

I acknowledge the Traditional Owners of the land on which we are meeting today, the people of the Kulin Nation, and pay my respects to their Elders past and present.

Before beginning, and to set some context, I wanted to read you an extract from a Deloitte Report published this year about the need for technical skills in the Australian workforce – now and in the future.

Scarcity of technical talent is a significant concern across many industries, with some organisations facing talent gaps along multiple fronts. The legacy-skilled workforce is retiring, and organisations are scrambling for needed skills in the latest emerging disruptive technologies. To tackle these challenges, companies will likely need to cultivate a new species—the IT worker of the future—with habits, incentives, and skills that are inherently different from those in play today.

I'm sure that many of you will recall the launch, in March this year, of the Australian Government's Intergenerational Report by the then Treasurer Joe Hockey.

You will know that the intergenerational report is released by the Government every five years. It assesses the long-term sustainability of current Government policies and how changes to Australia's population size and age profile may impact on economic growth, workforce and public finances over the next 40 years.

Simplifying hugely here, some of the key points from the report, and those that attracted most media attention, related to:

- the challenge of an ageing population,
- slowing of the economy; and
- a reduction in the overall workforce participation rate for those aged over 15.

At The Smith Family, our work also has an intergenerational focus. We are concerned about the transmission of intergenerational poverty, and the lack of opportunities afforded to many young people growing up in disadvantaged households in low SES communities around Australia.

About 20 years ago, The Smith Family shifted its focus from being an emergency help, or welfare focussed organisation. Our focus is now on changing outcomes for the next generation through the power of education.

That is not to say that welfare support is not needed for these families, indeed many of them rely heavily on the additional support provided by our partner agencies at times of real crisis. And they do experience real crisis.

It is rather that The Smith Family decided, on the basis of the compelling research evidence and feedback from families about what they wanted for their children, to take an early intervention approach to address intergenerational poverty and support these children with their education.

Our decision was underpinned by our understanding that:

- Education is a key enabler of economic and social participation;
- That improving educational outcomes is the most cost effective way of addressing intergenerational disadvantage and welfare dependency;
- We also know that significant numbers of young people are not achieving the outcomes needed to participate in employment in the 21st Century; and
- That early intervention is urgently needed to improve young people's educational outcomes and avoid long term costs to government and the broader community.

My discussion here with you today will focus on these issues in the context of the anticipated skills required for participation in a future workforce, and importantly, on how we can ensure that all Australian children and young people are able to access the opportunities on offer.

In that context, I will provide an overview of skills demands in the labour market against an entrenched and expanding gap in educational outcomes for young people from disadvantaged backgrounds.

I will explore the long term implications of this dichotomy and pose questions about who has responsibility for ensuring that issues of access to practical resources and skills do not further exacerbate the divide between those who are born into poor economic circumstances and their better off peers. In short, will all young people have the skills and agility to take advantages of these opportunities?

So what did the Australian Government Intergenerational Report 2015 have to say on the issue of policy settings to ensure that the potential of all Australians is realised? Well, frankly, I don't think it said nearly enough.

The report did contain some mention of youth unemployment as an issue to be addressed. However, this was largely in the context of the ratio of taxpayers available to support the cost of taking care of those over 65 rather than as a concern in its own right.

The report also canvasses some discussion of the changing labour market and the skills that will be needed to qualify for jobs of the future. Jobs that will be undertaken in an environment of continuing technological change, increased automation and digital disruption. However, it also notes that some commentators are predicting a slowing in the rate of technological change and associated productivity, so maybe we shouldn't worry so much!

The issue of technology resulting in a changed future labour market was raised by a number of other key reports this year, including by PwC and DeLoitte.

The most comprehensively covered, was the report by the Committee for Economic Development Australia (CEDA). The media headlines largely focused on the potential for more than five million jobs, almost 40% of Australian jobs that exist today, having a moderate to high likelihood of disappearing in the next 10 to 15 years through technological advancements.

The detail of the CEDA report was nuanced with regard to loss of jobs by segment, but the take out message was that the pace and impact of technological change is unprecedented and likely to continue over the next 20 years at least. The report sounded a clear warning about the need to ensure that our education and labour market policy settings are able to accommodate this change now and in the future.

In a speech introducing the CEDA report, our current Prime Minister, Malcolm Turnbull spoke of the "race between education and technology" and noted that it appears that humans have, for the most part, stayed ahead of the curve of technological change by moving up the value chain faster than computers.

