensity of support provided. For instance, all states and territories offer

the possibility to finance counsellors and psychologist, but the title and responsibilities as well as the exact nature of support varies greatly (Urbis, 2011).

Even if ACARA collects a significant amount of comparable data about educational outcomes, no national database is available on the availability of specialists (counsellors, psychologists, social workers, etc.) in schools which could help map the resources with the needs locally and identify potential gaps.

States and territories make use of a wide range of other support services to help students grappling personal problems, for example (Urbis, 2011):

- *All states and territories*: The National School Chaplaincy Programme (NSCP). At the 2014-15 Budget, the government allocated AUD 243.8 million over four years (2014-15 to 2017-18) to assist over 3 000 schools engage the services of a school chaplain through NSCP. This programme aims to support the emotional wellbeing of students through the provision of pastoral care services and strategies that support the emotional wellbeing of the broader school community. Minimum qualification requirements are a minimum Certificate IV in Youth Work or Pastoral Care or equivalent qualification (as determined by the states). The minimum qualification must include competencies in mental health and making appropriate referrals.
- *Victoria*: The Student Support Services Program helps at-risk students by giving them access to psychologists, guidance officers, speech pathologists, social workers and visiting teachers. The Primary Welfare Officers Initiative – enhances schools' ability to support students at risk of disengagement who are not achieving their educational potential by hiring special staff including teachers, social workers, nurses, counsellors and psychologists. Schools can also hire Student Welfare Coordinators to help students handle issues such as truancy, bullying, drug use and depression.
- *South-Australia*: Mental health professionals (guidance officer, or teachers who act as school counsellors) can be available; Interagency Behaviour Support Coordinators can also help on the implementation of discipline and the co-ordination with working with government and non-government external agencies to develop programmes for students with significant behavioural problems.
- *Queensland*: Schools can hire a range of specialists to assist students experiencing personal and school difficulties, including counsellors ("guidance officers"), chaplains, community education counsellors

and (regional) behaviour management support staff (330 across the state).

- *New South Wales*: School learning and support co-ordinators have been available since 2009 and have been employed in 265 schools. They provide individual support for classroom teachers and students when any difficulty is noticed. Besides specialist itinerant support teachers provide specialised support to students with a disability (autism, integration, transition, vision, hearing and behaviour) and their teachers. School learning support teams can be formed if needed with the purpose of addressing the learning support needs of individual and groups of students through special educational.
- *Australian Capital Territory*: Student Welfare Pastoral Care Package. This fosters student well-being through counselling, welfare services, and support programmes. Every school has a pastoral care co-ordinator who manages programmes.

There are a number of other national initiatives that also promote innovative approaches in dealing with at-risk youth. For instance, The "Stronger, Smarter" programme aims to improve the education outcomes of Indigenous students by training principals and teachers to better engage with Indigenous students, and to raise their expectations of them. The programme was established in 2006 to provide schools and community partners with the tools and support to address entrenched beliefs and assumptions and to create higher expectations. It now serves 38 000 students. There is significant evidence that teachers' expectations indeed influence students' educational outcomes (Gershenson et al., 2015). Luke et al. (2013) studied school attendance and performance data on 122 participating and 74 non-participating schools and found no positive effect of the programme. This study might not be fully conclusive, though, as participating and non-participating schools might differ in a number of socioeconomic dimensions that could also influence educational outcomes over time.

Probably more promising is the Sporting Chance Programme, founded in 2006, which aims to increase the engagement of Indigenous students and their families with schools, improve their attendance and attitudes toward schooling, thereby raising the share of Indigenous youth of successfully complete Year 12. Indigenous students at the school participate in sport together; some schools provide camps or excursions as rewards for good attendance, some schools provide mentoring by Indigenous role models. The principle is to use group activities (sports-related training, health and fitness activities, but also leadership and mentoring opportunities and sometimes trips) to encourage and inform students of their progress, strengthen motivation and improve resilience at school. Some programmes also provide

academic assistance in literacy and numeracy. Programmes function as intensive school-based sports "academies" with staff-student contact being maintained on a regular basis every week throughout the school year. They are implemented by providers which work with schools and receive the financial support of the Australian Government for up to a one-third contribution to the annual unit cost (AUD 6 000-7 200 per year). In 2012, the programme supported up to 11 000 primary and secondary students across 64 different locations. While a rigorous evaluation of the programme does not exist today, the programme has been found to have contributed to school attendance and parents' engagement with the school based on interviews with students, teachers and school administrators (ACER, 2011).

Reducing violence and crime among school-age youth is also key to preventing school drop-out. For instance, in the case of the United States, Ward et al. (2015) find that delinquency as well as arrest quickly leads to early school leaving. Mentoring, tutoring and extra-curricular activities might not be enough for some youth who suffer from entrenched aggressive or disruptive behaviours. Even though very early prevention interventions for disadvantaged children in kindergarten seem most efficient in reducing the incidence of violence which later leads to delinquency and crime (Tremblay et al., 2005), some recent randomised controlled trials in the United States show that later interventions for teenagers can also be useful and efficient (see Box 4.7). Such interventions aim at helping youth reflect on the consequences of their behaviours and on their patterns of thinking can have a strong impact as well on crime, by "slowing down their thinking". These treatments are usually weekly/daily group seminars in schools and last for one year or more. They are based on the Cognitive Behavioural Treatment (CBT) technique that has proven its efficiency in psychology on anxiety, depression or aggression. There is evidence that these relatively cheap interventions reduce arrest and delinquencies, and can improve educational outcomes when associated with auxiliary after-school components such as sport or remedial education.

In Australia, CBT has been used for a long time in schools notably in the treatment of anxiety and depression through the FRIENDS programme (OECD, 2015b). With this programme schools train some of their teachers in such techniques who then apply CBT during normal class time, by promoting self-esteem, problem-solving and building positive relationships with peers and teachers. This technique (Ishikawa et al, 2007) and this specific programme (Stallard et al., 2005) were found to improve the well-being of youth.

There are also a number of nationally available school-based mental health programmes, developed under KidsMatter and MindMatters initiatives from which schools can choose interventions. These programmes

aim to improve mental health outcomes for youth in early childhood education and primary schools (KidsMatter), as well as secondary schools (MindMatters). They provide school staff with professional learning and additional resources. The objective is to increasing youth resilience and self-regulation (promotion of social and emotional skills). They encourage partnerships between education, health and community sectors to facilitate early intervention where necessary. Interestingly, KidsMatter was first trialled in 2007-08 in 100 schools before being expanded, and general improvement in student mental health and well-being were identified see OECD, 2015b, Chapter 3, for more details). In 2015, KidsMatter operated in 2 550 primary schools, while MindMatters should reach 700 secondary schools in 2016.

### Box 4.7. The "Becoming a Man" programme

"Becoming a Man" (BAM) is a randomised controlled trial (RCT) of an intervention that provides disadvantaged youth with non-academic supports during the school year. These trials aimed at teaching youth social-cognitive skills based on the principles of *cognitive behavioural therapy* (CBT). They aim at teaching youth to look forward while slowing down their thinking and try to understand their emotions. The objective is to suppress automatic behaviours leading to aggressions and crime by making youth more aware of their own thoughts and how their thoughts drive behaviour, and what are the long-term consequences of these actions. This naturally disrupts automaticity and creates a more-reflective way of responding to situations (Ludwig and Shah, 2014). Several trials of different forms of interventions led by the University of Chicago Crime Lab in Chicago public schools located in distressed areas find increases in expected high school graduation rates of up to 20%, and reductions in violent-crime arrests in three separate RCTs on the order of 30 to 50%:

A first trial in the 2009-10 academic year covered 2 740 at-risk males (selected based on attendance records or test scores) in 7th through 10th grade within 18 public schools on the south and west sides of Chicago. Some youths selected at random in this sample were offered some combination of BAM once a week during school (up to 27 hours in total with no more than 15 youth per session and a ratio of 8 students per1 adult) and/or after-school sports (requiring self-control, focus and control of anger) that included BAM-like components. Participation in the programme reduced arrests over the programme year for violent crimes by 44%, and by 36% for other (non-violent, non-property, non-drug) crimes. While effects on arrest did not last after the end of the programme, gains in schooling outcomes persisted after the programme year. Graduation rates increased of about 7-22%. (Ludwig and Shah, 2014; Heller, 2015).

A second trial in 2012-13 assigned 106 males in grades 9-10 attending a public school in south-side Chicago to receive BAM, to receive BAM plus high-dosage academic remediation, or to be in the control group. The number of course failures fell by approximately 66% during the programme year, while school absences fell by 25%. (Ludwig and Shah, 2014; Heller et al., 2015). Participation also increased math test scores and increased expected graduation rates by 46%.

**Box 4.7. The "Becoming a Man" programme** *(cont.)*

A third trial in 2013-14 assigned 2 064 male 9th and 10th graders within nine Chicago public high schools to be offered BAM once a week or to a control group. About half these schools had no after-school sports programme at all, in order to distinguish the effects of BAM from other after-school components previously associated with BAM. The decline in all types of arrests was equal to 31%, but the estimated effect on school engagement is about zero suggesting that BAM alone works on crime behaviours but that after-school sports can also help impact educational outcomes (Heller et al., 2015)

A key component of BAM is the quality of instructors, who not only need to know the techniques of CBT but also need to relate to youth like mentors would do. In the Chicago experiments they often share a similar background with the enrolled youth. Even though the long-term impact of these interventions still needs to be identified, these experiments show that relatively cheap interventions (USD 1 200 and USD 2 000 per youth for the first and third trial, respectively) can generate high returns on investment, which were estimated in the first trial to be up to 30 times the participant cost from reductions in crime alone in one year, and additional societal benefits.

### *Services provided outside of schools*

Support staff outside of schools – for instance in the municipal social services, at public employment services or in NGOs – can work jointly with a young person, her family and possibly the school to address any more severe and lasting issues.

#### *Health services*

In the face of the wide variety of psychological support available in schools across states and territories (see above) the National Youth Mental Health Foundation Headspace was established in 2006 to offer a new approach to health services for young people aged 12-25, with the provision of comprehensive physical and mental health care. Designed as one-stop-shops for youth that bring together primary and mental health care as well as substance abuse and educational/vocational counselling and advice, headspace centres provide a low threshold service for youth. Especially, the provision of primary health care workers as a "soft entry point" for youth who would find it too stigmatising to seek out mental health care directly (McGorry, 2013). Headspace mental health clients with symptoms of depression and anxiety, and behaviour (about three-quarters of clients), are usually treated by CBT which has been proven to be efficient in many randomised controlled trials. The number of Headspace centres grew rapidly over the past ten years. In 2014, 50 149 young people received services in about 80 centres. In 2016-17 over 100 centres are planned nationwide. This rapid growth, along with the requirement to address the specific needs of each local community while drawing upon the existing capacity leads to

substantial heterogeneity in the range of activities offered in the centres (Rickwood et al., 2015b). Despite these drawbacks, Headspace centres seem a promising approach to bring mental health services closer to young people. (see Chapter 5, Box 5.6).

### *Outreach activities and counselling*

Until 2014, a network of social service providers was financed through the Youth Connections programme. Youth Connections offered a continuum of services to support young people at risk of disengaging from education or training, not attaining Year 12, and notably individualised counselling and training services, as well as outreach activities. Youth Connections was part of the National Partnership on Youth Attainment and Transition (see Chapter 5, Box 2), which secured funding for AUD 288 million over the period covered by the National Partnership (2010-14) to improve pathways from education to employment and reduce drop-out rates. Depending on the state or territory Youth Connections funding was primarily oriented towards reducing school drop-out rates, or to re-engage inactive youth in school or alternative learning options, training or other labour-market-related activities (see Chapter 5).

During this period 57 000 youth receive external support by Youth Connections providers while attending school on a regular basis (40% of clients) or on an irregular basis (60% of clients) with the objective to strengthen educational outcomes and school attendance. Most youth served by Youth Connections were aged between 15 and 19 (about two-thirds), but one-third were below 15 (Department of Education and Training, 2015). About 20% were Indigenous, and 10% had a migrant origin. They were identified and referred by schools or other stakeholders in the community. Providers are set objectives on outcomes and are evaluated and controlled based on a specific system of reporting A provider's performance was measured by the outcomes they achieve and indicative outcome ranges were provided to each provider.

The type of support provided was mostly one-on-one case management support to those young people at risk, with low caseloads. Service delivery was flexible and tailored to the young person's personal situation and circumstances. Activities included mentoring, advocacy and referral, as well as literacy and numeracy classes when needed. Social activities were also provided to attract and re-connect with young people. Providers also used other services available in the community to offer alternative or complementary learning pathways to at-risk youth. They worked with schools but were independent from schools and other institutions, which helps to build relationships of trust with young people. This system of social service provision offered a great degree of flexibility to adapt the nature and quantity of service to local needs.

The targeting of the measure seemed adequate since a majority of youth engaged in the programmes had socialisation and/or behavioural problems, and about 60% suffer from low self-esteem. Besides, more than 40% of these youth also had serious academic challenges with low numeracy and literacy levels. Between 20 and 30% had diagnosed or suspected mental issues. And about one fifth either had problems at home or lack family support (see Panel A of Figure 4.12).

Providers financed through Youth Connections had to report the outcomes at the end of interventions. Obviously social outcomes for school-age youth with so many diverse barriers are difficult to quantify and even measure. However, the reporting system identified five areas to measure if programme participation was associated with progress (see Panel B of Figure 4.12):

- *Educational engagement:* About a quarter of participants report strengthened engagement and they remained engaged in education or training over the whole school term, or for 13 weeks.
- *Attendance:* About one fifth of participant improved their school day-by-day attendance consistently over the whole school term, or for 13 weeks.
- *Behaviour at school:* For about a quarter of participants who used to attend school on regular basis upon enrolling in the programme, behaviour at school improved consistently over the whole school term, or for 13 weeks.
- *Educational performance:* For about a fifth of participants who used to attend school on regular basis upon enrolling in the programme, educational performance improved consistently over the whole school term, or for 13 weeks.
- *Educational engagement:* About a quarter of participants report strengthened engagement and they remained engaged in education or training over the whole school term, or for 13 weeks.
- *Attendance:* About one fifth of participant improved their school day-by-day attendance consistently over the whole school term, or for 13 weeks.
- *Behaviour at school:* For about a quarter of participants who used to attend school on a regular basis prior to enrolling in the programme, behaviour at school improved consistently over the whole school term, or for 13 weeks.

- *Educational performance*: For about a fifth of participants who used to attend school on a regular basis prior to enrolling in the programme, educational performance improved consistently over the whole school term, or for 13 weeks.

A study in Victoria showed that about three-quarters of young people in this region remained engaged with education at least three months after exiting the programme (Barret, 2012). This survey also showed that young clients put a high value on the relationships formed with their case managers. These outcomes are only a mere description of pathways amongst those who participated in the programme and cannot be interpreted as impacts of participation. Indeed, it is possible that outcomes would have improved in a similar manner without the programme. This can be the case if those who chose to participate in the programme are more motivated than other youth sharing the same characteristics and barriers.

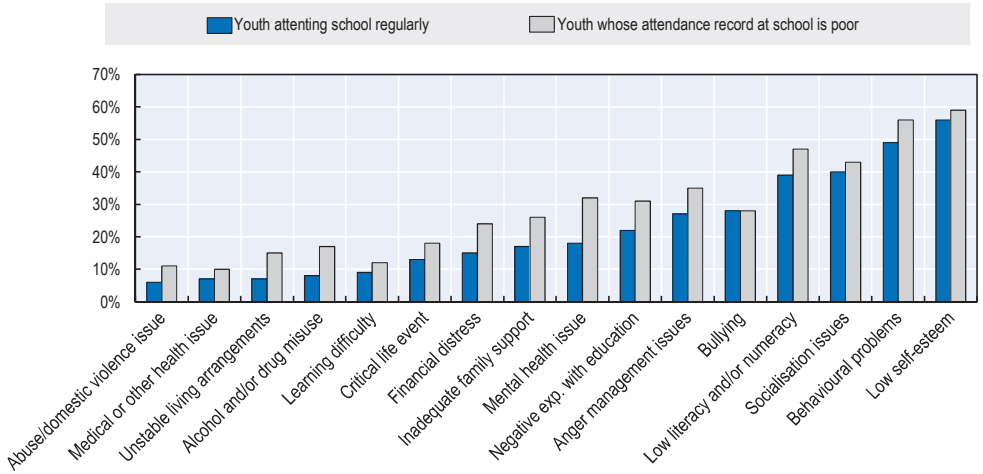
Despite this relative uncertainty about the actual impact on youth pathways, the Youth Connections programme had a number of other positive consequences. Beyond providing additional funding to support social services for youth, it helped structure a sector which is characterised by a large number of sometimes small and heterogeneous providers:

- Youth Connections was a well-identified brand which providers used as an umbrella to attract youth and help them identify their services.
- This brand also worked as a focal point for interactions among providers and helped build networks and collaborative work practices (dandelopartners, 2014). The collaboration with schools and the creation of networks was an important outcome of this programme.
- The system of performance and reporting shared by all providers also helped align their objectives and identify the nature of their interventions. It also helped collect new and rich data on the situation of at-risk youth throughout the country.

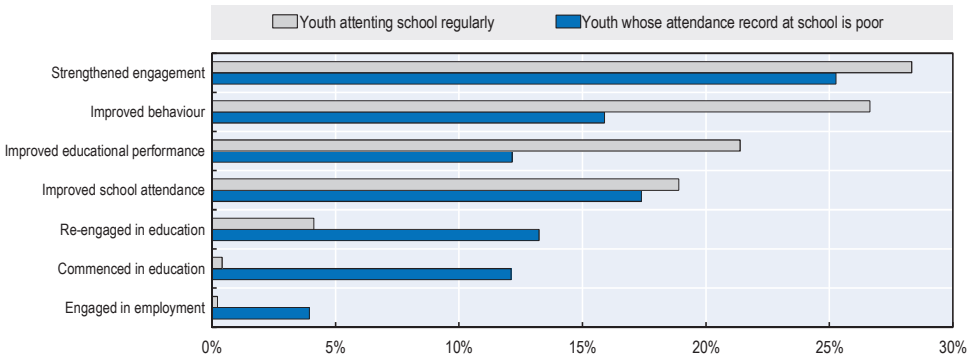
## Figure 4.12. The main barriers and achievements of youth getting external service from Youth Connection providers

Percentage of participants in each category identified with the barrier/outcome, 2010-14

Panel A. Barriers




Panel B. Final outcomes achieved




*Source:* Department of Education and Training (2015), Table 6.

Since the end of the National Partnership, providers of social services for youth at school have to rely on alternative sources of funding, either from municipalities or states and territories. For instance in South Australia, ICAN not only offers flexible learning options to 6-19 years old students but also provides at-risk students with access to individual case management services, life skills training, and remedial literacy and numeracy support; in Queensland, the focus is on early prevention notably in junior high school, with a system of detecting youth at risk of dropping out ("OnTrack Survey") and connecting them with local providers ("OnTrack Connect"). It is unclear, however, to what extent the resulting loss of funding was compensated by these authorities. Besides, with the end of the Youth Connections no national reporting system is left to map the external support provided to youth at risk of dropping out of school.

### *Mentoring*

Mentoring programmes are often viewed as a way to fill the gaps for youth who may lack guidance and positive role models at home (for instance, but not only, in the case of single parent families). A number of studies have identified the favourable impact of natural and durable relationships with caring adults other than parents on health, self-esteem, risky behaviour and the well-being of adolescents (Grossman and Bulle, 2006). Mentoring differs from counselling in that the objective is to create a one-on-one relationship and also ideally to provide role models for youth outside any sort of employment or social service offices. The relationship can last for years (one school year is a minimum), often from junior high-school or even primary school and if possible until college. Mentors are usually assigned only one youth at a time. Mentoring services for disengaged young people are often quite heterogeneous and not always structured in a way that allowed the building of long-term relationships, as opposed to specialised programmes.

For instance, Big Brothers Big Sisters (BBBS) is one of the oldest and largest mentoring programmes. It was originally founded in the United States in the 1900s. In Australia BBBS operates in all the main cities (Adelaide, Brisbane, Melbourne, Perth and Sydney) but only served 1 100 youth in 2013/14. It is a prescribed and tightly monitored model. Mentors and youth as well as their families are first screened though a system of interviews and questionnaires, then matched based on common interest and location. The relationships are monitored on a monthly basis by specialised staff, and recommendations are regularly made to mentors to improve communication, diversify activities, promote child development and solve issues. The objective is to share extra-curricular activities, not only to do homework. Youth are recruited by word of mouth, but also by the

establishment of good relationships within schools. The mentors are screened and provided with guidance and goals to achieve.

Based on a controlled experiment in the United States, where over 1 000 youth were randomly assigned to a treatment or control groups and questioned 18 months later, Grossman and Rhodes (2002) evaluated the impact of this programme on self-esteem and a number of educational and social outcomes, such as grades and school attendance, social assistance receipt, violence and drug use. They find that adolescents in mentoring relationships that lasted a year or longer reported the largest number of improvements, notably less violent behaviour and substance abuse and better school attendance (motivation and resilience). Older adolescents, as well as those who had sustained emotional, sexual or physical abuse, were most likely to be in relationships terminating early. No impact on school grades was found.

Other evaluations show that the favourable impact on education largely depends on the quality and strength of the mentoring relationship, as well as on an appropriate targeting of youth at-risk (DuBois et al., 2002; Rhodes, 2008). This is why promoting well-structured programmes such as BBBS is important. The programme remains, however, at a small scale in Australia (BBBS in the United States in 100 times bigger). The main challenge is to recruit mentors, who are all volunteers. Many initiatives have been tried to expand the outreach of mentoring. For instance, mentors can be sometimes recruited through partnerships with corporations, and in that case meetings can happen directly onsite which saves commuting time for mentors ("site-based" model). Partnerships with schools are also important. BIG Futures, a new initiative in Australia, will try to bring Big Brothers Big Sisters mentoring directly into Australian schools. Other similar initiatives exist, such as the *iTrack* programme of the Smith Family, which is available in most states and territories and provides mentors to high school students for an 18 week period, with the aim to motivate them finishing school, provide them with advice and encourage them with their post-school plans. In general, these mentoring models are only financed through corporate sponsorship and private donations.

### *Co-ordination of services*

Information-sharing and an effective co-ordination of the services provided by the different actors working with young people are required for comprehensive multi-actor interventions to be successful. For a complete view of a young person's individual, social and educational circumstances, all parties involved need to exchange their knowledge and expertise. This might require a close co-ordination of the social services with the young

person's parents and school, but potentially also with interest-education providers, the police or representatives of the judicial system, which is of course difficult to achieve in some circumstances (OECD, 2015c).

In some areas, co-ordination between schools, social, health or employment services, but also local employers and associations was facilitated by the "School Business Community Partnership Brokers". Originally implemented under the National Partnership on Youth Attainment and Transitions (2009-13), the Partnership Brokers/Youth Connections programme operated from 2010 to 2014. Partnership Broker organisations operating in 107 regions across Australia focused on building partnerships with education and training providers, business and industry, parents and families, and community groups, to support young people in attaining Year 12 or equivalent qualifications (see Chapter 5). In practice, they organised locally regular interactions and informal exchanges of information between the various stakeholders. But their financing ended with the National Partnership. Even though some of the partnerships they facilitated may have become autonomous (about one-sixth of all supported partnerships were judged "self-sustainable; dandelopartners, 2014), there is no more institutionalised procedures to exchange information and make sure at-risk youth do not drop out and fall through the cracks of support (see also Chapter 5).

## 5. Round-up and recommendations

The Australian education system performs well overall: completion rates are high and rising, and the share of young adults with below upper-secondary education is now below the OECD average: 13% of all young Australians aged 25-34 years, compared to 17% on the OECD average. Disadvantaged students do not do as well, however: youth from low socioeconomic backgrounds, youth living in remote areas and Indigenous youth perform substantially worse in standardised tests. Students from these disadvantaged groups are also less likely to complete Year 12.

Schools may adapt their education programmes to the needs of low-achievers or disadvantaged students, and in recent years, a number of national programmes supported local initiatives to improve schooling outcomes for students from disadvantaged backgrounds. Given the flexibility schools have in the allocation of their funding, more consolidated information on the special resources schools dedicate to at-risk youth is needed.

School performance, including attendance and test scores, is tightly monitored and publicly available through the *MySchool* website. But more could be done to identify and monitor youth at risk of dropping out, and to

connect them with external services where necessary. Specifically, information on the attendance of individual students is not systematically shared with external services which could help youth who are disengaging. This is important as reported incidence of students being late for school or absent is comparatively high in Australia.

The VET system is an important educational pathway for youth in Australia. The provision is very flexible and accessible for youth, and provides a wide range of courses and qualifications. But completion rates are relatively low (although increasing). Private providers have been allowed to enter the market incrementally, and in 2011, a "student entitlement" system was introduced, which allows students to choose a private or public provider using a government voucher. This reform reached the goal of increasing the number of VET participants: enrolment in publicly funded VET increased by 15% between 2008 and 2011. But the reform also created concerns about the quality of VET courses offered by private providers, and possible mismatch between the courses chosen by students and those demanded by employers. The diverse system of degree levels and providers can be difficult to navigate, especially for disadvantaged students.

Until 2014, social services for youth under the age of 19 were mainly funded by the Youth Connections programme. This programme granted additional funds for the support of youth at risk of dropping out, and helped them remain in school or re-engage in alternative education programmes. These services were delivered by a network of social service providers, and Youth Connections created common guidelines for interventions and set objectives for providers. The affiliated providers typically offered individual case management, a first psychological assessment, and training in interpersonal skills, basic life skills, literacy and numeracy. There is evidence that this initiative helped improve educational attainment for youth at risk of dropping out of school. It also made it easier for youth to identify useful providers under a single banner, and facilitated co-ordination among providers. But following the phasing out of the programme in 2014, the necessary funding for some of these activities, notably counselling and case management, seems unsecure.

### *Improve the identification and follow-up of drop-outs and those at risk of disengaging*

- *Use already available information on school attendance to identify drop-outs and those at risk of dropping out of school.* ACARA collects information on school attendance and publishes school-level results, but this information is currently not used to combat school drop-out on an individual basis. Data on school attendance for youth aged 15-18 should be shared with DHS/Centerlink and local service administrations

whenever needed. They should contact youth and their families to identify any obstacles to school attendance and offer them counselling or alternative learning options.

- *Local service providers should be required to follow-up on youth.* Once youth agree to participate in programmes, local service providers should be required to inform DHS/Centerlink and local service administrations on the programme participation and progress of these youth on a regular basis.

### *Improve the governance of publicly funded VET to increase completion rates*

- *Improve the provision of information regarding the quality of training.* There are concerns regarding the quality of training courses offered by an expanding market of private providers. Information on completion rates and (adjusted) employment and earning outcomes should be published on the provider and course level.
- *Step up counselling within the student-voucher system.* Especially disadvantaged students need help to navigate the complex Australian VET system. Counsellors should use outcome based information on courses and providers to steer youth towards high quality courses that are a good match with labour market demands.

### *Secure the provision of social services for youth*

- *Systematically collect information on services provided at the school level.* Schools have a lot of leeway in the allocation of their resources, and national programmes may support local activities that cater to at-risk youth. These activities should be systematically recorded to identify gaps in local service provision.
- *Secure the provision of social services for at-risk youth, and the continued evaluation of programmes.* Youth Connections funded valuable support for at-risk youth, notably counselling and case management, featuring common guidelines for service provision. It is important that youth continue to have access to the services formally funded by Youth Connections, and that their impact on educational outcomes be evaluated on a regular basis.

# Notes

1. In terms of expenditure by student, Australia ranks 13th of 38 countries studied for primary education, and 12th for secondary education. However, the share of private expenditure is significantly above the OECD average (16% vs. 9%, OECD, 2014d).

2. The exact age at which compulsory school starts varies across states and territories.

3. These skills can be developed in Health and Physical Education courses, which are part of the curriculum, but also throughout all learning areas where teachers are encouraged to explicitly focus on these skills whenever they can.

4. The "High Achievement' programmes even enable top students to study university-level subjects for advance credit.

5. This number includes apprentices, who make up about 17% of VET students (NCVER, 2015c).

6. See NCVER "Historical time series of government-funded vocational education and training in Australia, from 1981".

7. These qualifications are the equivalent of the graduate certificate or diploma, respectively, in the tertiary education system. VET courses also increasingly provide credit to a related university level courses, to keep the pathways between tertiary and VET education open.

8. ASQA is the regulatory body for registered training organisations (RTOs) in the Australian Capital Territory, New South Wales, the Northern Territory, South Australia, Queensland, and Tasmania. ASQA is also the regulatory body for those registered training organisations in Victoria and Western Australia that offer courses to overseas students and/ or the other states and territories.

9. ASQA may also collect, analyse and publish information on the VET sector and VET providers. There are currently around 5 000 RTOs in Australia. A complete list of RTOs is maintained at

training.gov.au, the authoritative national register of the VET sector in Australia.

10. While Apprenticeships are generally associated with occupations in the traditional trades (occupational entry level qualification at the Certificate III or IV level), Apprenticeships can also lead to Diploma or Advanced Diploma.

11. The amount of funding differs in each state and territory, reflecting different priorities.

12. In 2014, 1.5% of all students in Victoria were enrolled in a special school, while only 0.5% of all students in South Australia were.

13. Especially compared to other states and territories, notably Victoria, New South Wales and the Australian Capital Territory (Thomson et al., 2013).

14. Around 12% of the explained variance in student performance in Australia was found to be attributable to students' socioeconomic background, compared to around 18% in New Zealand and as little as 8% in Hong Kong-China. Australia is considered above-average in terms of equity in mathematical literacy, and there is also evidence that equity improved between 2003 and 2012 despite the worse scores achieved by students on average (OECD, 2013, Figure II.2.12).

15. This share has declined by almost 2 points since 2003 (OECD, 2013, Figure II.2.14).

16. It is also of interest to examine results at the school level. In Finland there is little variation between schools and average performance in mathematics is high, meaning that parents and students can expect that students can achieve at high levels no matter which school they attend. In countries such as the Netherlands, there is a large amount of variation between schools, making it important to attend the "right" school. In Australia overall, the amount of variation between schools in mathematics performance is lower than the OECD average (representing 31% of the variation in student performance across OECD countries compared with 37%), while the amount of variation within schools is higher than the OECD average. This pattern is similar to that seen in Canada, Ireland, New Zealand, United Kingdom, and the United States, as well as in the Nordic European Countries (OECD, 2013, Figure II.2.8a). In Australia, as well as in the OECD, more than half of the performance differences observed across students in different schools can be accounted for by socioeconomic differences across students and schools. The role of socioeconomic

disparities between-schools is even stronger in Tasmania, the Northern Territory and Western Australia (Thomson et al., 2013).

17. The rate of Year 12 or equivalent attainment for young people aged 20–24 is often used to proxy the rate of school drop-outs because not all youth reach Year 12 qualification at age 18 – some follow alternative pathways such as apprenticeship or VET that may take longer to complete.

18. The equivalent to Year 12 completion, the senior secondary certificate, in the VET system is actually Certificate IV.

19. In 2012, the attendance rate in year 10 (the last year of compulsory education) varied between 74% in the Northern Territory and 91% in Victoria in government schools (ACARA, 2014).

20. For top achievers, the "Gifted and talented" programmes allow to adapt and personalise the standard Australian Curriculum to students with exceptional academic capacity or creative talent and meet their learning needs. Schools and teachers also have the flexibility to "reasonably adjust" the curriculum to ensure that students with disability are provided with opportunities to participate in education and training on the same basis as students without disability.

21. They are recognised as an important strategy for Indigenous students and are part of the Work Programme which is a set of resources designed to help schools to improve outcomes for Indigenous students.

22. Because of the National Partnership funding was closely linked to the Year 12 or equivalent attainment goal, most programmes concentrate on or exclusively cater to the 12-19, or even 15-19, age group.

23. For apprenticeships, traineeships and other publicly funded programmes, as well as non-government funded VET students attending TAFE, but not for VET at school programmes.

24. The state spending also increased quickly from AUD 800 million in 2008 to AUD 1.3 billion in 2011.

25. For instance, like in other English-speaking countries where the incidence of work among students is frequent, the combination of work and studies remains largely (about 80%) a phenomenon happening outside apprenticeship or VET programmes (see Figure 4.8). In Austria, Denmark, France, or Germany about half or more of students who also work do so within VET or

apprenticeship frameworks which best guarantee that on-the-job training is complementary to classroom training.

26. For more details see the description of the Managed Individual Pathways (MIPs) initiative (http://www.education.vic.gov.au/school/principals/finance/pages/srpref055.aspx).

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# *Chapter 5*

# Guaranteeing employment or training options for NEETs in Australia

*This chapter looks at Australia's policies and programmes to bring NEETs into education or employment. The chapter sets off by describing the current architecture of market-based employment and social service delivery, and by discussing the challenge of co-ordinating services for at-risk youth. It presents strategies for reaching out to disengaged youth, and evaluates the impact of recent policy changes. It then assesses the coverage and adequacy of programmes aimed at re-engaging young jobseekers in employment, education or training, and to provide them with comprehensive social support. The chapter ends with a discussion of the political framework for ensuring that the impact of programmes targeted at NEETs in Australia is rigorously evaluated.*

## Introduction

Australia was hit much less heavily by the Great Recession than most other OECD countries, yet the labour market situation for young people has developed relatively poorly since. After a secular decline in youth unemployment rates since the early 1990s (from 16.4 to 7.1% of 15-29 year-olds between 1992 and 2008), the share of unemployed youth out of all active youth has risen again to over 10% in 2015. The youth employment rate dropped by over 4 percentage points between 2008 and 2015 (from 69.8 to 65.5%), while the NEET rate rose by 1.4 percentage points (from 10.4 to 11.8%). In 2015, 580 000 young Australians between the age of 15 and 29 years were out of education and work.

While these outcomes are still quite favourable by historical standards and when compared to those in other OECD countries, they are clearly a reason for concern. This is true in particular as certain groups of young people – notably those living in remote areas, migrants and Indigenous youth – have much greater difficulties finishing school and making a transition into stable employment (see Chapter 2).

Against these developments, it has been an explicit priority for recent Australian Governments to promote successful school-to-work transitions for young people. In 2009, the Council of Australian Governments (COAG) decided on a new funding arrangement for policies aimed at re-engaging at-risk youth into education and training (the *National Partnership on Youth Attainment and Transition*, see below).[1] This agreement included an education requirement for early school leavers (ESLs) out of work and a training guarantee for youth with no more than a Year 12 certificate or an equivalent qualification (as part of the so-called *Compact with Young Australians*). After the expiry of these arrangements in 2013 and 2014, the current government launched a Youth Employment Strategy in late 2015 that focuses on providing NEETs the skills and work experience they need for finding work.[2] Australia moreover recently adopted the G20 youth employment target of reducing the number of youth who are low-skilled, NEET, or working in the informal sector by 15% by 2025.

This chapter presents the system of employment and social service delivery for NEETs in Australia, describes its recent developments, and assesses coverage and adequacy of policies for disadvantaged youth. Section 1 examines the current architecture of the employment and social service provision and discusses co-ordination and governance issues. Section 2 presents the main options for reaching out to disconnected youth. Section 3 focuses on the strategies to re-engage youth in education, employment or training. Section 4 discusses the political framework for evaluating the impact of programmes for NEETs.

## 1. The architecture of employment and social service provision for NEETs

Because of Australia's federal governance structure, both the national and the state/territory governments are involved in the design, funding and delivery of policies and programmes for NEETs. At the national level, the responsibility is spread over different Departments:

- The Department of Employment manages mainstream employment services and most active labour market programmes.
- The Department for Human Services (DHS) delivers income support payments, including jobseeker allowances (YA and NSA), the disability pension and the carer payments through its *Centrelink* programme. It is responsible also for Child Support and Medicare universal health care scheme programme.
- The Department of Social Services (DSS) administers social services delivery and income support policy, including to families with children, unemployed people, carers, seniors and people with a disability, health problems or injury. At the Commonwealth level, it also responsible for social housing and homelessness issues.
- The Department of Education and Training is responsible for national policies covering pre-school to tertiary education, including school-to-work transitions, vocational training and youth policies.[3]
- The Department of the Prime Minister and Cabinet (PMC) is directly in charge of Indigenous services.

States and territories carry the primary responsibility for education and skills policies, and hence for the engagement and attainment of young people in education and training and for facilitating successful school-to-work transitions. In recent years, the Commonwealth Government has however become more strongly involved in promoting school-to-work transitions via National Partnership Agreements. These agreements, concluded between the Commonwealth Government and the states/territories, set common goals for education and training policies and possibly imply the provision of Commonwealth funding.

### *Employment and social service provision*

Employment and social service provision in Australia differs from that in most OECD countries in being nearly entirely market-based.

The initial point of contact for NEETs is the DHS through its *Centrelink* programme, which determines eligibility to income support, makes benefit

payments, and connects young people to non-governmental providers for further servicing.[4]

Mainstream employment services are provided through an outsourced network of 44 *jobactive* providers [until July 2015: *Job Services Australia* (JSA) providers], which are for-profit or not-for-profit organisations of various sizes operating in about 1 700 locations throughout the country.[5] An additional 134 Disability Employment Services (DES) providers support jobseekers with disability, injury or health condition.[6] Employment and social services for income support recipients living in one of Australia's 60 remote regions are delivered through specialised providers in the framework of the *Community Development Programme* (CDP; until July 2015: *Remote Jobs and Communities Programme* – RJCP).[7]

Jobactive providers are selected through tender rounds, the latest one having been in 2014 for the five-year contract round starting in July 2015.[8] Selected providers are required to offer case management, job search assistance and placement, as well as to monitor jobseekers' compliance with their activity requirements. Providers are funded through a combination of per-client administration fees and outcome-based fees, which account for the jobseeker's level of disadvantage (see Box 5.1). They can allocate these funds to clients as they see fit as long as the jobseekers meet their obligations and servicing is commensurate to the jobseekers' needs. An *Employment Fund* (EF – previously: *Employment Pathway Fund*, EPF) is available to help jobactive providers pay for services and interventions aimed at improving clients' employability (see Box 5.4).

DES providers are selected through separate tendering procedures. They receive significantly larger fees than jobactive providers that should enable them to provide capacity-building interventions, health rehabilitation services, and intensive pre- and post-placement support (see OECD, 2015). DES providers do not have access to an equivalent EF.

Like employment services, social services for NEETs – including counselling, case management and mentoring, family support, housing services, or basic health support – are primarily delivered through a network of non-governmental organisations, ranging from small community-based organisations to large foundations that provide nationwide services. These providers are funded by the Commonwealth, state and territory, and local governments through various types of arrangements (including tenders and lump sum grants). Governments moreover play an important role in co-ordination and capacity-building. Health services for NEETs are offered through community health centres and in many places through *headspace*, the National Youth Mental Health Foundation (see Box 5.6).

### Box 5.1. The tender process for jobactive contracts

The purchase of employment services for jobseekers from providers through the Department of Employment happens in three-yearly (from 2015: five-yearly) tender rounds carried out since 1997. Under each tender, private-sector and community-based organisations bid for provision of employment services in 51 Employment Regions (before 2015: 116 Employment Service Areas). Existing and potential providers can participate in the bidding process specifying a market share they wish to serve in an Employment Region. The most recent tender round took place in 2014 for the round of contracts starting in July 2015.

In the 2014 tender, the Department of Employment selected one to seven jobactive providers for each Employment Region based on the following four criteria: 1) past performance (weight: 30%); 2) the organisation's ability and capacity to achieve outcomes for jobseekers (30%); 3) the organisation's strategies to meet the needs of employers (30%); and 4) governance, i.e. the organisation's strategies, capacity and skills for delivering services (10%). The selected providers are allocated a certain market share in a given Employment Region, which – due to the free choice of providers by jobseekers – is however subject to a ±30% tolerance for variation. Contracts of existing providers can be rolled over to the new contract period in case of a good performance record.

In 2015, there are 44 contracted jobactive providers competing in about 1 790 locations to attract jobseekers and provide employment services. Providers come from a wide variety of backgrounds including not-for-profit and private-sector organisations. All providers deliver services for all eligible jobseekers including those with specific needs, jobseekers with disability, Indigenous Australians and jobseekers from culturally and linguistically diverse backgrounds. The seven largest providers together serve 48% of the market, with the largest one covering 16%.

Providers' relative performance is continuously measured through *Star Ratings* published online on quarterly basis.[1] The rating is a function of employment retention outcomes and jobseeker activation achieved by the provider adjusted through a regression model for client characteristics and the state of the local labour market (Department of Employment, 2015b). Star Ratings serve as an important reference for jobseekers when they choose a provider. They are also used by the Department of Employment in a mid-contract business review, which reallocates funding from low- to high-performing providers, and for the selection of providers at the end of each five-year tendering period. Contract renewal is typically conditional on having an average-or-above Star Rating.

Compensation for providers is performance-based to encourage them to move jobseekers into stable employment quickly. Payment levels depend strongly on the expected barriers to re-integration that a jobseeker faces, such that providers have strong incentives to serve more disadvantaged groups. Providers receive a lump sum *administration fee* of AUD 250 per jobseeker paid in advance every months paid, and an increased fee of AUD 350 for clients under 30 years in Streams A and B who receive "intensive services".[2] Outcome payments are made 4, 12 and 26 weeks after a jobseeker has found employment and strongly depend on the Stream and the time spent in unemployment.[3] Providers operating in regional locations receive a 25% top-up on administrative fees and outcome payments.

**Box 5.1. The tender process for jobactive contracts** *(cont.)*

One challenge of the system is that provider turnover can lead to strong disruptions in servicing. After the 2015 tender, 52% of jobseekers changed to a different provider. Many longstanding providers had to release staff or close down completely, which caused substantial human and financial costs and a large loss of experience to the industry. At earlier transitions between employment service contracts, placement performance moreover substantially dropped in the last months of the old contract period and the first months of the new period (OECD, 2012).

1. Star Ratings for JSA providers are available on the Department of Employment website: https://employment.gov.au/job-services-australia-provider-performance-star-ratings. The first Star Ratings of jobactive providers will be published in August 2016.

2. Under the "intensive servicing" introduced in July 2015, jobactive providers are required to meet their clients on a monthly basis.

3. Payments vary between AUD 400 for a Stream A jobseeker who has been unemployed for less than 24 months and who finds employment for only four weeks and AUD 11 000 for a Stream C jobseeker who has been unemployed for 60 months and remains in employment for at least 26 weeks. Lower payments apply for a move to part-time employment. No payment is made for Stream A jobseekers who find employment within the first three months. An AUD 1 000 educational outcome payment is made if a 15-17 year-old client transitions into education or training.

*Source:* Davidson, P. and P. Whiteford (2012), "An Overview of Australia's System of Income and Employment Assistance for the Unemployed", *OECD Social, Employment and Migration Working Papers*, No. 129, OECD Publishing, Paris; OECD (2012), *Activating Jobseekers – How Australia Does It*, OECD Publishing, Paris; OECD (2014), "Employment and Skills Strategies Australia", *OECD Reviews on Local Job Creation*, OECD Publishing, Paris; Commonwealth of Australia (2015), "Jobactive Deed 2015-2020".

NEETs who require social support can directly get in touch with a service provider or be referred through DHS/Centrelink, an employment service provider, other social service providers.

A substantial source of Commonwealth funding for social policies for NEETs was made available through the National Partnership on Youth Attainment and Transitions between 2009 and 2013 (see Box 5.2).

### *Co-ordination and governance*

The Australian provision of employment and social services through a network of national, regional and local providers makes service delivery highly flexible. The profiles of at-risk youth and the opportunities they face greatly vary across regions and between urban and rural or more remote parts of the country (see Chapters 1 and 2). The decentralisation of service

delivery allows adapting type and intensity of interventions to the local specificities.

Despite the large number of different actors involved, referrals of needy youth between providers tend to work well. In more rural communities, efficient co-ordination is often facilitated by a lower number of providers, many of whom have been operating for a long time and have hence formed close working relationships. In cities, larger providers offer one-stop-offices to exploit synergies by bundling different services, for instance the provision of employment services (as jobactive providers) with social counselling, housing solutions and mental health support.

This flexibility and variability, however, comes at the cost of substantial complexity:

- The system is at times difficult to navigate for clients (dandolopartners, 2013) and even providers. The number of different programmes and providers in a community can be large, and networks vary not only across states but within states and even across neighbouring communities. Among the principal actors, only few have widely-recognised "brands" that help attract young people. Exceptions are DHS/Centrelink (for income support), Youth Connections (social service case management, see below) and a few national service providers.
- The strong decentralisation brings about the risk of gaps and overlaps in service delivery. Because of the multitude of funding sources, numerous providers in the same community may offer similar services possibly catering to specific client groups (e.g. youth within a certain age range) or working within narrowly-defined regional boundaries. Even in communities that are well-serviced, certain services may hence be lacking in some areas or for specific client groups. In remote communities, securing access to services remains challenging because of low population density and great distances between neighbouring communities. Some remote regions have established mobile delivery services that bring social or health support to hard-to-reach communities on specified dates.
- Information exchange among the key actors at times remains difficult: schools, employment and social service providers do not dispose of joint client databases. Data-sharing across actors therefore often happens *ad hoc*, and relies on good working relationships.