But in a rapidly changing environment, we need to be concerned that only some Australians will stay ahead in this race.

We hear a lot about the unprecedented pace of change due to technology and its impact on our lives. I don't know about you, but looking forward I find it difficult to imagine such a rapid pace of change. Driverless cars, the growing internet of things – I struggle to see them as a part of everyday life – tragically, I suspect this has a bit to do with my age ...

But if we look back at the recent past, we can see how rapid change has been even in the past 10 years.

Ten years ago, there were 35 million Internet users, less than 1% of the world's population. Now there are:

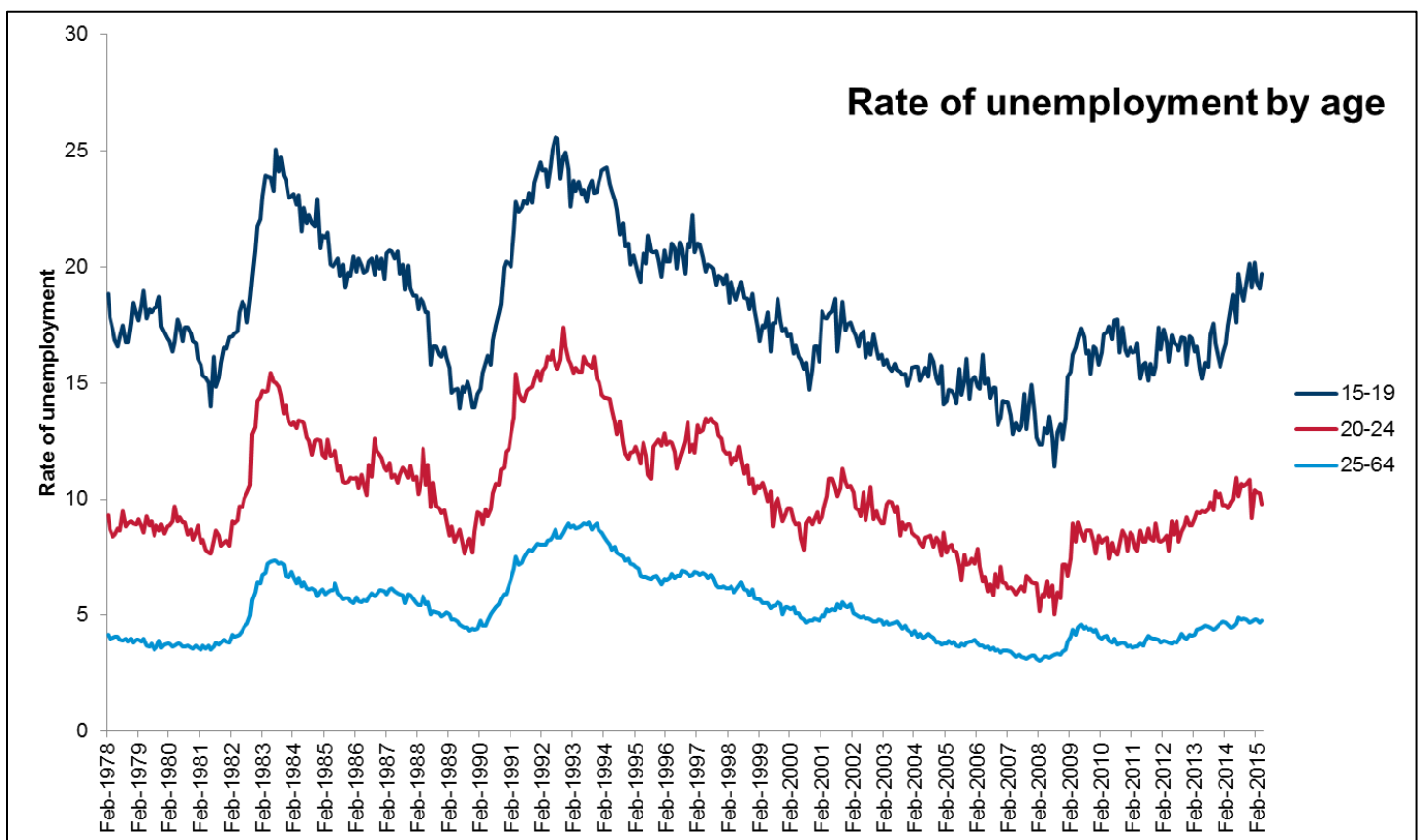
- 2.8 billion Internet users, around 40% of the world's population
- About 1.5 billion smartphones are currently in use worldwide and more than 100 billion apps were downloaded in 2013, up from 64 billion in 2012.