The market-based delivery of services promotes competition among providers. At least in urban areas, young people can often choose from a

selection of different providers for the same service. This incentivises providers to operate efficiently and to innovate in order to secure clients and funding.

Relatively short tendering periods and large turnover in programmes lead, however, to substantial uncertainty among providers, their staff and clients. Funding to JSA providers was granted for periods of three years at a time, and many social service providers need to renew their funding even more frequently. While the resulting turnover among providers is a sign of effective competition, it leads in many cases to disruptions in the sensitive relationship between youth workers and their young clients. Funding uncertainty moreover makes it difficult for providers to plan ahead and retain qualified staff. Providers who are at risk of losing funding may consequently cease operating effectively well before the actual expiry of the tendering contract, while incoming providers typically need time to set up their services. The extension of tender contracts to five years under jobactive should help to reduce uncertainty for providers and their clients.

The multitude of funding sources may moreover lead to a substantial administrative burden for providers, who at any time often receive funding from a range of programmes at the national, state and local level. Each arrangement typically comes with its own data collection and reporting requirements (possibly based on different performance indicators) and separate accreditation procedures.

### Box 5.2. The National Partnership for Youth Attainment and Transitions and the Compact with Young Australians

The National Partnership on Youth Attainment and Transitions (the "National Partnership" or "NP") was a series of programmes to improve educational outcomes and school to work transitions decided upon by the COAG in 2009. It was a response to evidence on comparatively weak youth transition outcomes (see Chapter 4), and involved the transfer of substantial Commonwealth funding to state and territory governments for various initiatives for at-risk youth of age 15 to 24 years. Entering into force in 2010, the National Partnership had the explicit aims of lifting the proportion of young people completing a Year 12 qualification or equivalent to 90% by 2015 and of halving the completion gap for Indigenous youth by 2020.

The NP's principal components were:

- The Youth Connections (YC) programme, which provided financial and logistical backing for a range of support services for young people at-risk of disengaging from education or training, those failing to attain a Year 12 certificate or equivalent and those not making a successful transition from school to work. Until 2014, total funding for YC amounted to AUD 364 million.
- The School Business Community Partnership Broker ("Partnership Brokers") programme that aimed at promoting local and regional networks between stakeholders to support at-risk youth (AUD 230 million until 2014).

### Box 5.2. The National Partnership for Youth Attainment and Transitions and the Compact with Young Australians *(cont.)*

- The Maximizing Engagement, Attainment and Successful Transitions (MEAST) initiative, which provided AUD 106 million of funding to states and territories for initiatives to support multiple learning pathways, mentoring and career development (see Chapter 4).

The NP also included the so-called Compact with Young Australians (the "Compact"), which laid down a "learn-or-earn" strategy for young people below the age of 25 years with three main components:

- The National Youth Participation Requirement, which brought national consistency in the minimum school-leaving age by obliging all youth to participate in education until completion of Year 10 (and hence until the age of 17 years).
- Tightened participation requirements for income support recipients: any young person under the age of 21 years and without a Year 12 certificate or equivalent has to participate in education or training to be entitled to Youth Allowance (other).
- A training guarantee for youth with a Year 10 certificate:
- Youth without a Year 12 certificate or equivalent are entitled to an education or training place to gain a Year 12 certificate or equivalent subject to admission requirements and availability. Those aged 20-24 years get priority.
- Youth aged 20-24 years with a Year 12 certificate or equivalent are entitled to an education or training place that is higher than the current one.

The National Partnership expired in 2013, but Commonwealth funding for the Youth Connections and Partnership Brokers programmes was extended for 2014. The Compact officially expired in 2011 but remains embedded in state/territory and Commonwealth policies.

Recent trends suggest that the NP may have had a positive influence on educational participation and outcomes among young people (see Chapter 4). An NP evaluation commissioned by the Department of Education shows that participation of youth in full-time education has risen since 2009, and in particular for 16 and 17 year-olds and Indigenous youth (dandolopartners, 2014). Year-on-year school retention rates increased especially from Year 10 to Year 11, i.e. past compulsory education. Among youth aged 15 to 19 years, the share attaining a Year 12 or Certificate III qualification has risen. School-to-work transitions by contrast continue to look problematic, with NEET rates having increased after the Great Recession and staying elevated since (see also Chapter 1).

*Source:* COAG (2009), "Communiqué – 30 April 2009", https://www.coag.gov.au/sites/default/files/2009-04-30.pdf; COAG (2009), "National Partnership Agreement on Youth Attainment and Transitions", http://www.federalfinancialrelations.gov.au/content/npa/skills/youth_attainment_transitions/national_partnership.pdf.

## 2. Reaching out to NEETs

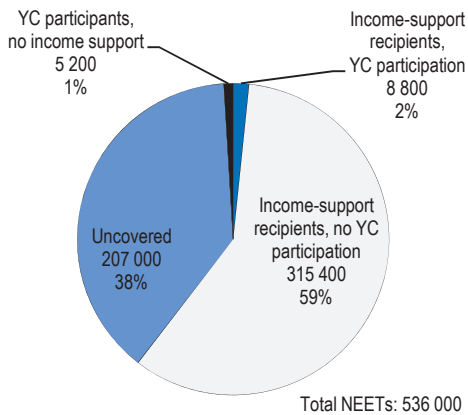
Reaching out to NEETs as early as possible is crucial for avoiding long-term inactivity. Not all young people who leave school without an immediate education or employment option register quickly as unemployed with DHS/Centrelink. Especially those most at-risk of disengagement might be hesitant to get in touch with a government agency, and instead try to get by on their own for a while or to seek help of family and friends rather than to register and claim benefits. Others may consider registering with DHS/Centrelink not worthwhile because they are precluded from receiving income support on the basis of parental income. Re-engaging young people in education or work however becomes increasingly difficult even after short periods of inactivity (Polidano et al., 2013), and there is ample empirical evidence that already short periods out of work at the beginning of a career can have lasting effects on future employment prospects (Schmillen and Umkehrer, 2013) and incomes (Möller and Umkehrer, 2014).

Outreach services for NEETs in Australia were until the end of 2014 primarily provided through the Youth Connections programme (see Box 5.2), one of whose three programme components were "targeted engagement services".[9] Providers were commissioned for *street outreach* activities, i.e. to visit locations frequented by young people, get in touch with disengaged youth, and connect them with their programmes. Over the five-year YC programme period from 2010 to 2014, about 590 000 young people participated in such activities (Department of Education and Training, 2015).[10]

DHS/Centrelink, as the principal contract point for income support and referrals to employment services, provides little direct outreach to at-risk youth. The DHS maintains relationships with governmental and non-governmental organisations who work with at-risk young people providing for instance information, assistance and outreach to community organisations. Specialised DHS staff such as social workers, Community Engagement Officers, Indigenous Service Officers, and Multicultural Service Officers assist vulnerable clients who find it difficult to access the department's mainstream services. It is, by contrast, currently not within the DHS mandate to directly reach out to disengaged youth who may be eligible for income support to connect them to benefits and employment services. Also, Centrelink offices typically do not have specialised service desks targeted at young people and do not employ youth workers. The number of specialised support staff is, moreover, relatively low, and DHS social workers worked intensively with only about 5 000 young people in 2014-15, or 2% of the total number of referrals received (Department of Human Services, 2015).[11]

**Figure 5.1. Nearly two out of three NEETs received income support or YC servicing**

Income support receipt and participation in Youth Connections activities among youth aged 15-29 years with a NEET spell of at least three months, 2012




*Note*: The number of youth with a NEET spell of at least three months duration (i.e. the size of the pie) is drawn from HILDA 2013. Information on the number of income support recipients comes from the RED. Data on participation in YC activities and on income support receipt of YC participants were provided by the Department of Education and Training.

The figure only represents YC participants who benefited from Centrelink income support, and 38% of those who did not receive income support (which corresponds to the share of participants who have been continuously disconnected from school).

The results presented are approximate because data on income support receipt and YC participation cannot be matched directly with information on NEET status. Some income support recipients/YC participants may have NEET spells of less than three months and are therefore not represented in the pie. Also, some of the youth who benefited from YC and have been continuously disconnected from school for more than three months may be younger than 15 years old. To the extent that this is true, the coverage of NEETs with a spell of at least three months as represented in the pie is overestimated.

*Source*: OECD calculations based on HILDA, RED and Department of Education data.

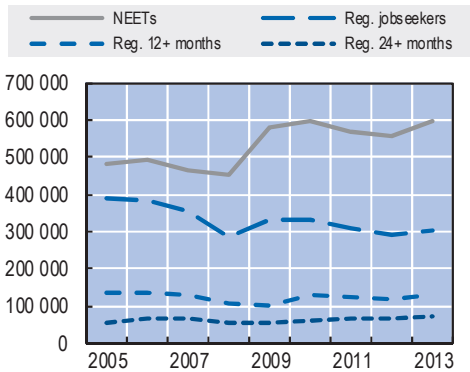
Also mainstream employment service providers are currently not involved in direct outreach. Eligibility for jobactive services generally requires participants to be on income support (see below), and jobactive providers are not compensated for outreach activities.[12] DES providers are by contrast required to establish local connections with schools, health services and social support services (see Chapter 4). As part of their *eligible school leavers* policy, they provide intensive support to students with a significant disability in their final school year and to those who choose to undertake a school-based apprenticeship to help them to find and maintain employment. DES providers are able to directly register eligible jobseekers

without having to make them undergo a further employment capacity assessment and without prior referral through Centrelink.[13]

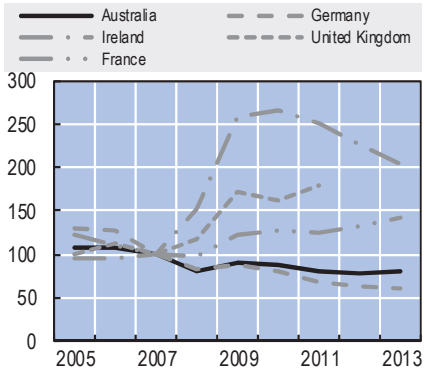
While NEETs in Australia cannot be systematically identified if they are outside of the income support system, an approximation using survey and administrative data suggests that coverage through employment or social services is relatively high. Around 536 000 young people (aged 15-29 years) had a NEET spell of at least three months in 2012. The number of young income support [YA(o), NSA, DB or SpB] recipients would correspond to 59% of that group (Figure 5.2). Around 3% of NEETs participated in YC activities, two-thirds of whom were also income support recipients. This would leave about 38% of all NEETs (or 207 000 young people) uncovered.[14]

**Figure 5.2. Despite a growing number of NEETs the number of registered young jobseekers has declined**

Panel A. NEETs and registered jobseekers by duration aged 15-29 years in Australia




Panel B. Registered jobseekers aged less than 25 years in selected countries, scaled to 100 in 2007




*Note*: For Australia, registered jobseekers are those serviced through the Job Network (until 2009) and Job Services Australia (from 2010). A further 44 350 youth aged 15-29 years were serviced through Disability Employment Services (DES) in 2015.

The figure of registered jobseekers is measured on 31 March of the respective year for Australia and gives the average at the end of each month in the given year for the European countries.

*Source*: Survey of Education and Work, Department of Employment and Eurostat (2014), "Persons registered with Public Employment Services – PES [lmp_rjru]", available online: http://ec.europa.eu/eurostat/ web/products-datasets/-/lmp_rjru.

Not all of the NEETs shown as uncovered moreover require social or employment services: some may be temporarily inactive to care for a very young child; others benefit from social services outside the YC programme without receiving any income support. At the same time, some youth with NEET spells shorter than three months, who are not represented in the graph, may require such services.

The growing number of NEETs in Australia since start of the economic crisis has, somewhat surprisingly, not been reflected in a greater number of registered young jobseekers (see Figure 5.2). A greater share of youth not in employment, education or training hence do not benefit from income support and assistance through employment providers to find work. Among registered jobseekers, the share of those who have been receiving services for more than 12 or 24 months has risen.

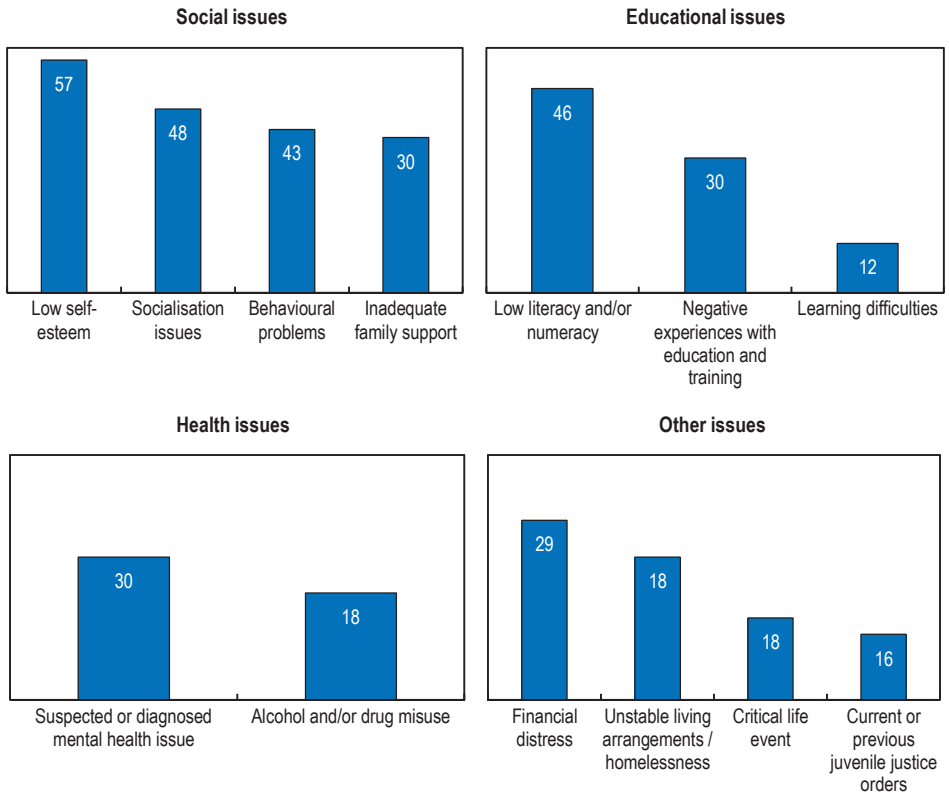
The YC programme was very successful at targeting disadvantaged or disengaged youth (Department of Education and Training, 2015). Among programme participants a majority were at risk of school drop-out: 38% had been continuously disconnected from school for at least three months and another 36% had a poor attendance record. Among those continuously disconnected from school, large shares were suffering from social problems (57% of participants had low self-esteem), educational problems (46% had low numeracy/literacy skills) or health problems (30% with mental health issues, 18% with drug abuse problems) (see Figure 5.3).

Implementation of YC and the targeted age groups varied across states and territories. Participants were however nearly exclusively teenagers, with a median age of 14 years and 75% of participants being aged between 14 and 17 years.[15] Indigenous youth (19% of all participants) and "culturally or linguistically diverse" youth (7%) were overrepresented.

Despite YC's success at targeting at-risk youth, the experiences made during the programme implementation also highlight the challenges of effectively reaching out to the most disengaged. Results from a survey among YC providers question the efficiency of street outreach measures: these activities tend to be quite labour-intensive, costly to deliver, while producing mixed results. YC providers moreover faced excess demand for individualised support services even in the absence of such activities. At the same time, the group of severely disadvantaged young people addressed through these measures would else have been very difficult to pick up via other referral channels (dandolopartners, 2012). For a discussion of YC outcomes, see further below.

**Figure 5.3. YC successfully targeted youth with significant barriers to education and employment**

Principal barriers among YC participants in percent, 2010-14




*Note*: Statistics are based on reporting from YC providers for youth continuously disconnected from education for at least three month (category 2b participants).

Participants may have suffered from one or several of the listed issues.

*Source*: Department of Education and Training (2015).

The expiry of YC in 2014 is likely to have left an important gap in outreach and service delivery to the most disadvantaged among NEETs. According to the information available, states and territories were not in a position to step up their support for at-risk youth to make up for the lost Commonwealth funding. This will have particularly affected the 38% of YC participants (around 7 000 young people per year) who have been continuously disconnected from school for more than three months, and who therefore cannot draw on school-based social support (see Chapter 4).

A new outreach component to highly disadvantaged youth has recently been introduced through the AUD 322 million *Transition to Work* (TtW) package, which is part of the governing coalition's Youth Employment Strategy (YES) (Commonwealth of Australia, 2015a).[16] The package establishes a new intensive-support service for NEETs aged 15 to 21 years at risk of long-term unemployment and benefit dependence. Main target groups include ESLs, i.e. young people outside of full-time education or work who have not completed Year 12 or Certificate III, and disengaged youth who have been out of education or employment for at least six months and who do not benefit from employment services. TtW providers offer pre-employment support including work experience or training to improve participants' job readiness and move them into traineeships, apprenticeships and employment. Youth outside of activity-tested income support are expected to make up around 20% of the total TtW caseload.[17]

Additional outreach services will also be introduced through the YES *intensive support for vulnerable jobseekers* package, which provides AUD 105.7 million of funding for a set of trials to improve employment, educational and social outcomes for youth with multiple barriers to employment, those with mental illness, young migrants including refugees, and parents in locations of entrenched disadvantage. The first set of trials for youth at risk of long-term unemployment in regions of entrenched disadvantage will be carried out by selected not-for-profit organisations under the so-called *Empowering YOUth Initiatives*. The target group includes young people not on income support and those still at school.[18]

A component of the YES that may have adverse effects on the success of policies to reach out to inactive NEETs is by contrast a planned waiting period for young income support claimants. According to the 2015-16 Budget, employable young jobseekers will be required to serve a four-week waiting period before being entitled to income support. During this period, they will be required to undertake "pre-benefit activities" including active job search with their jobactive provider. The new policy will apply to all new claimants of YA(o) or SpB under the age of 25 years and without vocational or non-vocational barriers to employment (Stream A).[19] It is meant to ensure that young people have done everything they can to find employment before receiving benefits. Income support, however, is in many cases a driving factor for NEETs to seek governmental support. By making it harder for young people to access benefits the proposed policy risks discouraging NEETs from seeking support through employment and social services thus prolonging periods of inactivity or unemployment. The policy is still subject to passage of legislation and is unlikely to commence in 2016 as planned.

One way of facilitating NEETs' access to social and employment services in Australia would be to strengthen outreach activities of Centrelink offices and improve their accessibility to young clients:

- The strict separation between the benefit administration, mainstream employment services and schools should probably be re-considered. In some OECD countries – such as Japan or Norway – public employment services directly collaborate with schools to provide career counselling and job placement for graduates and to familiarise young people with their rights and responsibilities as potential income support recipients (see Box 5.3). Through a greater presence in schools, Centrelink staff or jobactive providers, in co-operation with career guidance counsellors (see Chapter 4), could promote successful school-to-work transitions and provide timely support to those youth who have troubles making such a transition. An example of this could be the current framework for DES, who provide career counselling and job search support to students with a disability in their final school year.

  There is indeed evidence that school-based interventions in Year 12 that prepare students' transition from school to work or study can have an impact. The 2011/12 Project Job Ready carried out by the not-for-profit *BoysTown* in the Brisbane South regions provided 12 months of case management, including career counselling, to a small cohort of at-risk students. The programme was associated with positive employment and training outcomes in the 6 to 12 months after school completion. A qualitative evaluation concluded moreover that participants could have benefited more if the programme had started at the beginning of Year 12, rather than half way through their last year of schooling (Tyrell, 2013).[20]

- Young people's initial contact with DHS/Centrelink could be simplified to increase access for vulnerable youth. Currently, applying for benefits is often a lengthy procedure. The first contact and the following benefit assessment usually happen by telephone via so-called Centrelink "Smart Centres". New clients calling in may however have to face considerable waiting times before their call is transmitted.[21] Clients then typically receive an appointment for the following week, which may involve another wait of several hours at the Centrelink office (Department of Human Services, 2014). It can then take up to three weeks from the initial contact until the first payment is made. This lengthy procedure is likely to discourage young clients from pursuing their benefit claim and seeking assistance. This may apply in particular for the most vulnerable, who are typically most hesitant to seek help (AYAC,

2014). One solution can be increased use of the option to claim benefits online, as it is encouraged by DHS. While DHS already has staff available to assist persons who find it difficult to claim benefits, Centrelink youth desks with specialised youth service workers could help further improve access to employment services for vulnerable youth.

**Box 5.3. The collaboration of public employment services and schools in Japan and Norway**

Collaboration between schools and the PES can help to support successful school-to-work transitions by providing students with early career advice, raising awareness among young people of the services available through the PES, and avoiding periods of inactivity of school-leavers who fail to quickly transition into further education or work. While in many OECD countries, the PES and schools are only weakly integrated, two promising models for a closer collaboration can be observed in Japan and Norway.

The Japanese PES Hello Work has specialised offices called Hello Work for New Graduates to provide job search support for students and to young people who are graduating or graduated from high school or higher education within the last three years. Hello Work for New Graduates reaches out to students at high schools and universities to provide early counselling, job search assistance (interview preparation, seminars and job fairs for students) and placement. It is responsible also for providing schools with information on vacancies, offering regular on-site counselling in schools, and supporting school career guidance counsellors who in Japan play an important role in placing young people into work. Where high-school students who aim to enter the labour market cannot be matched to an employer by their school, Hello Work for New Graduates provides job search assistance. Hello Work for New Graduates was established in its current form in 2010, but precursors have existed since the 1970s. There are currently 57 offices throughout Japan, which served a total of 640 000 young people in 2014.

Norway currently runs a pilot project in which youth specialists from NAV, the Norwegian public employment and welfare service, are placed into upper-secondary schools for four days a week. Aim of the project is to reduce school drop-out by providing career guidance, helping students find opportunities for work practice, and supporting transitions into employment. Another focus is on identifying and supporting youth with multiple barriers early. The pilot is being extended to cover all 19 Norwegian counties; 33 NAV offices and 28 schools participated in the project in August 2015. An evaluation of the pilot is currently ongoing.

*Source:* OECD (2016), *Investing in Youth: Norway*, OECD Publishing, Paris, *forthcoming*; OECD (2016), *Investing in Youth: Japan*, OECD Publishing, Paris, *forthcoming*.

- Access to employment services for youth without income support entitlements could be improved. Young jobseekers who do not qualify for income support, for instance due to relatively high parental income, are in principle entitled to the same services as income support recipients for a period of six months (see below).

Employment service providers are however often less interested in working with them, because retention rates in employment and hence compensation for these youth are typically lower. This is of particular relevance as YA(o), unlike NSA, is means-tested at the family level for dependent young people. Unemployed youth below the age of 22 years are hence not entitled to benefits unless their parents have income below a certain level or if they are assessed as being independent (see Chapter 3).

The TtW package, with its planned outreach activities for disengaged ESLs, is an important step in this direction expanding employment services to youth outside of income support. Access is also available for young people with a Year 12 certificate who have not worked or studied for at least six months.

## 3. Strategies to re-engage youth in employment, education or training

NEET youth are a highly heterogeneous group, who, as documented in Chapter 2, may face various different vocational and non-vocational barriers to participation in education or employment. Low educational attainment and a lack of relevant work experience are important drivers of unemployment among young people. Youth guarantees, which offer training or work practice to all young unemployed, can therefore help to improve young jobseekers' employment prospects if they are targeted to the person's needs and the labour demands of employers. The most disadvantaged among young NEETs, including early school leavers, are however likely to also face social and health barriers to programme participation, for instance in the form of mental health problems, family issues, or a lack of adequate housing. To be successful, programmes that aim at re-integrating those young people therefore need to be comprehensive in tackling those issues along with (and in sometimes even before) any vocational barriers.

### *Bringing NEETs into employment*

A range of interventions can be effective at bringing NEETs into employment – including job search assistance and counselling, work experience programmes, or hiring subsidies for the private sector. Since these measures are costly, and their effectiveness varies across groups, interventions need to be targeted at those who are likely to benefit the most. Australia's provider-based system of employment service delivery relies on an extensive profiling of jobseekers upon registration that assesses their level of disadvantage and identifies barriers to employment. Active job search and participation of jobseekers in labour market programmes is

ensured through implementation of a strict *mutual obligations* approach for employable income support recipients.[22]

### *Profiling and connecting youth to service providers*

Jobseekers who contact DHS/Centrelink for income support and job search assistance undergo an extensive profiling upon registration, which determines the type of servicing they receive. At the initial interview, a caseworker ("Service Officer") evaluates the client's level of disadvantage and determines eligibility to income support: the Job Seeker Classification Instrument (JSCI), an assessment carried out for all claimants, identifies the client's level of disadvantage and anticipated difficulty in finding and maintaining employment. Jobseekers with serious or multiple barriers to work – such as health problems, social problems, addictions to drugs or gambling, or housing issues – can be referred to an additional Employment Services Assessment (ESAt). At the ESAt, a health professional – typically a psychologist or nurse – examines the jobseeker's barriers to employment, evaluates the work capacity, and identifies interventions suited to improve employability.

Jobseekers are generally placed into one of three jobactive *streams* based on their JSCI score and possibly the outcome of their ESAt:

- Stream A: jobseekers who are considered to be work-ready;
- Stream B: jobseekers with barriers to employment;
- Stream C: jobseekers with serious non-vocational issues.

The stream to which a jobseeker is allocated determines the intensity of support he receives, the activity requirements he faces, and the level of payments that will be made to the jobactive provider for successful placement. Jobseekers who do not receive income support can participate in jobactive on a voluntary basis for up to six months through a "Stream A (Volunteers)".

ESLs receive immediate access to Stream B unless if they are assessed as eligible for Stream C. Unemployed youth without income support entitlements are allocated to Stream A (Volunteers) unless they have at least one serious non-vocational barrier and, following an ESAt, may be eligible for Stream C services as Vulnerable Youth.. From February 2016, ESLs will be referred to the new TtW for intensive pre-employment support, and TtW services will also be available for 15 to 21 year-olds without income support entitlements.[23]

Where the outcome of the ESAt determines that a young person's barrier to employment is due to disability or ill-health, they may be referred to DES for assistance.

This current three-stream system was implemented in July 2015 replacing a similar earlier system of four streams under Job Services Australia. In September 2015, the breakdown of young jobseekers aged 15 to 29 years across streams was approximately 50% for Stream A, 30% for Stream B and 20% for Stream C.[24]

Jobseekers are generally free to choose their jobactive, DES or CDP provider, who is required to provide services that account for their personal characteristics and assessed stream.[25] Relevant factors for a jobseeker's provider choice are typically the provider's geographic location and past performance as measured by the Star Rating (see Box 5.1). Jobseekers who have previously received services through a provider income support remain with that provider except in special circumstances. Jobseekers in jobactive are transferred to a different provider in the same Employment Region after having been unemployed and serviced by their provider for two years (Stream A) or three years (Streams B and C).[26]

### *Mutual obligations requirements for income support recipients*

Income support for jobseekers with capacity to work comes with strict activity requirements under a mutual obligations approach, which generally apply to recipients of YA(o), NSA, PPS (except if the youngest child is younger than six years old) and the SpB.[27] The obligations that jobseekers face and the servicing they are entitled to are precisely defined and depend – among other things – on the recipient's age, the stream a jobseeker has been allocated to, and the time spent in unemployment.[28] Also among DES clients, a majority receive NSA or YA(o) and therefore face mutual obligations requirements.

All jobseekers get to meet their provider on a regular basis. Jobseekers in Streams A and B tend to have monthly meetings with their provider from the commencement of jobactive services, even though the frequency of contacts is not formally mandated. For other jobseekers, the meeting frequency is outlined in a provider's *service delivery plan*, which details the provider's service delivery commitment made during the tendering procedure.

For each jobactive client, a Job Plan (previously: Employment Pathway Plan, EPP) is negotiated with the jobactive provider. It sets out the key actions a jobseeker must take to remain eligible for income support and the steps judged necessary to find work quickly. This includes the jobseeker's requirements to attend appointments, to engage in job search and to

undertake any other activities that are part of the jobseeker's mutual obligation requirements.

Recipients should be actively seeking and willing to undertake any suitable paid work, including in fields in which they may lack previous experience.[29] Jobseekers in Streams A and B are generally required to undertake 20 job applications per month; for recipients in Stream C, in DES and or in the CDP, the number of required job searches is typically lower.[30] Job search requirements are actively monitored by the employment service provider.

Jobseekers who remain unemployed after the initial phase of stream services face strict activity requirements. Until June 2015, jobseekers aged 18 to 49 years moved into the so-called *Work Experience Phase* (WEPh) after 12 months of stream services (18 months for Stream 4 clients). To remain eligible for income support, they generally had to participate in a Work for the Dole (WfD) work experience measure for up to 15 hours per week, undertake voluntary or ordinary part-time work, or participate in training or another approved activity.[31] The WEPh lasted for six months but could be extended by another six months for clients below the age of 25 years. After 24 months in unemployment, jobseekers were moved into the *Compulsory Activity Phase*, which meant having to participate in an activity for 11 out of 12 months every year. Benefit payments can be suspended for each day of non-attendance in agreed activities under a "no show – no pay" approach.

The Australian Government further tightened these activation requirements especially for young benefit recipients, and made WfD the default measure to activate jobseekers. Participation in WfD or another approved activity was made compulsory for six months in every year, first only for jobseekers below 30 years in selected regions in July 2014, then for all jobseekers under 60 years in the form of an *annual activity requirement* in July 2015 (see Table 5.1). Jobseekers in Stream A and under-30 year-olds in Stream B who are eligible for "intensive servicing" now enter the *WfD Phase* already after six months of stream services rather than after 12 months as before.[32] The weekly time spent on WfD or other approved activities was increased for young jobseekers to 25 hours.[33] Instead of participating in WfD, jobseekers can fulfil their annual activity requirements through paid part-time work, voluntary work, accredited training, other approved programmes or non-vocational interventions (for Stream C clients). Jobseekers who remain unemployed after their WfD Phase are transferred (back) to intensive case management while keeping their annual six-month requirement to undertake an approved activity.[34]

Penalties for jobseekers who fail to meet their mutual obligations requirements were strengthened. This includes introduction of a "suspend

'til attend" approach, under which a jobseeker's income support payments may be suspended following non-attendance at a provider appointment until they attend a new appointment. Providers are also able to recommend to the DHS that a financial penalty be applied for the non-attendance.

**Table 5.1. Employment services under jobactive for under-30 year-olds**

<table>
<tr><th></th><th>Stream A<br>(job competitive)</th><th>Stream B<br>(vocational issues)</th><th>Stream C<br>(serious non-vocational issues)</th></tr>
<tr><td>initial contact</td><td colspan="3">Comprehensive Interview<br>• identify strength and issues<br>• prepare Job Plan<br>• referrals to jobs (except Stream C)</td></tr>
<tr><td>months 0-6</td><td colspan="2">Case Management<br>• monthly contacts<br>• self help<br>• referrals to jobs, monitoring and reporting of non-compliance through provider</td><td rowspan="2">Case Management<br>• monthly contacts<br>• self help<br>• referrals to jobs, monitoring and reporting of non-compliance through provider</td></tr>
<tr><td>months 7-12</td><td colspan="2">Work for the Dole Phase<br>• monthly contacts<br>• WfD (25 hours per week)<br>• referrals to jobs, monitoring and reporting of non-compliance through provider</td></tr>
<tr><td>months 13-18</td><td colspan="2">Case Management<br>• monthly contacts<br>• self help<br>• referrals to jobs, monitoring and reporting of non-compliance through provider</td><td>Work for the Dole Phase<br>• monthly contacts<br>• WfD (25 hours per week)<br>• referrals to jobs, monitoring and reporting of non-compliance through provider</td></tr>
<tr><td>months 18-24</td><td colspan="2">Work for the Dole Phase<br>• monthly contacts<br>• WfD (25 hours per week)<br>• referrals to jobs, monitoring and reporting of non-compliance through provider</td><td>Case Management<br>• monthly contacts<br>• self help<br>• referrals to jobs, monitoring and reporting of non-compliance through provider</td></tr>
<tr><td>thereafter</td><td>Transfer to a new provider and completion of a new Job Plan<br><br>Then:<br>As for months 13-24</td><td colspan="2">As for months 13-24<br><br>After 36 months:<br>Transfer to a new provider and completion of a new Job Plan</td></tr>
</table>

*Note*: Information relates to under-30 year-olds with full work capacity under intensive servicing introduced for Streams A and B in July 2015. Stream A jobseekers who are not covered by intensive servicing complete a period of self-service in the first six months and do not have monthly meetings. Stream B jobseekers not covered by intensive servicing receive services similar to that shown in the final column for jobseekers in Stream C.

*Source:* Adapted from Department of Employment (2014, Table 2.1).

Temporary payment suspensions are relatively frequent. In the second quarter of 2015, jobseekers (of all ages) failed to attend 20% of their appointments with employment service providers without valid reason. In nearly 260 000 cases, income support payments were suspended for non-attendance at appointments or activities (Department of Employment, 2015a).

In addition to strengthening activity requirements for young benefit recipients, recent governments have stepwise restricted their access to income support benefits for young jobseekers. This reflects a growing concern about possible welfare dependence among youth:

- The Compact with Young Australians implemented as part of the NP (see Box 5.2) introduced a "learn or earn" requirement for eligibility to YA(o) in 2009. Young people without Year 12 or an equivalent (Certificate Level II) qualification needed to be in full-time education or training or combine part-time education with another approved activity (at least 25 hours per week) to receive benefits (see Box 5.2).

  The Compact's strict *education first* approach has been somewhat loosened under the current government in January 2016. ESLs outside of formal education are now eligible for benefits if they participate in another approved activity and actively look for work. As before and unlike for other young jobseekers, these activity requirements apply from the start of the unemployment spell. "Learn or earn" requirements have been extended moreover to all young jobseekers with less than Year 12 or *Certificate Level III*.

- The minimum age threshold for NSA eligibility was raised from 21 to 22 years in 2012. This translated into a substantial benefit cut of AUD 87 per fortnight for young people who continued to receive the less generous YA(o) for longer. In line with this change, also the Compact's "learn or earn" requirements were extended to 21 year-old ESLs. The minimum age threshold for NSA eligibility is proposed to be further increased to 25 years in mid-2016.[35]

- Job-ready (Stream A) benefit claimants of YA(o) and SpB below the age of 25 years who are not otherwise exempt may soon face a four-week waiting period before being entitled to benefits. During the waiting period, they will be connected to a jobactive provider for *pre-benefit activities*, including job search. This measure, like the increase of the NSA eligibility age, has however not yet been put into legislation, and it is unlikely that they will be implemented in 2016 as planned.

While a "learn or earn" approach can be effective for ensuring that ESLs return to education as quickly as possible, it is important that

non-educational barriers of more vulnerable jobseekers are taken into account. Not all ESLs are ready or sufficiently motivated for a return to school. An overly strict application of "learn or earn" requirements therefore risks increasing inactivity and reducing benefit coverage among NEETs if more disadvantaged youth feel discouraged from claiming benefits. While the aim should generally be to move ESLs back into education as quickly as possible, the pre-employment activities foreseen in the TtW may be a more suitable and attractive for young jobseekers who cannot be motivated to return to school. ESLs with serious non-vocational barriers (Stream C) are already exempt from "learn or earn" requirements.

The empirical evidence on the Compact's impact on youth inactivity and unemployment is so far inconclusive. Sweet (2012b) documents that the introduction of the Compact was followed by a strong rise in the number of inactive youth, in particular teenagers. The ratio of inactive to unemployed NEETs did not, however, increase much more strongly for teenagers than for older youth, who were not affected by the Compact (see Annex 5.A1). This suggests that the increase in NEET inactivity may have resulted primarily from the economic crisis. Along with rising NEET rates, the share of unemployed youth who received YA(o) declined however substantially, and this decline was strongest among young teenagers (Sweet, 2012a). The tightened benefit eligibility criteria may thus have reduced ESLs' access to benefits and employment services.

Similar concerns apply in case of the planned pre-benefit waiting period for job-ready young claimants announced in the 2015-16 Budget. This policy is meant to encourage active job search and address the risk of long-term benefit dependence among young jobseekers. If it discourages young jobseekers from applying for benefits, it may however reduce young people's access to employment support and increase financial distress among youth from low-income families.[36]

It is moreover not at all obvious whether long-term YA(o)/NSA dependence among youth should really be a prime concern for the Australian Government. Receipt rates for YA(o)/NSA are comparatively low, with only 6.3% of 15-29 year-olds reporting having received UB in 2013 (and the rate was only 4.5% before implementation of the Compact in 2009, see Figure 5.4). Long-term receipt is the exception, and young recipients tend to remain on benefits for shorter than prime age adults (see Table 3.2).[37] If anything, the government's attention should possibly rather lie on reducing the growing number of young disability benefit recipients. Receipt rates of Disability Support Pension are high by international standards (2.8% of all youth in 2013), and spell durations considerably longer (two out of three spells last longer than one year, see Table 3.1).

## Box 5.4. The Employment Fund

The Employment Fund (EF – until July 2015: Employment Pathway Fund – EPF) is a flexible funding pool available for jobactive providers to assist eligible clients build their experience and skills.[1] It can be used to purchase work-related items, post-placement support, professional services and training.

An allocation to a provider's EF is made whenever one of its clients first enters stream services.[2] The amount credited depends on the level of disadvantage of the client, and varies between AUD 300 for a Stream A jobseeker (only paid after 13 weeks of stream services except for Volunteers) and AUD 1 200 for a Stream C jobseeker. A provider can use these funds to assist any jobseeker (or group of jobseekers).

Examples of expenditures that can be made through EF resources include the costs of work-related clothing and presentation (incl. basic haircuts), the costs of job search related travel, interpretation services, tools, mobile phones and equipment, driving lessons, drug and alcohol counselling, training courses, books and equipment, and work experience activities.

The most important expenditure items in the previous EPF have been training courses (49% of expenditures for young people in 2014-15), wage subsidies (28% of expenditures), and professional services (6%) (see Table 5.2). About 182 000 jobseekers between the age of 15 and 29 years benefited from EPF allocations in 2014-15.[3] Wage subsidies are funded separately under the EF.

**Table 5.2. Use of the EPF has risen over the since 2010, and wage subsidies have particularly gained importance**

| EPF expenditure item | 2014-15[1] | | 2010 to 2014 | 2014 to 2015[1] |
|---|---|---|---|---|
| | Expenses in AUD (thousands) | Item share (in %) | Change in expenses (in %) | Change in expenses (in %) |
| Training | 81 241 | 49.1 | 94.7 | -11.3 |
| Wage subsidies | 46 620 | 28.2 | 95.1 | 53.9 |
| Professional services | 9 429 | 5.7 | 11.5 | -9.2 |
| Transport & licensing assistance | 8 159 | 4.9 | 50.8 | -10 |
| Clothing and presentation | 6 717 | 4.1 | -9.2 | -10.1 |
| Provider services[2] | 6 114 | 3.7 | -36.4 | -34.5 |
| Others[3] | 7 172 | 4.3 | -9.6 | -7.5 |
| **Total** | **165 451** | **100** | **51.7** | **-0.2** |

1. Data for the financial year 2014-15 are for the months July 2014 to May 2015 only.

Numbers are for jobseekers aged 15-29 years serviced through JSA.

2. Provider services include *reverse marketing*, i.e. a provider's efforts to market jobseekers with employers who have not posted a vacancy. Provider services are no longer compensated under the new EF; wage subsidies are now funded separately.

3. "Others" includes interpreter services, NEIS and self-employment programmes, pre-employment checks and work-related documents, relocation assistance, remote services, short-term childcare, special claims, rent and crisis accommodation, Stream 4 only assistance, tools, mobile phones and equipment, training books and equipment, and work experience group-based activities that are not jobseeker-specific.

*Source:* OECD calculations based on Department of Employment data.

**Box 5.4. The Employment Fund** *(cont.)*

1. The EF formally consists of a General Account and a Wage Subsidy Account. The description given in this box refers only to the former.

2. The allocation is formally made to a provider at the site level. Under certain circumstances, resources can however be transferred to a different site of the same provider in the same Employment Region, or even to a different site in a different Employment Region.

3. This number has been calculated over the period July 2014 to May 2015 only because data for June 2015 were lacking at the time of drafting. The true number is thus higher.

*Source:* DEEWR (2012), "Employment Pathway Fund – Chapter 1: Introduction", *Evaluation of Job Services Australia 2009-2012*; OECD (2012), *Activating Jobseekers – How Australia Does It*, OECD Publishing, Paris; Commonwealth of Australia (2015), "Jobactive Deed 2015-2020".

### Public-sector work experience and volunteering

Participation in Work for the Dole (WfD) work experience measures is generally the default option for young jobseekers from the age of 18 years who have to fulfil annual activity requirements and are not undertaking another approved activity. WfD was introduced in 1998, initially only for young people, providing jobseekers with work experience in not-for-profit organisations or governmental agencies such as local councils, schools, community organisations and state and federal agencies. It is meant to promote skill development, to let participants gain job readiness and confidence, and to give them an opportunity to get involved and "give back" to their local communities. Typical activities involve gardening or maintenance work, computer graphics work, animal or wildlife sheltering activities, rehabilitation of public parks, and activities in retail, warehousing or office administration.[38] A contracted WfD Coordinator identifies WfD projects and places in a given Employment Region and connects WfD host organisations with jobactive providers and their participants. Participants are paid a supplemental payment of AUD 20.80 per fortnight.

The greater weight given to WfD as a measure to activate jobseekers is reflected in increased participant numbers. The share of young jobseekers who participate in WfD rose by a factor of nearly six between 2010 and 2015 (from 0.8 to 4.7%, Table 5.3). While the rise in WfD participation was broadly in line with the overall increase in active programme participation until 2014, the share of WfD participants among all active programme participants doubled between 2014 and 2015.

The increase in WfD participation occurred at the expense of other activities – notably training and short interventions – for which participation rates declined.

**Table 5.3. Active programme participation is on the rise for young *jobactive* jobseekers**

Active programme participation among 15-29 year-old jobseekers in jobactive, 2010-15

| | March 2010 | March 2014 | March 2015 | |
|---|---|---|---|---|
| | % of jobseekers | % of jobseekers | % of jobseekers | Caseloads |
| **Any activity** | **17.1** | **34.2** | **37.2** | **111 632** |
| Training | 8.4 | 16.4 | 15.9 | 47 884 |
| Short interventions | 3.3 | 4.4 | 4.2 | 12 751 |
| Job search training | 3.2 | 2.3 | 2.2 | 6 698 |
| Non-vocational assistance | 0.1 | 2 | 2 | 6 053 |
| Other activities | 5.4 | 13.5 | 17 | 50 997 |
| Paid employment (part-time / casual) | 1.3 | 4.5 | 6.1 | 18 424 |
| Public employment | 1.6 | 2.7 | 5.1 | < 15 455 |
| *Work for the Dole* | *0.8* | *2.1* | *4.7* | *13 984* |
| *Voluntary work* | *0.2* | *0.5* | *0.4* | *1 311* |
| *Unpaid work experience* | *0.1* | *0.1* | *0* | *120* |
| *National Green Jobs Corps* | *0.2* | *0* | *0* | *<20* |
| *Community Development Employment Projects* | *0.4* | *0* | *0* | *< 20* |
| Other | 2.5 | 6.2 | 5.7 | < 17 158 |
| *Skills for Education and Employment* | *0.6* | *1.9* | *2* | *5 949* |
| *Adult Migrant English Programme* | *0.1* | *0.2* | *0.1* | *419* |
| *NEIS training* | *0.1* | *0.1* | *0.1* | *323* |
| *Social / health interventions* | *0.1* | *0.1* | *0.1* | *198* |
| *Australian Apprenticeship Access Programme* | *0.6* | *0.3* | *0* | *73* |
| *Youth Connections* | *0.1* | *0.1* | *0* | *65* |
| *Non-accredited and non-vocational skills training* | *0.6* | *0* | *0* | *0* |
| *Other* | *0.3* | *3.5* | *3.4* | *< 10 131* |

*Note*: The figures give point-in-time data measured on 31 March of the given year.

Shares are expressed in percent of registered jobseekers aged 15-29 years in JSA. Jobseekers who participate in multiple programmes will be represented multiple times.

For a breakdown of training participation by programme type, see Table 5.5.

Wage subsidies have been paid for through the Employment Pathway Fund and are therefore not represented (see Table 5.2).

*Source:* OECD calculations based on Department of Employment data.