Two years ago, people were fascinated by the novelty of 3D printing, the ability to ‘print’ a physical object from a home computer and a machine the size of a microwave. Now, 3D printers represent a billion dollar market and are actively being used to replicate body parts for transplant and in China a whole apartment block has been constructed with a 3D printer.

Technological advances in the recent and not so recent past have also generated substantial changes in the labour market. Consider that in 1900, one in four Australians were employed in the agriculture sector. As of May this year, agriculture accounted for slightly more than 2% of total jobs. As late as 1970, manufacturing accounted for 28% of the workforce; it now accounts for just over 7% of jobs.

Labour market changes, especially those that lead to any downturn in the economy, have a particularly adverse impact on young people.

This graph (courtesy of Prof Jeff Borland at the University of Melbourne) shows that unemployment among young people is clearly a problem, but it is not a new problem.



Securing a job is, and has generally been, more difficult for young people than for older jobseekers. This gap is exacerbated at times of economic downturn. You can see on this graph, the spikes in the early 1980s, the 1990 recession and the slowly climbing rate following the 2008 Global Financial Crisis. Unemployment rates for those aged 15–24 are currently

tracking at about 13% (up from 8.8% in 2008) and in some disadvantaged communities, as high as 21%.

So what makes this spike in youth unemployment different from historical trends? Clearly, there have been changes in both the supply and demand side of the labour market. These changes mean that without the right policy settings and support, we risk wasting the potential of a whole subset of our population.

Firstly, the demand side:

Systemic changes across the labour market mean that over the past 20 years there has been a reduction in the range and availability of full time entry-level jobs and young people have been disproportionately impacted by this. There are four key components of this feature:

1. Employment growth has occurred in sectors of the economy which do not have well developed career structures.
 - For example, there has been strong growth in knowledge sectors such as business services and specialist technical roles which require, on entry, higher skills and experience.
 - In addition, as recently noted by Catherine Livingstone, Chair of the BCA, many knowledge sector jobs are located in multi-national organisations and have been relocated offshore.
2. There has also been employment growth in sectors characterised by insecure forms of employment.
 - Over the past 20 years employment growth in Australia has spiked in service sectors such as retail, hospitality, personal services and cleaning.
 - Employment in these sectors is often casual, short term, irregular and not generally connected to more permanent career paths.
 - A recent analysis of ABS employment data by RMIT showed that quality of jobs available to young people is as much an issue as quantity and that underemployment and insecure labour market attachment is a rising concern.
3. Since the mid 1970s there has been a decline in apprenticeships in Australia, particularly in traditional and technical jobs.
 - Recruitment models for many entry level jobs has changed, requiring not just year 12 or equivalent but a strong academic record of performance.

- This has effectively narrowed substantially what were entry pathways for early school leavers.
4. And lastly, many large organisations have changed their recruitment, appointment and staff management practices.
- As a result there has been a decline in formalised large scale recruitment and induction in both public and private organisations.
 - Entry points that previously offered stewardship and training for young people directly from school, have declined dramatically.

And on the supply side:

1. Data from the COAG reform council in 2013 shows that more than a quarter (27%) of all young people aged 17 to 24 years are not engaged in either full time study or work.
 - While many young people might take a break between school and work, young people from lower socio-economic backgrounds and those from families with a history of parental unemployment are particularly at risk of becoming disengaged from the labour market.
 - While 27% seems unacceptably high, the rate for young people from the lowest socioeconomic backgrounds is 40%.
2. Our own longitudinal data shows clearly that early school leavers from low SES backgrounds achieve poorer labour market outcomes
 - That they are unhappy with the choice they have made in leaving school, and of real concern, they don't know where to go for help.

Since the 2008 GFC, many more people are opting to stay in study for longer. One consequence of this is that it is effectively raising the qualification bar for all young people.

However, a higher education qualification is no longer an automatic pathway to a job. Results from the 2014 Australian Graduates survey shows a continued deterioration of labour market conditions for new graduates. The proportion of those engaged in full-time employment, in particular, has fallen sharply, from:

- 76.1% in 2012 and
- 71.3% in 2013, to
- 68.1% in 2014.

Not surprisingly, over the same period the numbers of graduates working part-time or in casual employment while seeking full-time work has increased, from:

- 15.3% in 2012 and
- 18.1% in 2013, to
- 20.3% in 2014.