Unfortunately, there is still relatively little evidence to date on WfD's impact on participant outcomes:

- Some studies have suggested that WfD participation reduces *benefit receipt* among young people, likely at least in part as jobseekers referred to WfD stop claiming benefits to avoid programme participation (a so-called *threat effect*). An early internal evaluation (DEWRSB, 2000) estimated that WfD participants were 13 percentage points more likely to be off income support three months after finishing the programme than a matched control group of non-participants. Jobseekers who had only been *referred* to WfD without participating in the programme were as likely as WfD *participants* to leave benefits. The measured programme impact therefore seems to results from stronger incentives for jobseekers to leave benefits as opposed to a positive impact of programme participation. The study has since been criticised, however, for methodological weaknesses (OECD, 2001; Nevile, 2003; Nevile and Nevile, 2006; Borland and Tseng, 2011). Two later internal reviews (DEWR, 2006; DEEWR, 2010) also find strong reductions in benefit receipt for WfD participants compared to a control group measured 20 and 12 months after programme *commencement*, i.e. in addition to any potential *threat effect*. The impact is even larger for jobseekers who are referred to the programme without participating. The evaluation method used in both studies – logistic regression with controls for a range of jobseeker characteristics and local labour market conditions – does not account, however, for differences in unobservable characteristics between participants and non-participants, which are likely to influence outcomes. In a study of a WfD pilot run in the late 1990s, Borland and Tseng (2011), by contrast, find a significantly *adverse* programme effect on jobseekers' propensity to leave income support. WfD participants were 12 percentage points less likely to leave benefits than non-participants. While the authors cannot account for a possible threat effect, they do not observe an increase in benefit exit rates before the programme start that would be associated with such an effect. The authors attribute the negative result to a *lock-in* effect as WfD participants may reduce their job search activity during programme participation.[39]
- There is little evidence yet on potential *employment effects* of WfD participation. One of the above-mentioned internal evaluations (DEWR, 2006) compares employment outcomes of WfD participants to those of non-participants and finds a 7 percentage-point employment effect 12 months after programme start. Again,

however, the jobseekers in these two groups likely differ in their unobserved characteristics – e.g. in terms of their previous work experience or employment preferences – that influence their chances of finding work.[40] A recent WfD pilot, run before the transition to jobactive, provides more rigorous evidence. It made WfD a priority over other mutual obligations activities (with the exception of paid part-time employment) for 18-29 year-old jobseekers in selected areas. WfD continued to be available on a voluntary basis and as a work experience activity for long-term unemployed youth in "control" areas. An evaluation finds that jobseekers' chances of entering part-time or casual employment increased more strongly in pilot areas than in the control areas, where a lower number of jobseekers were referred to WfD (Kellard et al., 2015). This result reflects partly a *reporting effect* as WfD participants declare previously unreported part-time employment, but also a "real" increase in employment in these areas. The authors also estimate a small effect of the pilot on job placements.[41]

More generally, there is, however, strong international evidence by now that programmes that offer work experience or temporary employment in the not-for-profit sector for jobseekers tend to have no positive post-programme impact on the probability of employment in the regular labour market, or may even have detrimental effects (Card et al., 2010, 2015; Kluve, 2010). The likely reason is that many of these programmes have only weak training components, and that private employers may attribute little value to the experience gained in those programmes. Also in WfD, projects are explicitly selected such as not to "crowd out" regular private-sector employment and therefore favour unskilled work with little opportunity for training (Quintini and Martin, 2006).

- WfD participation may be associated with *improvements in work-related* or *non-cognitive skills*, but this effect has thus far not been rigorously demonstrated.[42] In their analysis of the 2014-15 WfD pilot, Kellard et al. (2015) find that two-thirds of 15-29 year-old WfD participants who were interviewed self-report significant improvements in their ability to work with others, their self-confidence and their general work skills after start of the programme. The same applies, however, to nearly all (93% of) jobseekers who participated in alternative mutual obligations activities, typically part-time work, study or training. It is worth emphasising, however, that the evaluation does not attempt to estimate a causal programme impact on skills. Indeed, a simple comparison of outcomes for WfD participants and jobseekers

engaged in other activities is not very meaningful because of likely differences in characteristics between the two groups.

While the strong recent expansion of the programme may lead to a decline in YA(o)/NSA receipt, this will likely reflect primarily that recipients stop claiming benefits to avoid programme participation (i.e. a threat effect). From the existing evidence, it is doubtful whether the WfD expansion will produce large employment gains as long as the work experience offered is limited to the public and not-for profit sector and the programme does not provide meaningful training.

An interesting alternative in this respect is the Green Army Programme, a voluntary environmental action programme which combines work experience in the not-for-profit or public sector with a clear training component. The programme, which is administered by the Department of the Environment, provides 17 to 24 year-olds with the opportunity to get involved in local environment protection and heritage conservation activities. It is open not only to benefit recipients but more generally to youth not in education or employment, including early school leavers, unemployed and disabled youth, but also gap year students. Programme duration is 20 to 26 weeks, and participation is relatively well paid at AUD 10.24 to AUD 16.61 per hour.[43] Participants have to opportunity to do accredited training modules, which count as on-the-job training towards a Certificate I or II qualification.

The Green Army Programme was launched in July 2015 as the successor of the earlier National Green Jobs Corps (NGJC), and has been allocated AUD 700 million of funding over the next four years.[44] It is projected to support 1 500 projects with 15 000 young participants by 2018-19. Unfortunately, no formal evaluation of the NGJC was carried out that could serve as an estimate for the likely impact on participants' outcomes of the Green Army Programme.

### Hiring subsidies

Employment service providers have for a long time already been able to use means from the EPF for wage subsidies to jobseekers that participate in short work trials, work experience measures or regular employment in the private sector. A condition is that the employment opportunity is expected to last after the subsidy has ended. Use of these subsidies has become increasingly common with a six-fold increase in the number of subsidised placements between October 2009 and 2011 (DEEWR, 2012b). Subsidies were primarily paid to jobseekers with barriers to employments (Streams 2 and 3), typically within the first six months of the unemployment spell. Subsidies amounted on average to 70% of gross wages, though wage data

were patchy.[45] Expenses for wage subsidies amounted to nearly half of all EPF spending for young people in 2014-15 (see Table 5.2).

The subsidies seem to have been successful at improving employment outcomes among jobseekers (DEEWR, 2012b). An empirical analysis shows that jobseekers who benefited from the subsidy had a 4 percentage points higher chance of being off benefits 12 months after placement, and that they spent 67 fewer days on benefits during over that period than a control group of placed jobseekers who did not benefit from the subsidy.[46] The study however concluded also that the subsidy had substantial deadweight effects, i.e. that many of the jobseekers who benefited would have been hired anyway. Deadweight effects can be limited through a strict targeting to the most disadvantaged jobseekers who are more difficult to place in the absence of a subsidy (Cahuc et al., 2014).

A number of new wage subsidies targeted at disadvantaged jobseekers were introduced with the passage to jobactive in 2015 replacing the earlier option of paying wage subsidies through the EPF. A *Youth Wage Subsidy* was made available for jobactive clients under the age of 30 years who have completed at least six months in employment services. It is also available to TtW participants. Similar subsidies have been introduced for eligible jobactive parents (through the *Parents Wage Subsidy*) and for jobactive Indigenous jobseekers who have completed at least six months in employment services and jobseekers of any age who have completed at least 12 months in employment services (*Long Term Unemployed and Indigenous Wage Subsidy*). The maximum level of the subsidy is in all cases AUD 6 500 for full-time employment over a 12-month period. The earlier *Wage Connect* programme, which subsidised employment for long-term benefit recipients, as well as the two-year *Tasmanian Jobs Programme* for jobseekers in the State of Tasmania who have been on income support for at least six months, have ceased.[47]

For DES participants, the *Wage Subsidy Scheme* is available to employers who hire jobseekers for a minimum period of 13 weeks with at least 8 hours of employment per week, with a maximum subsidy of AUD 1 500.[48]

The possibility of trial employment in the private sector, possibly in combination with a later wage subsidy, for income support recipients in both jobactive and DES was established through the *National Work Experience Programme* introduced in October 2015. Jobseekers can undertake voluntary unpaid work experience for four weeks (at up to 25 hours per week) with an employer where there is the possibility of paid employment available.[49] Employers who hire the trialled worker may be eligible to receive a wage subsidy if the jobseeker is eligible, as outlined above. The

programme is open to income support recipients in jobactive, DES and the new TtW service.

A new pilot is currently exploring ways of financing on-the-job training for young jobseekers. Under the Training for Employment Scholarships programme, small and medium-sized companies (maximum 200 staff) can receive up to AUD7 500 to reimburse training costs if they hire a young jobseeker (aged 18-24 years) and provide him with training for up to 26 weeks.

Long-term unemployed jobseekers who have been on income support for at least 12 months while aged 18 to 30 years and who find employment, can claim a *Job Commitment Bonus* of up to AUD 6 500 for continuously staying in work for two years.

### Support for young entrepreneurs

Self-employment can offer a way out of unemployment for jobseekers if they are provided with the necessary know-how and appropriate financial and logistical support. The New Enterprise Incentive Scheme (NEIS), as one of Australia's longest-running employment programmes, provides jobseekers aged 18 years and above with help to start and operate their own businesses.[50] The NEIS provides jobseekers with accredited small-business training (at Certificate III or IV level), business advice and mentoring for a period of up to 52 weeks. During that time, participants develop their business plan. Once the plan has been approved, programme participants receive personalised mentoring for one year to put their business idea into practice, as well as 39 weeks of *NEIS Allowance* income support (plus possibly 26 weeks of rental assistance). The NEIS Allowance is equivalent to the standard NSA rate; any income earned from the new business is however disregarded. A total of 6 300 NEIS places are available each year.

The NEIS is delivered by 21 specialised NEIS providers, who are part of jobactive but tendered separately from jobactive providers. Potential NEIS participants are typically referred to the NEIS provider through their jobactive or DES provider. Payments to NEIS providers are comparatively generous, but strongly performance-based and based on business commencement and exit from income support rather than on training participation.[51]

No formal evaluation of the NEIS' impact has recently been carried out.[52] Medium-term programme outcomes, however, are quite promising. A DEEWR report studied employment among NEIS participants surveyed 16 months after programme completion (DEEWR, 2008).[53] 46% of them were still operating their NEIS business, and a further 37% were self-employed with a non-NEIS business or employed elsewhere. These results

are consistent with an earlier study, which finds employment rates of NEIS participants of 84% two years after business commencement, with an even higher share of about 60% of respondents still operating their NEIS enterprise (Kelly et al., 2002). It is unclear however to what extent those positive employment outcomes reflect the impact of the programme: NEIS participants tend to be less disadvantaged than other jobseekers, such that deadweight effects ("many jobseekers would have found employment anyhow") and displacement effects ("if the NEIS business had not been founded, someone else would have founded a similar company").[54] A more rigorous impact evaluation of the programme would be desirable, especially in light of its relatively high per-head costs and the administrative inputs needed to operate the programme.

### Support for NEETs in remote areas

Young people in Australia's remote regions face structurally weak labour markets that make it much harder to gain work experience, build up skills and find employment. This is reflected in substantially higher NEET rates in such regions. Indigenous Australians, who are strongly overrepresented in remote and very remote regions, are particularly affected (see Figure 2.8).[55]

Specific labour market programmes for remote areas and the Indigenous population have a long tradition.[56] Specialised employment services for jobseekers in remote areas are delivered through the Community Development Programme (CDP), which replaced the earlier Remote Jobs and Communities Programme (RJCP) in July 2015.[57] A network of 39 CDP providers, chosen through a separate tendering procedure, assist people in remote regions find and keep employment and ensure that jobseekers participate in activities aimed at building employability and strengthening local communities.[58] CDP providers are represented in over 1 000 communities in 60 Australian regions. Nearly 90% of jobseekers aged 15-29 years on the CDP caseload are Aboriginal and Torres Strait Islander youth. In non-remote regions, Indigenous jobseekers are moreover serviced through the standard providers accounting for around 13% of young jobseekers registered with jobactive providers and 7% of young DES participants.

The CDP is currently undergoing a series of reforms that strengthen activity requirements in light of the high rates of benefit receipt among the Indigenous population.[59] In return for income support, jobseekers between the ages of 18 and 49 years who are not in training have to engage in WfD activities for up to 25 hours per week depending on capacity. Unlike for jobseekers in non-remote Australia serviced by jobactive providers, this requirement applies in principle from the start of the unemployment spell

and for the entire year. The range of acceptable WfD activities includes work experience placements in a business, council or social enterprise, but more commonly involves community activities (such as women's domestic violence groups, assistance for older people and youth mentoring), as well as vocational and non-vocational training, drug and alcohol rehabilitation, driver licence training, and language and literacy training. Parents of school-age children can have collecting their children from school included in their daily routine as part of their mutual obligations requirements.

Special support for young jobseekers living in remote areas is provided through the Remote Youth Leadership and Development Corps ("Youth Corps", see below).

Data on active programme participation among youth under the RJCP could not be provided to the OECD.

### Support for NEETs with a disability

Young people with a disability face a substantially greater risk of NEET status (see Figure 2.7) and long-term benefit recipiency (Table 3.1) than other young people. In Australia, specialised employment assistance for jobseekers with a disability, injury or health condition is provided through a network of 135 Disability Employment Services providers, who help jobseekers get job ready, assist them in the job search process, and support employees with a disability to help them keep their jobs.

Services provided through the DES are subdivided into two separate programmes: the Disability Management Service (DES-DMS) provides support to jobseekers with a temporary or permanent disability who are not expected to require regular, long-term support in the workplace. The Employment Support Service (DES-ESS) is available to jobseekers who are assessed as needing long-term ongoing support after placement.[60] Caseload numbers of DES-DMS and DES-ESS are approximately comparable, but there is a higher rate of participation in DES-ESS among young jobseekers (aged 15-29 years).[61]

There is no upper limit to the number of jobseekers who can be serviced through the DES.[62] Jobseekers with a disability are however also catered for through jobactive providers (where they account for around 17% of the caseload of 15-29 year-olds) and through the CDP (7% of 15-29 year-olds).

A difference between DES and the services provided through other employment programmes is the greater emphasis on preparing jobseekers for the labour market and on post-placement support. DES providers offer their clients up to 18 months of assistance to build work capacity during the so-called Employment Assistance Phase. A recent evaluation, indicates,

however, that DES clients take on average only 160 days to find employment (DEEWR, 2014). Post-placement support is provided to jobseekers until they have attained their 26 week employment outcomes. Eligible participants can also access support from their DES provider after attaining a 26-week employment outcome to maintain their employment. The greater intensity of servicing before and after placement is reflected in more generous payment structures for DES providers.[63]

Young DES jobseekers nonetheless participate less frequently in active programmes than young people under JSA. Around 12% of DES jobseekers benefited from an activity in June 2015 (Table 5.4), in most cases a training measure (for more detailed information, see Table 5.5). Other types of short interventions – such as courses in career counselling, employability skills or personal development – were comparatively rare.

The positive trend in programme participation among young jobseekers was, by contrast, even more pronounced for DES than for JSA. Total programme participation increased more than threefold since 2010, from 3.5 to 11.5% of the June DES caseload.

**Table 5.4. The rise in active programme participation is even stronger for DES clients**

Active programme participation among 15-29 year-old jobseekers in DES, 2010-15

| | June 2010 | June 2014 | June 2015 | |
|---|---|---|---|---|
| | % of jobseekers | % of jobseekers | % of jobseekers | caseloads |
| **Any activity** | **3.5** | **11.0** | **11.5** | **5 115** |
| Training | 3.3 | 9.8 | 10.3 | 4 562 |
| Short interventions | 0.2 | 1.2 | 1.2 | 553 |
| *Career counselling* | *0.0* | *0.3* | *0.3* | *140* |
| *Employability skills* | *0.0* | *0.1* | *0.3* | *116* |
| *Personal development* | *0.0* | *0.3* | *0.2* | *110* |
| *Job search training* | *0.2* | *0.2* | *0.2* | *110* |
| *Interpersonal skills* | *0.0* | *0.2* | *0.1* | *65* |
| *Literacy / numeracy courses* | *0.0* | *0.0* | *0.0* | *<20* |
| *Cultural services* | *0.0* | *0.0* | *0.0* | *<20* |
| *Parenting courses* | *0.0* | *0.0* | *0.0* | *<20* |
| *Others* | *0.0* | *0.0* | *0.0* | *22* |

*Note*: Shares are expressed in percent of registered jobseekers aged 15-29 years in DES. The figures give point-in-time data measured on the last day of the given month.

For a breakdown of training participation by programme type, see Table 5.5.

*Source:* OECD calculations based on Department of Social Services data.

As part of the YES, the Australian Government will carry out a one-year Youth Mental Health Trial targeted at DES clients below the age of 25 years with a mental health condition. From August 2015, up to 200 young jobseekers have access to an AUD 5 000 *Career Account*, which their DES provider can use to address non-vocational and vocational barriers to employment. This can happen for instance by paying for individual or group counselling sessions, short training courses, or a low salary for a work experience placement. A planned evaluation will compare participant outcomes with those of non-participants matched based on their individual characteristics.

### Support for NEET parents

Having to care for a young child is one of the principal factors associated with NEET status in Australia. Among youth with a child below the age of five, the NEET rate is more than three times higher than for youth without a child aged below 15 years (35 vs. 9%, see Figure 2.16). The association between having a small child and being NEET is much stronger still for young women (47% vs. 9%), who mention childcare obligations as the principal reason for NEET inactivity (Figure 2.11). The importance of childcare is particularly pertinent for single parents, who represent only a small part of the population, but who are more strongly represented among NEETs in Australia than in the OECD on average (5% vs. 3%, see Figure 2.15).

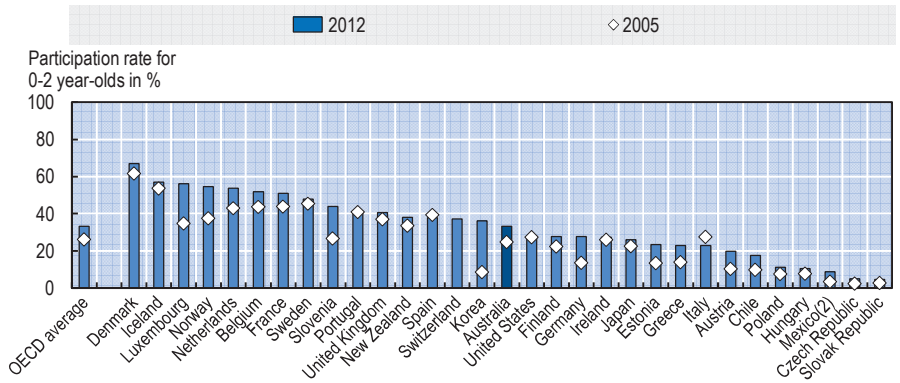
The high number of young women who remain inactive for childcare reflects low rates of participation in organised childcare and pre-primary education. Only 33% of under-3 year-olds in Australia benefited from organised childcare in 2012 (Figure 5.4). This corresponds to the OECD average, but it is below the rate attained in many Nordic or Western European countries of often well above 50% (Denmark, Iceland, Luxembourg, Norway, the Netherlands, Belgium and France). Participation rates in (pre-)primary education are among the lowest in the OECD countries for 3-year-olds (18 vs. 69% in Australia and the OECD on average), and they are comparatively low also for 4-year-olds (76 vs. 84% in Australia and the OECD on average, Figure 5.5).

High costs are one likely contributing factor to the low participation rate in organised childcare. A typical two-earner couple can expect to pay around 16% of net family income for out-of-pocket childcare costs, compared to 13% in the OECD on average (see Annex 5.A2). Many of the countries with much higher childcare participation rates shown in Figure 5.4 have lower childcare costs. Researchers have argued that costs have outpaced inflation despite government attempts to improve childcare affordability since the early 2000s, effectively reducing government assistance with childcare

costs. Survey data indicate that affordability – rather than a lack of availability or poor quality – is perceived by parents as the main difficulty for using childcare (Baker, 2013).[64]

**Figure 5.4. Australian childcare participation rates are around the OECD average**

Childcare participation rate among 0-2 year-olds in percent, 2012 and 2005




*Note*: Data generally include children in centre-based services, organised day care and pre-school (both public and private) and those who are cared for by a professional child-minder, and exclude informal services provided by relatives, friends or neighbours. Exact definitions may differ across countries.

Data for Mexico do not include services provided by the private sector.

The earlier observation refers to 2006 for Chile, Germany, Japan, Mexico and the United States. The later observation refers to 2010 for Sweden and to 2011 for Finland, Luxembourg, New Zealand and Spain.

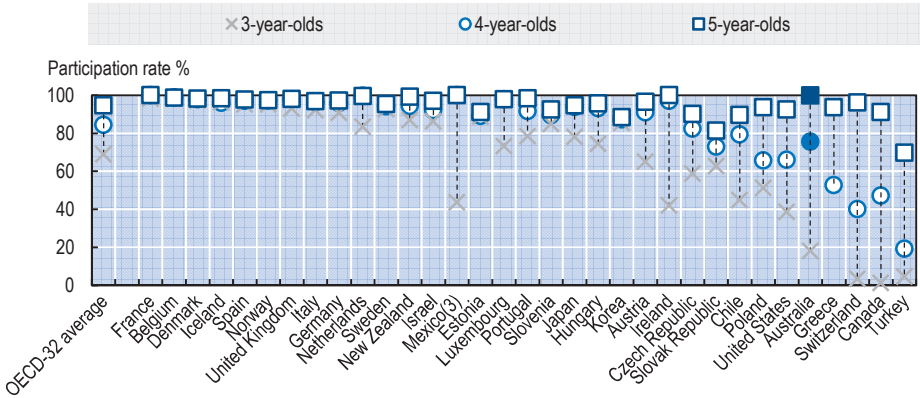
The OECD average is unweighted for the countries represented in the graph.

*Source*: *OECD Family Database*, www.oecd.org/social/family/database.htm.

The government put forward a new *Families Package* to provide an additional AUD 3.5 billion of funding for childcare assistance over a five-year period (Commonwealth of Australia, 2015b). One main component of the package is a merger of the existing Child Care Benefit (CCB) and Child Care Rebate (CCR) into a simplified Child Care Subsidy from 2017 following a Productivity Commission recommendation (Productivity Commission, 2014).[65] The existing *National Partnership Agreement on Universal Access to Early Childhood Education* would be extended by two years until 2017. The Families Package would be financed, however, through cuts in family tax benefits in particular for single earners and single parents, and the majority of the required savings have not yet been passed into legislation.

**Figure 5.5. Participation rates in (pre-)primary education are low**

Participation rates in pre-primary or primary education among 3, 4 and 5 year-olds in percent, 2012




*Note*: Data reflect children in pre-primary education (both public and private), but also in some countries children enrolled in compulsory primary education.

Data refer to 2011 for Mexico.

The OECD average is unweighted for the countries represented in the graph.

*Source*: *OECD Education Database*, http://www.oecd.org/education/database.htm.

Young jobseekers with children in ten locations will be able to benefit from special support trialled as part of the YES' *intensive support for vulnerable jobseekers* (see below).

### *Providing NEETs with the skills they need*

Registered jobseekers with training needs are entitled to participate in training as agreed with their employment service provider. Until 2015, training was recognised as one of the agreed activities in the Work Experience Phase. Since 2015, it is counted as an alternative to participation in the default WfD measures as part of the annual activity requirements. As of the Compact, participation in education or training is required for income support for ESLs below the age of 22 years.

Training programmes can be offered by TAFE colleges and other RTOs including charities or private providers. Programme costs are covered through the employment service provider out of the EF.

Training participation of young jobseekers under JSA steadily increased in the five-year period after start of the National Partnership, but this trend ended with the transition to jobactive in 2015. The share of young jobseekers (15-29 years) enrolled in an education or training measure rose

from 8.4 to 16.4% between 2010 and 2014 (Table 5.5).[66] The rise was particularly strong for Certificate II programmes and tertiary level programmes for which enrolment rates among registered jobseekers more than doubled. In March 2015, 15.9% of young jobseekers participated in a training programme, 4% fewer than 12 months earlier. This decline, which can be observed across the range of degree levels, likely reflects the greater weight given to WfD as the default activity for young jobseekers (see Table 5.3). The new intensive support services for ESLs introduced through the TtW package may, however, again lead to an increase in training participation.

Most training programmes focus on providing basic vocational skills. 42% of young JSA jobseekers who participated in training in March 2015 were enrolled in programmes at lower secondary level (ISCED level 1 or 2, Table 5.5). For comparison, this share is nearly identical to the proportion of youth without a Year 12 certificate or equivalent among all NEETs of 41% (approximately 204 000 young people in 2011 according to census data). Similarly, the 29% share of training participants enrolled in programmes at upper-secondary level (ISCED 3 and 4) is very close to the 26% share of NEETs who attained a Year 12 certificate but no post-secondary education. Of course, such comparisons can only give an approximate impression of training adequacy.[67]

The positive trend in training participation is stronger yet for young jobseekers with reduced work capacity under DES. The share of young DES jobseekers who participated in a training measure increased more than threefold between June 2010 and June 2015. At 10.3%, it however remains lower for DES than for JSA.

One gap in the current training offer may be an insufficient provision of alternative education for youth who lack foundations skills. Training in language, literacy and numeracy (LLN) for jobseekers is mainly provided through the Skills for Education and Employment (SEE) programme administered by the Department of Education.68 Through the SEE, eligible jobseekers can receive up to 800 hours of free accredited training on a part-time or full-time basis at contracted RTOs. Important target groups for the programme are disadvantaged youth including ESLs, but also Indigenous jobseekers, persons with disabilities, older jobseekers and migrants. The number of SEE places is capped and projected to decline, standing at 26 500 in 2015-16. Around 2% of young jobactive clients participated in the programme in March 2015 (see Table 5.3 – the SEE is not formally categorised as a training programme). A recent evaluation documents positive learning outcomes and shows completion rates for SEE participants. It does not attempt to estimate the impact of the programme on transitions into employment or training (Acil Allen Consulting, 2015b).

**Table 5.5. Young jobseekers' participation in training programmes has strongly risen since 2010**

| JSA (Job Services Australia) | | | | |
|---|---|---|---|---|
| | March 2010 | March 2014 | March 2015 | |
| | % of jobseekers | % of jobseekers | % of jobseekers | caseloads |
| **Training participation** | **8.4** | **16.4** | **15.9** | **47 884** |
| ISCED 1/2 | 4.0 | 7.0 | 6.7 | 20 186 |
| *Secondary school* | 0.5 | 0.3 | 0.3 | 949 |
| *Certificate I* | 0.8 | 0.6 | 0.5 | 1 457 |
| *Certificate II* | 2.7 | 6.1 | 5.9 | 17 780 |
| ISCED 3/4 | 3.2 | 5.4 | 4.6 | 13 710 |
| *Certificate III* | 2.3 | 4.1 | 3.5 | 10 387 |
| *Certificate IV* | 0.9 | 1.3 | 1.1 | 3 323 |
| ISCED 5/6 | 1.2 | 2.9 | 3.6 | 10 934 |
| Vocational assistance | 0.0 | 1.0 | 1.0 | 3 028 |
| Other programmes | 0.0 | 0.0 | 0.0 | 26 |

| DES (Disability Employment Services) | | | | |
|---|---|---|---|---|
| | June 2010 | June 2014 | June 2015 | |
| | % of jobseekers | % of jobseekers | % of jobseekers | caseloads |
| **Training participation** | **3.3** | **9.8** | **10.3** | **4 562** |
| ISCED 1/2 | 1.5 | 3.3 | 4.0 | 1 773 |
| *Primary school* | 0.0 | 0.0 | 0.0 | *<20* |
| *Secondary school* | 0.1 | 0.2 | 0.1 | *62* |
| *Certificate I* | 0.3 | 0.6 | 1.0 | *456* |
| *Certificate II* | 1.1 | 2.5 | 2.8 | *1 254* |
| ISCED 3/4 | 1.3 | 3.6 | 3.2 | 1 412 |
| *Certificate III* | 1.0 | 2.5 | 2.2 | *987* |
| *Certificate IV* | 0.4 | 1.1 | 1.0 | *425* |
| ISCED 5/6 | 0.4 | 1.2 | 1.5 | 1 291 |
| Vocational assistance | 0.1 | 0.0 | 0.5 | 84 |
| Other programmes | 0.0 | 0.0 | 0.0 | <20 |

*Note*: Shares are expressed in percentage of registered jobseekers aged 15-29 years in JSA and DES, respectively, measured on the last day of the given month.

*Source:* OECD calculations based on Department of Employment and Department of Social Services data.

Among jobseekers who participate in a formal training measure, only few are enrolled in programmes targeted at (or suited for) jobseekers with a lack of basic skills (Table 5.5). Secondary school and Certificate I level

training jointly account for only 5% of young training participants under JSA and for 11% under DES (or 0.8 and 1.2% of registered young jobseekers, respectively). This is low considering the large share of NEETs with low numeracy skills (33% of all NEETs) or low literacy skills (21%, see Figure 2.4). Vocational assistance programmes account for 5-6% of training participants.

Insufficient training offers for youth who lack foundation skills have been criticised in earlier studies. A case study of YC programmes in Brisbane observes a "significant lack of fit between the young person and the education and training systems / options available" (Crane and Kaighin, 2011, p. 23), and identifies additional places in alternative-education programmes and the timely availability of short vocational courses as important needs. A DEEWR-commissioned report on the situation of unemployed and inactive youth in Australia draws a similar conclusion highlighting the need to provide additional assistance to low-achievers, early school leavers and those with negative school experiences to prepare them for vocational training (Sweet, 2012b). Also during the OECD review mission, a shortage of numeracy and literacy training for youth who lack the skills to successfully participate in TAFE courses and an insufficient availability of culture and language courses for young migrants were mentioned repeatedly by stakeholders. TtW, with its focus on upskilling disadvantaged NEETs, could positively affect participation in foundations training by improving young jobseekers' access to existing offers and incentivising providers to directly deliver their own training.

There have been two interesting recent initiatives to offer second-chance education options to remote or Indigenous youth in Australia:

- The *Youth Corps* (formally: *Remote Youth Leadership and Development Corps*), is a comprehensive programme targeted at promoting skill development and transitions into employment of young jobseekers in remote regions. It offers intensive support and training over a 12-month period to youth below the age of 25 years, including mentoring, foundations training in literacy, numeracy and basic employability skills, work experience activities, vocational training at Certificate II level, support with non-vocational barriers, and mobility support for youth who choose to re-locate to take on employment. Because of its high intensity, the programme is relatively costly at AUD 10 450 per person plus a possible outcome fee paid to the RJCP provider for placement.[69] While 12 000 programme places were initially foreseen over the five-year period from 2013 to 2018, the *Youth Corps* will be terminated early in June 2016 as part of the transition to the CDP. As a result, only

around 1 800 young participants had started the programme by 2016.

- Vocational Training and Employment Centres (VTECs) connect Indigenous jobseekers with jobs and provide them with the support services necessary to become job ready.[70] The programme is targeted at the most disadvantaged among Indigenous jobseekers (including youth) registered in Streams B and C and at-risk of long-term unemployment. VTECs provide support in the form of basic literacy and numeracy training, help with obtaining a machine-operating/driving licence, housing, medical and legal support, as well as job-specific training, work experience, and post-placement mentoring.

  The key feature of this programme is that it is demand-driven in the sense that a participant receives a *job guarantee* before the job-specific training starts. Participants are referred to the network of 29 VTECs through jobactive, DES and CDP providers. Vacancies will be provided through the *GenerationOne Australian Employment Covenant*, a joint not-for-profit/private-sector initiative, but VTECs are expected to find additional vacancies. VTECs' compensation is entirely performance-based consisting of a single 26 week employment outcome payment.[71]

  The start of the programme has been encouraging even though the self-set target of 5 000 jobs by 2015 could not be met. By the end of February 2016, 3 700 Indigenous jobseekers were brought into employment, and 1 800 were still in employment after 26 weeks. The Commonwealth Government has committed up to AUD 45 million for the programme, and is currently considering options to secure funding for the initiative beyond the contract end in June 2017.

Evidence shows that intensive *second-chance* programmes such as the Youth Corps or VTECs can be effective at improving social outcomes and at bringing even highly disadvantaged youth into employment. The most well-known (and most rigorously-evaluated) such programme is the US Job Corps, which is being operated by mostly private providers since 1964.[72] Like the Youth Corps and the VTECs, the Job Corps is targeted at highly disadvantaged 16-24 year-olds, who receive a high school education and training in vocational subjects as well as mentoring and counselling, social support and placement. An experimental evaluation of the programme showed that the programme is cost-effective for older participants (aged 20 to 24 years) for whom programme participation produced substantial earnings gains and reductions in criminal behaviour (Schochet et al, 2008).[73] An important difference to the Australian programmes is, however, that the

US Job Corps has a strong residential component: Job Corps centres typically provide accommodation for the very large majority of programme participants. This helps to deliver comprehensive support and limits disruptions. The costs of the US Job Corps are consequently much higher at around USD 25 000 (AUD 34 500) per participant.

A small-scale Australian second-chance programme that combines training with social support and housing for homeless youth are the so-called *youth foyers*, of which there are currently 14 across Australia.[74] Youth foyers are often located in proximity to (or even on the same premises as) a training provider, and offer accommodation to youth with a lack of housing conditional on active and continuous participation in the educational programme. The provision of accommodation close to the training place is viewed as key to promoting programme completion, notably for youth from broken families, while facilitating the development of life skills. Youth foyers typically provide a range of additional social services including physical and mental health support, employment and career counselling, mentoring, various social activities, and support for securing housing outside of the foyer.

There is some limited evidence, mainly from the United Kingdom, that foyers can improve educational attainment and employment outcomes (see Steen and Mackenzie, 2013). Models vary, however, a lot across countries, and there is little outcome or evaluative data available for Australian foyers. A study of the effectiveness of three Education First Youth Foyers, run by the Victorian Government in collaboration with the non-profit Hanover Welfare Services and the Brotherhood of St Laurence, is underway (Keys and Borlagdan, 2014). Preliminary data show that almost all (88%) young foyer residents are indeed studying or working. Upon leaving the foyer, 80% of residents have attained a Year 12/Certificate III qualification or are undertaking upper-secondary education (Borlagdan, 2016).

Since youth foyers are expensive to build and operate, they are likely to remain tightly targeted at a small number of youth who are committed to participating in a specific educational programme, and who lack housing.

### *Offering NEETs comprehensive support*

Unemployment or inactivity among youth often do not result alone from a lack of skills or work experience but are the consequence of social or health problems. To re-engage NEETs in education or work, employment support or training needs to be coupled in such cases with comprehensive social support that addresses, for instance, a young person's housing needs, family issues or mental health problems. Where problems are severe, social or health barriers to participation may have to be tackled even before a young person is ready to actively look for work or participate in training. To

guarantee that NEETs receive the social support they require, service provision must be closely co-ordinated with education and employment services.

### *Social support under Youth Connections*

Social support for NEETs up to the age of 25 years was provided until 2014 through the Youth Connections programme in the framework of the National Partnership. While YC principally aimed at providing social support to youth of compulsory-schooling age to keep them in education, it was the main programme also for older NEETs who required intensive social support and case management. 38% of YC clients had been disconnected from education for longer than three months, 11% were above the age of 17 years (Department of Education and Training, 2015).

YC providers offered individualised support services, including case management, counselling and mentoring, and referrals and advocacy in cases where a young person needed specialised help or income support.[75] Services were highly flexible and comprehensive in that collaboration between different specialised YC providers was close and many providers offered integrated solutions. The principal target was to link young people back to education or in some cases to move them into employment.

Individual-level outcomes suggest that YC made an important contribution to preventing disengagement and re-connecting NEETs to education or training (Department of Education and Training, 2015). Among the hardest-to-serve YC participants who had been continuously disconnected from education for longer than three months:

- 77% attained a *progressive outcome*, i.e. made "significant progress" in addressing their barriers to full engagement in education.
- 60% achieved their *final outcome*, which, depending on the individual profile, was strengthened engagement or re-engagement in education, an improved behaviour or performance in school, or the start of an educational programme or employment.

All outcomes were measured over a 13-week/one school-term period.[76]

Results were even more favourable among the less disadvantaged participants who were still connected to schools (see Chapter 4). Where young people failed to attain a positive outcome, the main challenge appears to have been to successfully engage the young person in the programme rather than to keep them in the programme after enrolment.[77]

For participants with successful final outcomes, results moreover seem to have been sustainable. Follow-up studies of the 2011 and 2012 YC cohorts conducted by YC providers show that 93-94% of surveyed participants with a positive final outcome were still in education or employment six months after leaving YC. The rate was still at 80% 1.5 to 2 years after programme completion (YCNN, 2013, 2014). The participant samples used in the two surveys were however not representative.[78]

Benefits of YC participation may have gone beyond educational or employment outcomes to an improved well-being. A report commissioned by the Department of Employment documents that at the time of programme enrolment YC participants had a significantly higher risk of experiencing low personal well-being and depression compared to other youth (Tomyn, 2014). Successful completion of the programme is associated with a reduction of the probability of "very low" subjective well-being by more than half.[79] The study's author concludes that "[t]here is little doubt that for many young people, their experiences with Youth Connections will be a major turning point in their lives and a catalyst for long-term behavior change that supports their psychological well-being into adulthood" (p. xi).

While these results are encouraging, one should be careful not to interpret them as giving YC's causal *impact* on disadvantaged youth. The main reason is that no information is available on what young people's outcomes would have been in the absence of the programme. For a rigorous evaluation of YC's effects, participants' outcomes have to be contrasted to those for comparable youth who did not participate in the programme, but possibly benefited from alternative offers. While the Commonwealth expenditures of around AUD 5 000 per achieved final outcome seem reasonable, especially considering the participants' level of disadvantage, a cost-effectiveness assessment requires better estimates of YC's impact.[80]

During the OECD fact-finding mission, a number of gaps in social service delivery for NEETs were moreover repeatedly mentioned in discussions with stakeholders:

- A fragmented *mental health support* for youth: Where available, the Commonwealth-funded headspace plays an important role in providing mental health support and other health services for NEETs (see Box 5.6). To make operations viable, headspace however typically requires a certain minimum population for its catchment areas, and it is therefore represented less strongly in more rural or remote areas. Local community health services typically employ a youth specialist, but like GPs, they often lack the capacity to help youth with substantial barriers. Up-take of government-funded mental health services remains low among youth compared

to other age groups, and there appears to be a gap in suitable offers for adolescent youth and young adults (OECD, 2015). The government recently committed to improve the integration of primary care and mental health support for young people, and to improve employment support for youth with a mental illness including through the above-mentioned DES Mental Health Trial (Department of Health, 2015).

- A lack of *non-crisis housing* for youth: Housing issues are among the primary barriers to re-engagement for NEET youth (see Figure 5.3). While a number of YC providers offered emergency housing for homeless youth, there appears to be a lack of longer-term social housing solutions for low-income youth. About 0.7% of Australian youth (30 000 persons aged 15-29 years) are characterised as homeless, and a further 0.6% (25 600 persons) live in marginal housing. Among NEETs, the share of youth who are homeless or in marginal housing is about 3.6%.[81] This is a concern, in particular as a stable contact address is often a prerequisite for access to other social services, including Centrelink income support or medical care. The DSS *Reconnect* programme provides early intervention and prevention services for youth aged 12-18 years who are homeless or at risk of homelessness. Services include counselling, group work, mediation and practical support for young people and their families. The programme currently operates in 100 locations throughout Australia supporting around 5 800 young people and their families per year (Department of Social Service, 2015).[82] On a much smaller scale, youth foyers provide an innovative but costly housing solution for at-risk youth that combines accommodation with training, social and psychological support (see above). The National Partnership Agreement on Homelessness (NPAH) provided AUD 115 million in Commonwealth funding in 2014-15 for tackling homelessness, with homeless youth as one of the target groups. The NPAH was extended for two more years in 2015, with funding priority given to services focusing on homeless youth as well as women and children experiencing domestic and family violence.
- A challenging *service delivery in remote communities*: NEETs in remote and some rural communities often have difficulties accessing the services they need due to lack of mobility. Some service providers reach out to youth by driving out into remote areas on fixed routes to deliver services locally on specified dates. In other areas, having a driving licence and access to a car is vital for social participation and the access to social services and employment. Increasing mobility of young people by helping them obtain a

driving licence and practice can therefore bring large benefits. An additional challenge faced by social service providers in remote areas is the lack of qualified staff.

- A lack of *intensive social support* and *case management* for older youth: YC primarily targeted students and young early school leavers with a clear focus on re-engagement in education. Young people aged 20 years and over represented less than 1% of all YC clients, and had few comparable options elsewhere. At least in some locations, this shortage will be addressed through the YES and its planned *intensive support for vulnerable jobseekers*, which funds a series of trials for jobseekers below the age of 25 years who face multiple barriers, have a mental health condition, are refugees or are vulnerable migrants.

### Box 5.6. *Headspace*: Mental health support for youth

The headspace programme was established by the Australian Government in 2006 to respond to a deficit in access to primary-care mental health services for young people. It provides integrated early-intervention services for 12 to 25 year-olds with, or at risk of, mild to moderate mental illness to promote and facilitate improvements in health, social well-being and economic participation. At currently 87 headspace centres throughout the country (as of February 2016), young people can receive help from various types of professionals including psychologists, social workers, alcohol and other drug workers and GPs, but also career counsellors, vocational officers and youth workers. Support is provided in four core areas: mental health, physical health, alcohol and other drug use and work and study support.

The service is designed to be youth-friendly and to provide easy, low-threshold access to health counselling and treatment. Headspace centres tend to be conveniently located, and practice an open-door policy allowing young people and their families to drop in and receive anonymous help without eligibility requirements. Services are provided largely free of charge or at a low cost and ensure high confidentiality. Online and telephone counselling is provided via *e*headspace to young people who live in an area without a headspace centre nearby or those who are hesitant to visit a centre.

Headspace has been successful at reaching out to vulnerable youth. An early evaluation concludes that headspace managed to create community awareness, as illustrated by the frequent referrals received from health, education and community services and the high number of self-referrals (SPRC, 2009). This also corresponds to the impression gained by the OECD review team during the fact-finding mission, who perceived headspace services to be well-integrated with their local communities. Recent data show that headspace is strongly accessed by youth from marginalised and at-risk groups, including homeless, Indigenous, or lesbian, gay, bi-sexual, transgender or inter-sex (LGBTI) youth (SPRC, 2015).[1] Most young people come to headspace with mental health or behavioural issues (72.7%), primarily anxiety or depressive symptoms, or situational problems such as bullying or relationship problems (13.4%). The vast majority of young clients received mental health support, in particular cognitive behaviour therapy and supportive counselling (Rickwood et al., 2015a, b).

### Box 5.6. *Headspace*: Mental health support for youth *(cont.)*

The rapid expansion of the headspace programme has recently been met with some criticism in light of the lack of robust evidence on the programme impact. One study reports that only 28% of clients presenting to headspace for mental health and behaviour problems received adequate treatment, and that nearly half of all clients had one or two counselling sessions only (Jorm, 2015).[2] Data on the long-term outcomes of headspace interventions are not systematically collected, and a recent study into the first 30 centres showed that only few measured the effectiveness of their co-ordinated and integrated services, or carried out clinical audits (Rickwood et al., 2015c). The National Mental Health Commission (2014, p. 82) moreover criticises that headspace's "one-size-fits-all, shopfront-oriented approach" is insufficiently tailored to the needs of local communities and the diversity of young people in those communities. In spite of such concerns, the headspace network will be expanded to 100 offices in 2016, and AUD 411.7 million of funding have been allocated to the programme for the five-year period starting in 2013-14. A recently released evaluation commissioned by the Department of Health finds that headspace services lower clients' level of psychological distress compared to no treatment or treatment through other mental health services. The magnitude of this effect is however small, and the study has methodological weaknesses.[3]

The Commonwealth Government recently announced a better integration of headspace with the local primary health networks, and committed to a more regionalised management of headspace centres.

1. Unfortunately, the evaluation does not compare the share of headspace clients from vulnerable groups with the corresponding client shares at alternative health services.

2. Rickwood et al. (2015b) report that 60% of clients showed "significant" improvements (of at least 0.5 standard deviations) in their psychological distress or psychosocial functioning scores over the course of the servicing through headspace. The effect size, however, is relatively moderate on average, a considerable number of youth saw their scores unchanged or even deteriorate, and due to lack of a control group, the programme effect cannot be distinguished from improvements that would have occurred without the intervention, e.g. through spontaneous remission (Jorm, 2015).

3. The evaluation estimates the impact of headspace servicing using a difference-in-differences approach. Headspace clients are matched to clients who receive treatment through other mental health services or no treatment through propensity score matching. Headspace services are found to decrease clients' average K10 psychological distress score by 1 point (1.4 points) compared other mental health services (no treatment) over a period of 5-12 months. This corresponds to 0.16 (0.11) pooled standard deviations. The study however also finds that participation in headspace increases the average number of days a young person spends binge-drinking, and this effect is estimated to be larger than the mean reduction in the distress score. The study's most important methodological weakness is that it does not control for differences in unobserved characteristics between young people who participate and do not participate in headspace (i.e. the "treatment" and "control" group). Also, information for treated and control persons was drawn from different surveys, such that outcomes may be difficult to compare.

*Source:* OECD (2015), *Mental Health and Work: Australia*, OECD Publishing, Paris.