The proportion of non-engaged graduates has also risen over the last two years and is now 11.6%.

Our concern at The Smith Family is about the impact of this technological and labour market change on long term outcomes for children and young people growing up in poverty.

We know that there is already a substantial gap in educational outcomes for young people from low SES backgrounds. We know that:

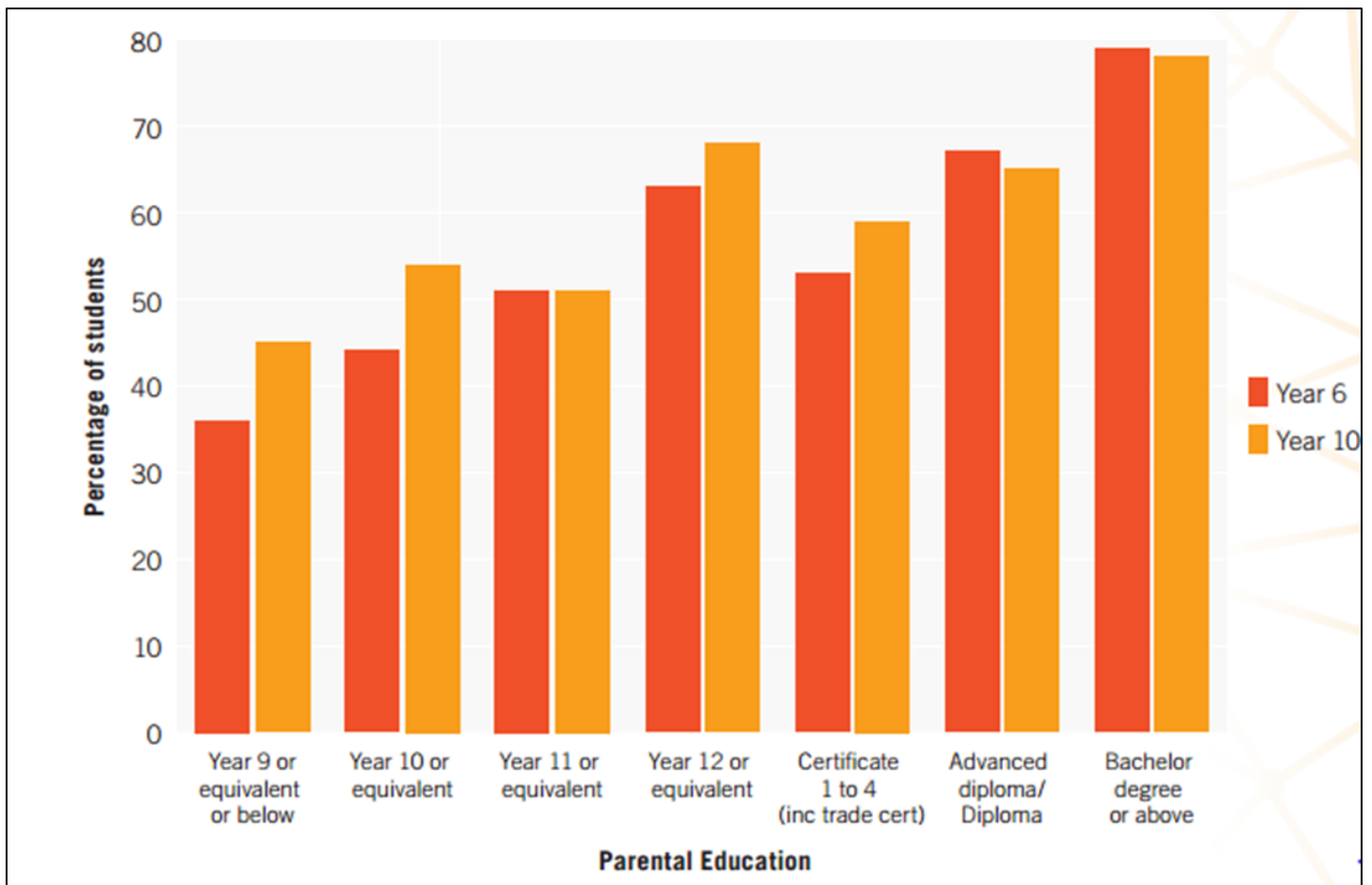
- Around 5% of Australians experience severe disadvantage
- More than half a million children are growing up in jobless households
- And we know that the factors associated with risk of long term disadvantage include:
 - Low educational attainment
 - Being from an Aboriginal and Torres Strait Islander background
 - Growing up in a jobless household
 - Having long term health or disability issues
 - Or living in a disadvantaged area.