### *Partnership Brokers and the co-ordination of social service delivery*

Tight links between employment and social services, schools, and other key stakeholders are an important determinant of successful school-to-work transitions (OECD, 2000). In Australia's highly decentralised, provider-based system for employment and social service delivery, the co-ordination of various support components for NEETs is particularly challenging.

The Australian Government responded to the need to better co-ordinate support policies for young people with the Partnership Brokers programme implemented as one of the elements of the NP.[83] Between 2010 and 2014, partnership brokers worked in 107 Australian regions to facilitate and strengthen local connections between schools, businesses, community groups and families to promote educational attainment, social participation and successful school-to-work transitions among youth. Some of the partnership brokers' main roles were, depending on the local circumstances, i) to improve collaboration between various actors to make it easier for young people to access and navigate local support systems, ii) to promote information exchange and co-ordination among actors, and iii) to identify and help bridge gaps in service delivery by building partnerships between relevant actors.

The effectiveness of the Partnership Brokers programme at supporting regional capacity building is difficult to assess. After initial implementation difficulties due to capacity constraints and confusion about the role of the partnership brokers, growing numbers of stakeholders reported that the programme made a considerable contribution to linking up the key actors (dandolopartners, 2014). Records indicate that until April 2014, partnership brokers supported around 4 000 local partnerships, 86% of which were categorised as "new", i.e. due to the partnership broker's initiative. About 20% of all partnerships established until April 2014 were judged as "self-sustaining", another 26% were "active" but not yet self-sustaining (Department of Education and Training, 2014).[84] Especially for this latter group, it is unclear whether the progress made during the programme period could be maintained after its termination.

The impact of the programme on youth outcomes and transitions is uncertain. One would expect the improvement of the collaboration between local schools, youth service providers and employers to have a measureable effect on school completion rates, transitions into training or work, and social outcomes such as youth delinquency. In the absence of a formal evaluation, the magnitude of such an effect, its size for different groups of disadvantaged youth, or even the cost-effectiveness of the programme are impossible to assess.[85]

Irrespective of the lack of information on the programme impact, the Partnership Brokers are an innovative concept for improving the co-ordination of local policies for at-risk youth. Even in OECD countries with a public, centralised provision of employment and social services, co-ordination of services and their integration with schools and non-governmental actors is often insufficient. The introduction of intermediaries such as the Australian partnership brokers is an interesting solution to overcoming *silo*-ing and institutionalising co-operation across the various actors involved in youth policies.

The Australian Government could consider re-introducing a similar initiative in the framework of the new YES.

### *Post-NP situation and the YES*

In spite of a growing concern about long-term benefit receipt among young people, young jobseekers with multiple barriers currently do not always receive the intensive support they require. DHS provides support to vulnerable populations through social workers, including to young people with complex barriers. DHS/Centrelink does not, however, generally have specialised youth support staff as they exist for instance in Japan's public employment service (see Box 5.3). Jobactive providers are required to provide services tailored to jobseeker's individual needs, yet they tend to be little specialised and often lack the capacity to provide intensive support and case management to highly disadvantaged young jobseekers. The end of the NP moreover led to an important weakening of the support for NEETs with multiple barriers. Until 2014, JSA providers often referred their most disadvantaged young clients to YC providers for support, making YC an important resource for disadvantaged young jobseekers. The hurdle to seeking help moreover likely increased further for heavily disengaged youth, who may be more hesitant (or may find it more difficult) to contact DHS/Centrelink than to get in touch with a YC provider.

The government has taken steps to address these issues with the YES announced in the 2015-16 Budget. The new TtW package introduces intensive support to NEETs aged 15 to 21 to improve their work readiness through work experience and training, including for youth not on income support. Specific groups of highly disadvantaged youth – including those with multiple barriers to employment, youth with mental illness, young migrants including refugees, and parents in locations of entrenched disadvantage – will moreover benefit from additional support through a serious of trials funded as part of the *intensive support for vulnerable jobseekers* package. Outside of the YES, a pilot funded through the Department of Education supports community organisations who assist 15

to 18 year-old NEETs get back into education, training or work through case management, job search, mentoring or other services.

For these new initiatives to benefit the most disadvantaged, the Australian Government will need to ensure that employment support, training and work experience are combined with the necessary social and health support for young people with multiple barriers. The TtW package has a distinct focus on upskilling young jobseekers to help them find employment. While this can be appropriate for the group of ESLs targeted, foundations training or work experience will need to be coupled with case management, mentoring and social support for those who are not yet ready for participation in vocational education or the labour market. The trials for *intensive support for vulnerable jobseekers* may provide such comprehensive support for specific groups of highly disadvantaged jobseekers, but will only operate in selected locations.

Irrespective of these new initiatives, the end of YC in 2014 is likely to have caused damage to the previously existing network of social service providers who largely relied on YC funding for their work. While precise data are unavailable, it is likely that a considerable number of these providers had to downsize their operations and dismiss experienced staff, or shut down completely. This may also impact on the effectiveness of the YES in its early stages to the extent that social support to disadvantaged youth to the extent that the TtW or the Empowering YOUth Initiatives will rely on networks of social service providers that similar to that of YC.

### *Promoting sustainable education and employment outcomes*

Following-up on young people after programme completion is crucial for ensuring a long-term impact. Many social or medical interventions that address mental health problems, family issues or substance abuse require continued servicing after the main treatment has ended. Where the social or employment support provided to a young jobseeker leads to a transition into training, work experience or employment, sustaining active participation can be challenging as the person has to cope with new rules and responsibilities. This may apply especially to young people with a history of drop-out or a lack of previous work experience, who may initially have troubles adjusting to the structures and expectations of work life.

Active follow-up through a health specialist, counsellor or caseworker can ensure that problems are dealt with as they arise to prevent a return into unemployment or inactivity. Since such activities are time-consuming, they often require strict guidelines or incentives for the service provider or case worker. In many OECD countries, follow-up of educational institutions,

social services and employment services on clients after programme completion is therefore weak.

The Australian system of employment service delivery is built around explicit and strong incentives to produce sustainable outcomes. Jobactive, DES and CDP providers receive a strongly performance-based compensation that attributes an important weight to outcomes measured 4 to 26 weeks after placement (see Box 5.1).[86] For a jobactive provider, the reward for placing a jobseeker into a job that keeps the client off income support for 26 weeks can be more than five times as high as for a job that lasts less than 12 weeks (Department of Employment, 2014). For transitions into education, outcome payments reward a jobactive provider only if the jobseeker attains a Certificate III level qualification or higher, or if he completes at least one semester of a multiple-semester course within the first 12 months. 26-week outcomes moreover play a central role in determining a provider's Star Rating, and their weight further increased in the transition from JSA to jobactive (Department of Employment, 2012).[87]

To obtain their outcome payments, employment service providers need to have outcomes confirmed through the DHS. For most transitions into employment, DHS can directly verify an outcome from its own data, typically because a jobseeker has ceased receiving income support benefits (or claimed benefits at a reduced rate). In cases where this is not possible, for instance because the jobseeker did not receive any benefits, the employer has to collect a written confirmation from the employer. To claim education outcome payments, employment service providers need to deliver proof that the jobseeker has obtained a certificate or successfully completed a course.[88] The EF provides limited funding for post-placement support to employment service providers.

A point worth considering may be whether the follow-up period used for performance measurement and compensation could be further extended to a maximum of 52 weeks (see also OECD, 2012). Such an extension could further increase the providers' incentives to invest in pre-placement training and post-placement support, and thus possibly further promote transitions into stable employment. The additional administrative burden to employment service providers by contrast appears limited, given that the confirmation of outcomes is mainly done using DHS administrative information. A 52-week unpaid *sustainability indicator* already exists for DES providers since 2013. It is not considered for provider compensation but used as a performance measures in the calculation of DES Star Ratings.

## 4. Systematically evaluating programme impacts

Policies and programmes to support NEET youth should be designed based on empirical evidence on what works and for whom to ensure their effectiveness and an efficient use of resources. Education, employment and social policies for youth tend to provide ample opportunity for evaluation, because programmes are often developed or implemented in a decentralised way to allow for an adaptation of programmes to the local community needs. These conditions are favourable for innovation and the development of good practices. For this to happen, programmes need, however, to be systematically monitored and evaluated such that successes can be identified, shared and developed further, and failures be studied, understood and hopefully avoided in the future. This decentralised learning process can be fostered through funding arrangements that encourage diversity and local innovation while requiring systematic data collection and evaluation of programme impacts.

The Australian Government still attributes too low a priority to the rigorous evaluation of the youth programmes it designs and funds. As documented throughout this review, a large number of employment or social programmes for youth over the past years and decades have received substantial funding without having been properly evaluated with regards to their effectiveness in helping young people move into education or employment, or in promoting social outcomes. The recently launched Green Army Programme (funded with AUD 700 million over four years) replaces the earlier Green Corps, which had been operating since 1996 without having been formally evaluated. The National Mental Health Foundation headspace was allocated AUD 411.7 million of funding over five years to further expand its operations. The impact of headspace interventions on participant outcomes had, however, never been demonstrated, and centres are currently not required to collect follow-up data on client outcomes. Where evaluations are carried out, they are often not suited to give reliable estimates of the programme impact. Some studies, as the 2014 National Partnership evaluation, are based on simple comparisons of participant outcomes before and after programme participation. Such studies fail to account for the fact that a young participants' employment status or social situation might also have improved if they had not participated in the programme. Other studies, like the recent headspace evaluation, use a control group design but fail to adequately account for differences in unobserved characteristics (such as motivation or skills) between participants and persons in the control group, which are likely to affect programme outcomes.[89] Even for WfD – as a flagship programme that received billions of Australian dollars in funding since 1998, and that was recently made the default activity under jobactive – there is little robust

evidence on whether and for whom the programme delivers positive employment effects, even though the recent pilot evaluation (Kellard et al., 2015) is a step in the right direction.

The near absence of rigorous evaluations in Australia is surprising, in particular given very favourable circumstances for establishing a system of regular programme evaluations:

- *Great policy variation*: The education, employment and social programmes available to young people differ considerably across states, regions and communities due to Australia's federal structure and the country's large flexibility in adapting policies to local circumstances. The market-based delivery of employment and social support services moreover encourages local-level policy innovation. This situation is ideal for evaluation purposes: the large number of programmes designed and implemented on a small scale makes it easier to find suitable control groups against which participant outcomes can be compared. Providers have moreover strong incentives to adopt best practices to remain competitive.
- *Systematic measurement of programme outcomes*: As a result of the performance-based compensation of employment and social service providers in Australia, there already exists a culture of outcome-based policy making. Outcome-monitoring systems are in place, and aggregate outcomes are routinely reported and shared. This would greatly facilitate the step to a systematic benchmarking of outcomes for participants and non-participants to evaluate programme impacts, unlike in many other OECD countries where individual-level outcome data are typically not collected.
- *A vibrant research community*: Unlike some smaller OECD countries, Australia has a dynamic network of top research institutes and academics who could be involved in a more systematic evaluation of programme impacts.

Australia could move towards a more systematic evaluation of the impact of social, employment and training programmes through two main steps.

The reporting of outcome data and the evaluation of a programme's impact should be included as a formal requirement in Commonwealth funding agreements, and a specified share of the project budget earmarked for programme evaluations, at least for the largest programmes. Like in the United States, the complexity of the required evaluation could be made dependent on the amount of funding provided and the stage of the programme (see Box 5.7). Initial funding for new, small-scale projects could be made conditional on the reporting of outcome figures that give a first

indication of a programme's potential. Follow-up financing could then require a formal impact evaluation based on randomised controlled trials (RCT) or strong quasi-experimental evidence. The pre-specified evaluation budget could be used by providers to commission evaluation experts at private companies or public research institutions. Programme evaluations should be systematically shared to promote best-practices. An excellent example of a suitable platform is the What Works Clearinghouse run by the US Institute of Education Sciences (IES), the statistics, research, and evaluation arm of the US Department of Education.[90] A specialised Australian Clearinghouse for Youth Studies (ACYS) already exists, but recently ceased operations due to a loss of Commonwealth funding.[91]

The involvement of independent researchers in programme evaluations should moreover be facilitated and encouraged, notably, by providing access to individual-level administrative data in a suitably anonymised format. A notable recent step in this direction has been to facilitate researcher access to the DHS/Centrelink payments data compiled in the Research and Evaluation Database (RED), which has also been used for this review (Will, 2015).

The Department of Employment has set aside considerable means for evaluation of the recent TtW and Empowering YOUth Initiatives. It is considering experimental and quasi-experimental approaches, including RCTs, for assessing the impact of these initiatives.

**Box 5.7. Evaluating programme impacts in the United States: The example of the Workforce Innovation and Opportunity Act**

In the US Department of Labor (DOL), along with the Department of Education (DoED) and the Department of Health and Human Services (HHS), have been instrumental over the past 30 years in promoting impact evaluations based on scientific methods to promote reliable evidence-based policy marking. Evaluations are usually ranked by these administrations according to their methods.

- Top-tier approaches include well-designed randomised controlled trials (RCTs) that evaluate the impact of an intervention on participants compared to a control group. Since allocation to treatment or control is random, this method avoids selection problems which are typical of social interventions.
- Second-tier are quasi-experimental settings whereby the control group is made of individuals excluded from the programme not because of their own decisions but because of programme rules that exclude them for some reason (e.g., age, income, address, etc.).
- Third tier is made of statistical descriptive studies on programme outcomes, since programme outcomes can stem for the characteristics of participants who are selected or self-select into the programme, and/or from local conditions that are not directly related to the intervention (e.g. other local services, local labour market conditions)

**Box 5.7. Evaluating programme impacts in the United States: The example of the Workforce Innovation and Opportunity Act** *(cont.)*

The requirements for programme performance tracking and impact evaluations are usually embedded in the laws which provide funding for these programmes. For instance, the new Workforce Innovation and Opportunity Act (WIOA) passed in July 2014 provides additional funding employment and training services notably for youth. The new law puts greater emphasis on serving out-of-school youth through training and services that are employer driven and linked to labour market demand. WIOA also authorises programmes for specific vulnerable populations, including the famous Job Corps and YouthBuild programmes, as well as evaluations and multi-state projects administered by the DOL, the HHS and the DoED. For all the programmes WIOA ensures that Federal investments are evidence-based and data-driven and set standards:

- Programmes are required to report on common performance indicators that provide key information on outcomes, such as how many workers entered and retained employment, their median wages, whether they attained a credentials, and their measurable skill gains. Negotiated levels of performance for the common indicators are adjusted based on a statistical model that takes into account economic conditions and participant characteristics.
- States are required to have the impact of their core programmes evaluated every four years through independent third parties. For instance, section 169 of the Act states that "DESIGN. The evaluations conducted under this subsection […] shall include analysis of customer feedback and outcome and process measures in the statewide workforce development system. The evaluations shall use designs that employ the most rigorous analytical and statistical methods that are reasonably feasible, such as the use of control groups."

*Source:* United States Congress (2014), "Workforce Innovation and Opportunity Act", https://www.congress.gov/113/plaws/publ128/PLAW-113publ128.pdf; US Department of Labor (2014), "The Workforce Innovation and Opportunity Act", https://www.doleta.gov/wioa/; OECD (2016), "Implementing and evaluating programmes for at-risk youth – lessons from the US experience", forthcoming.

## 5. Round-up and recommendations

Employment and social services for NEETs in Australia are provided through a market-based system, in which a large number of for-profit and not-for-profit organisations, chosen through regular tender procedures, deliver services in well-specified geographical areas. This provider-based support system is highly flexible in adjusting to local differences in labour market conditions and the young clients' needs. It can however also be quite complex and at times difficult to navigate, both for clients and providers. Provider compensation is strongly performance-based consisting of relatively moderate per-client *administrative fees* and much more significant *outcome payments* for moving jobseekers into employment or training.

Payment structures provide strong incentives to service more disadvantaged jobseekers (as classified by the benefit administration DHS/Centrelink), and to promote transitions into sustainable employment.

Social services for NEETs were until late 2014 primarily provided through the Youth Connections programme, which also played a central role in outreach to disengaged youth. The DHS/Centrelink benefit administration engages only little in active outreach, and its accessibility to young people could be strengthened. A new Youth Employment Strategy (YES) introduced by the Australian Government in 2016 improves outreach and provides intensive support services for early school leavers. While responsibility for (re-)engaging school-age youth in education is the responsibility of state and territory governments, the YES seems suited to fill some of the gap left through the expiry of Youth Connections. The YES focuses however primarily – though not exclusively – on promoting employment rather than education outcomes.

Access to benefits has been restricted and activity requirements further tightened for young jobseekers, who now have to participate in an *approved activity* – typically Work for the Dole (WfD) work experience measures – for six months out of every year. One objective of WfD is for young jobseekers to "give back" to their communities. WfD may also reduce income support receipt – partly as young people try to avoid programme participation – and possibly improve non-cognitive skills. There is little robust evidence, however, on its effectiveness for bringing young jobseekers into employment, in particular when compared to alternative measures such as training programmes, though a recent pilot study suggests higher job-finding rates for jobseekers in areas that give greater priority to WfD.

Australia attributes too low a priority to a systematic and rigorous evaluation of the impact of government-funded employment and social programmes.

### *Strengthen outreach to disengaged youth and those at risk of disengaging*

- *Improve accessibility of Centrelink for young people*: Applying for benefits can be a lengthy procedure involving often substantial waiting times. This is likely to discourage vulnerable youth from claiming benefits. While the DHS encourages young people to file their benefit claims online, specialised youth service desks at DHS/Centrelink offices could improve young people's access to employment services, and hence reduce inactivity.

- *Allow for a co-operation between employment services and schools*: DHS/Centrelink and jobactive providers currently do not collaborate with schools and teachers to support students in their final year of high school. Through a greater presence in schools, Centrelink staff or jobactive providers could co-operate with school career guidance counsellors, and provide timely support to students who have troubles making a transition into further education or work.

### *Secure the provision of social services to youth with multiple barriers*

- *Follow up on the recent tightening of eligibility requirements for young people*: Australia's *learn-or-earn* strategy for young jobseekers and the tightened eligibility requirements for income support can encourage active job search. These policies however can also raise hurdles to claiming benefits and receiving employment support for jobseekers who have difficulties coping with these stricter requirements. A strong social support for vulnerable jobseekers is needed to keep them connected with the benefit administration and to reduce the risk of increased inactivity and possibly youth poverty.
- *Ensure sufficient social support for jobseekers with identified barriers*: Employment service providers face strong incentives to serve disadvantaged jobseekers, yet they often lack the capacity to provide case management and intensive support to youth with multiple barriers. To help these young people move into work or training, employment services will need to secure access to social and mental health support for the most vulnerable youth also after the expiry of Youth Connections.

### *Maintain the focus on training for young jobseekers to improve employment outcomes*

- *Promote training participation among young jobseekers*: Young jobseekers' participation in training programmes increased over the last years, but this trend came to a halt with the recent expansion of Work for the Dole. Given strong evidence on positive employment effects of training including for disadvantaged jobseekers, Australia should continue promoting training programme participation as an effective way of moving young jobseekers into stable employment.
- *Guarantee a sufficient offer of foundations training programmes:* Poor numeracy and literacy skills are an important obstacle to

employment or training participation among NEET youth. Only few registered young jobseekers however participate in training programmes at lower-secondary level. To give low-skilled young jobseekers a perspective of moving back into education or employment, Australia should expand the availability of high-quality courses in foundations training, including in the form of more comprehensive second-chance programmes that combine training with social support, health care and possibly accommodation.

### *Establish an impact evaluation system for programmes for at-risk youth*

- *Systematically require the rigorous evaluation of Commonwealth-funded programmes*: The choice and compensation of employment providers in Australia is strongly performance-based. By contrast, only very few employment or social programmes for at-risk youth are rigorously evaluated for their impact. The Commonwealth Government should systematically tie the provision of funding to a strict evaluation requirements, earmark a part of the funding for evaluation, and specify methodological minimum standards. Major Commonwealth-funded programmes – notably Work for the Dole and headspace – should be evaluated using quasi-experimental techniques.
- *Facilitate researcher access to administrative data*: Australia has a large network of excellent research institutions and scholars, which could be involved more strongly in the process of systematically evaluating programmes for at-risk youth. Such greater involvement of the academic community could be promoted through a wider sharing of anonymised administrative data for research purposes and the consultation of researchers during programme design processes.

# Notes

1. The COAG is the peak intergovernmental forum in Australia, consisting of the Prime Minister, State and Territory Premiers and Chief Ministers and the President of the Australian Local Government Association.

2. The National Partnership ended in December 2013, but some programme components were extended until 2014 (see below). The education requirement for ESLs is ongoing.

3. The Department of Employment and the Department of Education (and Training) replaced the former Department of Education, Employment and Workplace Relations (DEEWR) in 2013.

4. Centrelink was established as an independent agency in 1997 status but became part of the DHS in 2011.

5. JSA, the predecessor of jobactive, had been in place since July 2009 when it replaced the Job Network (OECD, 2009, 2012). One of the goals of the JSA model had been to shift providers' attention to the most disadvantaged jobseekers. The introduction of jobactive is meant to further strengthen the incentives for achieving sustainable outcomes.

6. Within DES, there are two uncapped, demand-driven services: DES-Disability Management Service (DES-DMS) is for eligible jobseekers with temporary or permanent disability, injury or health conditions who are not expected to need regular, long-term support in the workplace; and DES-Employment Support Service (DES-ESS) is for eligible jobseekers with permanent disability who are assessed as needing regular, long-term ongoing support in the workplace.

7. A further 22 providers offer other jobactive services, including delivery of the Work for the Dole work experience programme (see below), the Specialised Harvest Labour Services (HLS) that help supply the labour necessary to meet harvest requirements, and the New Enterprise Incentive Scheme (NEIS) that provides support for jobseekers who would like to start their own business.

8. A similar tender process is carried out for DES providers, with the timing of tenders however being different for DES than for jobactive providers.

9. The two other programme components were individualised support and regional co-ordination services (i.e. capacity building).

10. In total, around 34 300 outreach events were organised.

11. DHS employed 741 qualified social workers, 96 Community Engagement Officers, 81 Indigenous Service Officers, and 70 Multicultural Service Officers.

12. Some special arrangements exist for vulnerable young people aged 15 to 21 years who are not in full-time education, work for less than 15 hours per week and who have at least one serious non-vocational barrier.

13. Instead, eligibility is established through the student's receipt of the Disability Support Pension or school-based disability funding. DES providers are required to obtain documentation to support a student's eligibility. This streamlined procedure has been in place since March 2010.

14. This number is comparable to the share of 32% of 15 to 19 year-olds who were inactive and not receiving benefits estimated by Sweet (2012b).