Children and young people growing up in these circumstances already face significant educational disadvantage. There is more than a 10% gap in their Year 12 achievement compared to their more advantaged peers. And from a labour market participation perspective, 42% of 17-24 year olds from the most disadvantaged backgrounds are not fully engaged in work or study compared to 17% among the most advantaged. They are also significantly less likely to attend university than their more advantaged peers.

This educational disadvantage extends to ICT skills.

Consistent with other areas of academic achievement and retention to Year 12, there is a high correlation between ICT proficiency and parental education levels. The evidence shows that kids from disadvantaged backgrounds are falling behind in digital skills.

This graph shows that fewer children of parents with low education levels are proficient at ICT than kids of highly-educated parents. These students from disadvantaged backgrounds are 2½ years behind their higher income peers in digital reading literacy performance.



At this point, I want to share with you an extract from a speech made by a student supported by The Smith Family over many years. Paul was speaking at one of our events and he talked about his experience overcoming some very challenging hurdles to go on and achieve a university qualification and transition to employment. He noted that:

All kids, no matter their background, their postcode or what their parents do for a living want to be somebody. Right from the youngest age when kids first begin wondering about who they might become or what future they might have... when they might gaze up at their ceiling before drifting off to sleep at night... envisaging themselves doing amazing things. Kids keep having these dreams, hopes and ambitions right throughout their childhoods.

This is so true. All kids have dreams.

So what opportunities will be available to these young people? Our own data and research with the families we support, clearly shows that kids growing up in low SES households are at risk of being left behind in the education/technology race. They lack the same access to hardware, software, and internet access. In 2012, about a third of children in the most disadvantaged communities did not access the internet at home (2012). That's about 180,000 kids missing out.

And alarmingly, significantly fewer low SES students understand the importance of computer proficiency, reflecting a lack of understanding of the nature of the jobs of the future.

My view is that we have a serious choice to make as we look to the future.

Without intervention we risk exacerbating the challenges young people from low SES backgrounds face as they make the transition from school to the adult world of work.

At The Smith Family, we have embarked on a project to address the deepening digital divide for the families we support. Working with our partners and in a co-design process with our families, we are looking at how we can improve both access and skill levels for students and their families in our 94 communities.

However, there are many communities where we don't have a presence and many families in our communities who we don't have the resources to support. There are more than half a million children in Australia growing up in jobless households. Our real intergenerational challenge is to make sure that these children are not left behind.

And who has responsibility for ensuring that this issue is addressed? At The Smith Family, our philosophy and our program approach is that these are whole of community issues. Of course, government has a key role to play in ensuring the policy settings are right and that all young people get a good education.

But we also believe that business and the broader community have a role to play in addressing these issues. Businesses large and small have a continuing role to play in supporting young people to successfully transition into the labour market. Many of the organisations we partner with feel this responsibility keenly and want to provide targeted opportunities to young people who most need their support.

In addressing this challenge I believe we have much to learn from countries like Switzerland, where corporations play a key role in providing meaningful, paid, work placements as part of vocational training for 70% of school leavers. These traineeships ensure a supported transition to employment for young people and allow employers to participate in training their future workforce with the skills their organisations need.

So to summarise, the 2015 Intergenerational Report seeks to outline the key elements of the conversation Australia needs about the future. What we need, is a conversation about how we meet the speed, scale and complexity of challenges vital to intergenerational wellbeing. Sadly these are not addressed by this report. Of course there are no easy answers to addressing these challenges – but we cannot hope to find them without having that conversation and sooner rather than later.

Paul, who I mentioned previously, had some words that sum up very nicely the dilemma before us...

Let's face it. No kid chooses to go to a bad school... no kid chooses what their parents do for a living... no kid has any say in the value their parents place on their self-worth... no kid chooses to live in poverty. But every child should have the right to rise.

So in closing – what I believe we need to address if we are to secure all of our futures, is to give these young people some extra help to rise:

- These kids need extra help with their education
- They need to have extra help skilling up for their futures
- They need shored up access to technology capability
- They need supported access to meaningful employment pathways
- They need to learn about possibilities for their futures and to understand what it is they need to do to secure those futures
- They need to know the world has changed, the jobs are there but the pathways are narrowing. They need help to choose, and stay on, a pathway.

And I believe we all have a role to play in making this happen and helping all young people to rise.

Thank you

Lisa O'Brien
CEO, The Smith Family

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