    The calculation should, however, not be interpreted as giving a precise coverage rate, since an exact matching of NEETs to youth who receive Centrelink income support or participate in YC activities is not possible. The calculations rest on the assumption that all young income support recipients in 2012 had a NEET spell of at least three months. Since this is likely not the case, the income support coverage among NEETs with spells of at least three months is overestimated. For YC support, the graph only shows YC participation among youth who received income support, or who have been continuously disconnected from school for at least three months.

15. In the State of Tasmania, YC was designed as a preventive programme for youth in school such that YC participants were sometimes as young as 11 years old. In Queensland, YC was explicitly targeted at drop-outs and hence focused at youth around the age of 17 years.

16. This funding is earmarked for the four-year period until 2018-19.

17. The TtW service will not be available in all locations, and ESLs can choose to be serviced through jobactive instead. Jobseekers on non-activity-tested benefits, such as Parenting Payment, are included in the 20% target.

18. The details of the planned outreach activities under the Empowering YOUth Initiatives were still unknown at the time of writing.

19. Young people below ages 22 to 24 years will no longer be eligible to claim NSA from July 2016, subject to the passage of legislation, and will instead qualify for YA(o). For YA(o) recipients, this four-week waiting period will be in addition to a new ordinary waiting period of one week, which already exists for NSA and Sickness Allowance, and which is being extended to YA(o) from July 2016 subject to passage of legislation. An even longer waiting period of six months for all employable jobseekers below the age of 30 years, which had been announced in the 2014-15 Budget, will not be passed into legislation (Commonwealth of Australia, 2014, 2015).

20. The evaluation uses information collected in interviews among the 45 programme participants and 39 "comparable" students at the same schools who did not participate. It is not suited to measure the programme's impact.

21. The DHS has a performance target of keeping the average response speed to a customer at or below 16 minutes. This target has been reached in 2012-13, and it has been nearly met also in 2013-14. The number however does not account for the 25% of all calls that were blocked from the network, and the 30% of transmitted called that were abandoned (i.e. hung-up) by the customer. 30% of transmitted customers moreover faced wait times on the phone of over 30 minutes before their call was answered (Australian National Audit Office, 2015).

22. Australia is among the OECD countries with the longest tradition of activating jobseekers, having developed activation policies in the late 1980s and 1990s in response to sharp cyclical rises in unemployment in the previous decades. In the late 1990s, the concept of *mutual obligations* was introduced, requiring initially only young jobseekers to undertake an activity like part-time work, voluntary work or training (OECD, 2012).

23. Youth aged 15 to 21 years who are not in receipt of income support, who have a serious non-vocational barrier, and who are not in part-time work or full-time study are eligible for immediate Stream C services as a vulnerable youth. Ongoing assistance is subject to confirmation through an ESAt.

24. In June 2015, 43% of registered young jobseekers (aged 15-29 years) were in the stream for the most-ready jobseekers (Stream 1 plus Stream 1 limited), while 30% of jobseekers were judged to have significant or severe barriers to employment (Streams 3 and 4).

25. This holds only to the extent prescribed by the market share tolerance limits (see Box 5.1). In DES, participants are placed into Disability Management Services (DES-DMS) or Employment Support Services (DES-ESS) rather than streams. In remote Australia, there is only one CDP provider per region.

26. Jobseekers can also change providers if they relocate to another Employment Region, by agreement with their provider, or if they can demonstrate that they would receive better servicing from a different provider.

27. Exemptions are granted in specific cases, for instance to jobseekers with unexpected caring responsibilities, those who are temporarily incapacitated, those in the later stages of pregnancy, or persons in a major personal crisis.

28. Reduced mutual obligation requirements may apply to senior recipients (55 years and older), those with partial capacity to work and to principal carers of a dependent child.

29. Suitable work can be casual or part-time and generally involve up to 90 minutes of commuting each way.

30. The number of required job searches for these clients is generally set at 10 but depends on the client's capacity and is at the provider's discretion.

31. Jobseekers in Stream 4 could attend programmes or services to address their non-vocational barriers.

32. Jobseekers aged under 30 in Stream B who are not eligible for intensive servicing and those in Stream C enter the WfD Phase after 12 months.

33. It is 15 hours for those aged 30-59 years. For jobseekers aged 60 years and above, WFD is not compulsory. For principal carers, the required hours of WFD participation are lower.

34. Steam B jobseekers above the age of 30 years and Stream C jobseekers are case-managed from the moment of registration and only enter the WFD phase after 12 months.

35. This amount corresponds to the difference between the benefit levels of NSA (AUD 489.70 per fortnight) for a person living away

from home and YA (AUD 402.70) at the time of implementation in July 2012. The change in rules only applied to new benefit recipients, while 21-year-olds who already received NSA in 2012 could continue to do so. More generous income test arrangements were introduced for YA(o) to raise young people's incentives to take up work. The further increase in the minimum threshold age for NSA to 25 years is subject to the passage of legislation. Consistent with this change, the upper age threshold for eligibility to the Youth Disability Supplement, which is paid to YA recipients with partial capacity to work due to a physical, intellectual or psychiatric disability, would also increase from 21 years to 24 years from July 2016.

36. Emergency relief payments will be made available to support low-income jobseekers during the waiting period.

37. The median UB spell length was five months among youth (aged 15-29 years) and seven months among prime age adults (aged 30-49 years) in the pre-Compact years 2005-08 (Table 3.4). For both groups, median spell durations increased by one month for 2009-12 due to the Great Recession.

38. WFD activities cannot be in childcare, pre-school or the care for elderly or other vulnerable people.

39. WfD participants are formally required to keep up active job search and to continue attending provider appointments. Providers have discretion, however, to set job search requirements to what they consider an appropriate level given a young person's circumstances.

40. The reliability of results suffers moreover from a very low survey response rate of only 52%, which is likely to induce an additional selection bias.

41. Nevile and Nevile (2006) make an attempt to translate estimates of the WfD's impact on benefit receipt (taken from DEWRSB, 2000) into a possible employment effect, but the validity of this exercise is very difficult to determine.

42. Earlier studies have also looked at the association between WfD participation and changes in well-being without however using a control group design (see discussion by Philip and Mallan, 2015).

43. Participants consequently typically leave income support while in the programme.

44. The NGJC was a DEEWR funded programme for 17 to 24 year-olds that also offered a combination of environmental work

experience, skill development and accredited training towards a Certificate II qualification. It was targeted more strictly at young jobseekers, offering 10 000 places over two years in 2010-11. Jobseekers between the age of 17 and 20 years without income support entitlements could participate voluntarily.

45. Information on gross wages was only available for 25% of the placements. The average amount of the subsidy was around AUD 3 100 per jobseeker.

46. The control group was constructed using a matching approach on a wide range of different characteristics: stream, JSCI score, benefit type, gender, age group, locality of the JSA provider, Indigenous status and the level of education. Additional individual characteristics were used as controls in the regression analysis but – for some reason – apparently not when constructing the control group.

These cited estimates may *under*estimate the true effect of the subsidy if jobseekers who benefited from the subsidy are more disadvantaged than other placed jobseekers in terms of their unobserved characteristics.

47. To qualify for Wage Connect, jobseekers needed to have been on income support for at least the last two years and have little or no recent work experience. The subsidy was paid for the first 26 weeks in employment, in some cases for longer. The payment level was relatively generous at AUD 250 per week, which corresponded to the NSA benefit level or about 38% of the minimum wage. The programme was however capped at 10 000 places per year and repeatedly paused for new entrants when this number was reached. It had been introduced in 2012.

48. An *Enhanced Wage Subsidy* of AUD 3 000 used to be available to employers for hiring a DES client with no recent work experience and at better conditions. To be eligible, the employer had to hire a DES jobseeker with no work experience within the last 12 months for a minimum period of 26 weeks at 15 hours or more per week. The subsidy was limited to a yearly 1 000 places.

49. As in WFD, participants receive a supplement of AUD 20.80 per fortnight to meet the costs of participating.

50. The NEIS was piloted in 1985 and rolled out in 1987-88.

51. NEIS providers are paid AUD 5 580 per participant. 80% are paid upon commencement of the new business (i.e. after the training has been completed and the business plan been approved), 20% if the

participant is not receiving income support benefits 13 weeks after programme termination.

52. Kelly et al. (2001) cite an early study by the Department of Employment Education, Training and Youth Affairs, which apparently compares NEIS participants outcomes against those of a matched control group (DEETYA, 1997).

53. Questionnaires were sent out to a random sample of 1 079 business founders, 64% of whom replied. Findings are thus likely to suffer from some selection bias.

54. The above-mentioned DEETYA study estimates that 22% of NEIS clients would have found employment without participating in the programme (Kelly et al. 2001). For a more detailed discussion of deadweight and displacement effects, see also Dockery (2002) and Kelly et al. (2002).

55. Aboriginal and Torres Strait Islander youth make up 3% of Australia's youth population, but 18% of youth living in remote areas and 51% of youth living in very remote areas (statistics from the Census of Population and Housing, 2011).

56. For a description see OECD (2012) and Davidson and Whiteford (2012).

57. The RJCP had only been introduced by the previous government in 2013.

58. The current, five-year tender contract period runs from 2013-18.

59. Among working-age individuals (aged 15-64 years), Indigenous persons were three times as likely to receive NSA and two times as likely to receive YA or DSP than non-Indigenous persons in 2010 (SCRGSP, 2014).

60. Until March 2015, only 53% of the DES-DMS market share was serviced by non-governmental contracted providers, with the remaining 47% being provided by CRS Australia, a division of the DHS. DES-DMS has now however been fully opened to private provision, like it is already the case with DES-ESS.

61. The caseloads of youth aged 15 to 29 years were 13 000 persons for DES-DMS and around 31 000 for DES-ESS in June 2015.

62. One of the predecessors of the DES, the Disability Employment Network, was divided into an *uncapped* stream for clients with a work capacity of at least 15 hours and a *capped* stream for clients with a lower work capacity who were likely to require additional on-the-job support (OECD, 2012).

63. Service fees for DES-DMS providers accumulate to AUD 3 190 during the initial 26-week Employment Assistance phase. This is considerably higher than the AUD 350 administration fee paid to a jobactive provider for servicing a young jobseeker for the same period (though jobactive providers additionally have access to the Employment Fund). The DES-DMS fee for a job placement with 26-week retention in employment is AUD 8 030, compared to AUD 5 500 for a Stream C jobseeker with an unemployment spell of less than 24 months.

64. Affordability problems however tend to be reported most often by households in more advantaged socioeconomic areas, possibly reflecting greater childcare demand or the consequences of means-testing.

65. The subsidy would cover 85% of childcare fees up to a certain fee threshold to families earning AUD 65 000 or less, and gradually decline to 50% for families earning AUD 170 000 or more. An annual assistance cap of AUD 10 000 per child would apply for families earning at least AUD 185 000.

66. This corresponds to an 79% increase in absolute participant numbers while the number of young jobseekers declined by 8%.

67. There is no reason to believe that training participants on average have the same level of educational attainment as the overall NEET population, which includes inactive NEETs as well as jobseekers who do not enrol in training.

68. Until 2013, the SEE was named the Language, Literacy and Numeracy Programme (LLNP). For a description, see OECD (2012). The Adult Migrant English Programme (AMEP) offers basic English classes to recent immigrants. It is however not specifically targeted at jobseekers and take-up among the unemployed tends to be low (OECD, 2012). For a recent evaluation of the AMEP, see Acil Allen Consulting (2015a).

69. Providers are paid AUD 7 700 per place in addition to the standard maximum annual activity payment of AUD 2 750 paid for every CDP jobseeker. A total funding of AUD 89 million had initially been allocated to the programme, but as a result of programme termination and low enrolment, most of this sum will not be used.

70. Introduction of VTECs were one of the recommendations made in the *Forrest Review* of Indigenous training and employment programmes (Forrest, 2014).

71. VTECs are however encouraged to seek additional funding from other sources, including state governments, employers and community organisations.

72. There are currently 125 Job Corps centres training more than 60 000 students nationwide.

73. The study compares outcomes for about 6 800 programme participants to those of 4 500 programme applicants who were randomly not admitted to the programme. Outcomes data come from a series of surveys conducted until up to 48 months after assignment and from administrative earnings records.

74. Youth Foyers were first developed in France after WWII following a lack of housing and the intensification of rural emigration. They initially offered rooms and shared facilities to young workers, but were progressively extended to students and disadvantaged youth from the 1960s. The model spread to other countries and is used in the United Kingdom since the early 1990s, in the United States and in Canada (Steen and Mackenzie, 2013).

75. No statistical data on the type of services delivered or specific measures taken by YC providers have been collected.

76. These figures are drawn from reports of YC providers to the Department of Education and Training.

77. In a survey of YC providers, 54% name failure to engage young people at the initial contact as the most common reason for the non-achievement of a positive outcome. Only 30% of providers mention programme withdrawal (dandolopartners, 2014).

78. Response rates for both surveys were around 68%. This is likely to have led to selection effects, in particular as YC participants with less favourable medium-term outcomes were likely more difficult to contact, and their response rates hence been lower.

79. Subjective well-being is measured using the Personal Wellbeing Index – School Children (PWI-SC; Cummins and Lau, 2005), which summarises respondents' happiness in seven domains (standard of living, health, achieving in life, relationships, safety, community connection, future security) on a scale to 100. A score of 70 points or more is considered as "normal", a score of 50 or below interpreted as "very low" well-being.

80. This figure of AUD 5 000 per achieved final outcome is obtained by dividing the Commonwealth contribution of AUD 288 million by the 57 240 final outcomes attained over the 2010-14 programme

period. The figure does not account for any financial contributions made to YC by the states/territories.

81. ABS calculations on the basis of the Census of Population and Housing: Estimating Homelessness, 2011.

82. The DSS has committed AUD 73 million in funding to Reconnect for the three-year period until mid-2016.

83. The programme is an evolution of the earlier Local Community Partnerships programme which commenced in 2003. An expanded version of the programme operated under the Career Advice Australia initiative from 2005 to 2009.

84. The remaining 54% of partnerships were in still in "draft" status (i.e. not yet active), "inactive" (because they were periodic or seasonal in nature) or "terminated" (because they had achieved their purpose, or become unviable).

85. Carrying out such an evaluation *ex-post*, i.e. after termination of the programme, will moreover be difficult: The regions in which the Partnership Brokers programme was implemented were not selected at random. Youth outcomes in regions in which the programme was or was not implemented would thus have systematically differed even in the absence of the programme.

86. Compensation of social services delivered by YC providers was linked less directly to their performance. Service fees to YC providers were paid on a quarterly basis in advance contingent on providers making satisfactory progress towards their agreed progressive and final outcomes and other contract deliverables (DEEWR, 2011). Service fees could be temporarily or permanently withhold in case of unsatisfactory performance.

87. A detailed breakdown of average employment and training outcomes achieved across providers are published online on a quarterly basis by the Department of Employment for jobactive and DES providers and the Jobs, Land and Economy Programme (previously the Indigenous Employment Programme), see https://employment.gov.au/labour-market-assistance-outcomes-reports.

88. A Post Program Monitoring Survey, which is sent to a random sample of former income support recipients three month after they have ceased receiving assistance, provides additional information on former jobseekers' situation as well as on their satisfaction with the services they received.

89. An example of a high-quality social programme evaluation in Australia is the *YP4* trial described and evaluated by Borland et al. (2013). It assesses the impact of an integrated delivery of employment, housing, health and other services for young homeless jobseekers on the basis of a randomised controlled trial (RCT).

90. See http://ies.ed.gov/ncee/wwc/.

91. See http://acys.info/.

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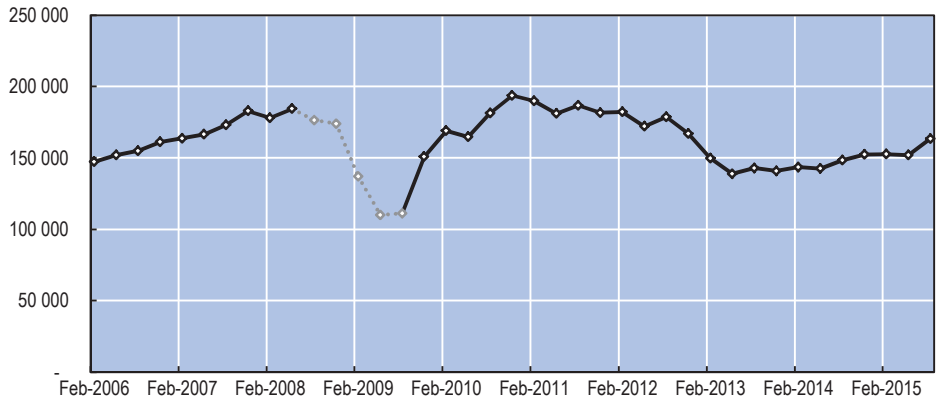
# *Annex 5.A1*
# Vacancy numbers in Australia

The number of vacancies in Australia is substantially lower today than in the immediate pre- and post-crisis period. Vacancy numbers dropped during the economic crisis from 184 000 to about 110 000 between May 2008 and May 2009, but quickly recovered to reach 194 000 in November 2010. After a two-year decline, vacancy numbers are stagnant since May 2013 at around 150 000, which is 15% below the post-crisis peak (Figure 5.A1.1).

**Figure 5.A1.1. The number of vacancies is 15% below its post-crisis peak**

Quarterly number of vacancies



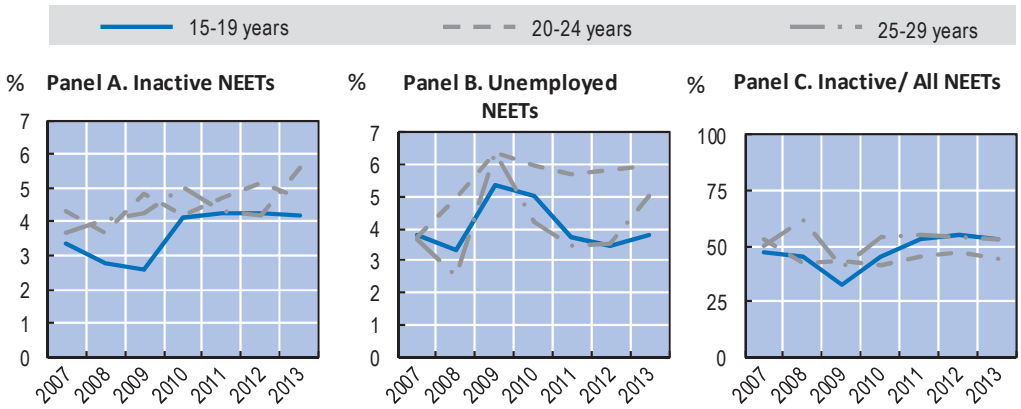

*Note*: No ABS vacancy data are available for 2008Q3 to 2009Q4. For this period, the figure shows estimates by Connolly and Tang (2011).

*Source*: Australian Bureau of Statistics and Connolly and Tang (2011).

# *Annex 5.A2*
# Changes in NEET inactivity following the Compact with Young Australians

By limiting access to benefit for ESLs, i.e. youth below the age of 21 years without a Year 12 certificate or equivalent qualification, the Compact with Young Australians may have had the unintended effect of increasing inactivity among teenage youth. Rates of NEET inactivity among 15 to 19 year-olds increased by 1.5 percentage points from 2009 to 2010 (from a rate of 2.6% to 4.2%) and have remained elevated since (Panel A of Figure 5.A2.1). No comparable increase can be observed for the older groups of youth less affected by the Compact.

**Figure 5.A2.1. NEET inactivity increased after the introduction of the National Partnership especially among 15-19 year-olds**




*Note*: The National Partnership was concluded in 2009 and implemented from 2010.

*Panels A and B*: Inactive and unemployed NEETs as a share of all youth, by age group in %.

*Panel C*: Inactive NEETs as a share of all NEETs, by age group in %.

*Source*: OECD calculations based on the Survey of Education and Work.

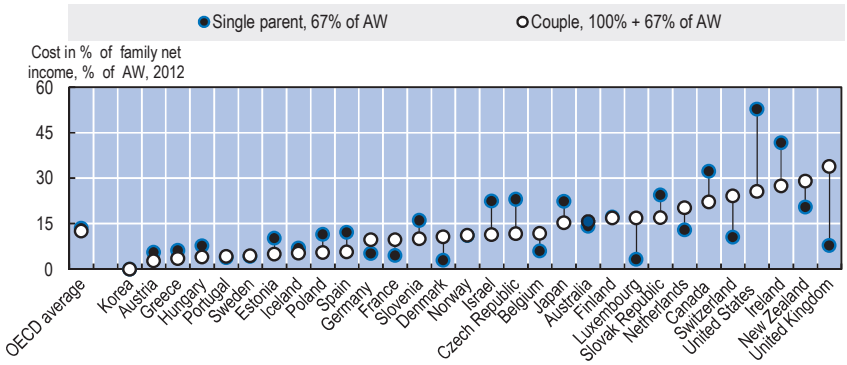
It is uncertain however whether this trend can really be attributed to the Compact. The implementation of the Compact coincided with the start of the Great Recession, which led to a worsening of the labour market situation of young people. This is illustrated by a strong rise in the rate of unemployed NEETs for all three age groups (Panel B of Figure 5.A2.1). The share of inactive NEETs among all NEETs did not rise much more for teenagers than for youth in their late 20s (Panel C of Figure 5.A2.1), who were not affected by the Compact.

# *Annex 5.A3*
# Childcare costs

Childcare costs in Australia are a little above the OECD average when expressed in terms of family income. A couple earning 100 and 67% of average earnings can expect to pay around 16% of net family income for out-of-pocket childcare costs, compared to 13% in the OECD on average (Figure 5.A3.1). Childcare costs are a little lower for a single parent with 67% of average earnings, amounting to around 14% of net income both in Australia and the OECD on average. Most – but not all – of the countries with much higher childcare participation rates (Figure 5.4) have lower childcare costs than Australia.

**Figure 5.A3.1. Childcare costs in Australia are a little above the OECD average**

Net costs of childcare as a percentage of family income, 2012




*Note*: Data reflect out-of-pocket childcare costs for full-time care at a typical childcare centre for a single parent with full-time earnings of 67% of average earnings and for a couple with full-time earnings of 100+67% of average earnings.

The OECD average is unweighted for the countries represented in the graph.

*Source*: OECD tax-benefit models, www.oecd.org/els/social/workincentives.

The composition of childcare costs differs widely across countries. Australia has some of the highest childcare fees of OECD countries. The net costs paid by parents are typically however much lower because of the availability of the Child Care Benefit (CCB) and the Child Care Rebate (CCR).

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