



everyone's family

Knowledge and Networks: Changing the unemployment trajectory for disadvantaged young people

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Introduction

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.

I thank the conference organisers for the opportunity to address you all today.

I'd like to begin with a quote from James Heckman:

“We can invest early to close disparities and prevent achievement gaps, or we can pay to remediate disparities when they are harder and more expensive to close.” *James Heckman (2011)*

The context for this quote was a letter Heckman wrote to a US Senate Joint Select Committee on Deficit Reduction in 2011. Heckman was making the case for early intervention – in particular, in this instance, through early childhood education programs.

Heckman and balanced intervention

The case for early childhood education programs is well known in contemporary policy circles, but Heckman also noted that for young people growing up in disadvantaged households, balanced intervention across their educational journey drives the best return on investment.

	High school graduation rates	University enrolment	Welfare enrolment
Balanced intervention throughout childhood	+50%	+34%	-15%
Early childhood & adolescent intervention	+44%	+23%	-14%
Early childhood intervention only	+25%	+9%	-9%

As this table highlights, balanced support across the school years results in the highest return on investment in terms of increase in uptake of tertiary opportunities and reduction in welfare dependency. As Professor Heckman concluded:

“The same amount of total investment distributed more evenly over the life cycle of a child produces more adult skills than policy that concentrates attention on only one part of the child’s life cycle.”

This is clearly of interest in the context of reducing long-term unemployment and particularly in an environment where, this year, the numbers of 15–24 year olds looking for a job for more than a year reached 60,000 – the highest in almost 20 years.

Young people from disadvantaged backgrounds navigating today’s labour market

The focus of my discussion today will be around the challenge faced by young people from disadvantaged, or low socio-economic status backgrounds, in navigating today’s labour market. I’ll also look at our understanding of the support that needs to be provided to help them to navigate the journey from school to work.

The content draws from two main sources:

- The Smith Family’s long experience of providing long-term support to change the trajectory of young people’s educational outcomes and prepare them for the world of work; and
- A qualitative research report undertaken last year which comprised a literature review and qualitative data derived from in depth interviews. Interviews were conducted with young people, employers, employer industry associations and representative bodies, educators, social welfare organisations, labour market intermediaries, employment support providers and community organisations. Here’s the report, and I have brought a few copies with me today. It’s also available on The Smith Family website.

Much of the discussion at this forum has been, understandably, focused on what to do to address the issue of long-term unemployment from the perspective of managing the crisis.

But today I want to focus the discussion in a different, and more aspirational direction.

Let’s step back and think about what might work to stop the crisis from occurring. From a risk perspective, we already know who are the people most likely to end up in long-term unemployment.

Largely, they are people living in situations of entrenched disadvantage:

Entrenched disadvantage in Australia

A Committee for Economic Development in Australia (CEDA) 2015 report tells us that:

- Around 5% of Australians experience severe disadvantage;
- More than half a million children are growing up in jobless households;

We also 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.

There is a compounding impact for some children and young people experiencing many of these issues.

So if we are serious about managing the risk of a next generation of long-term unemployed, supporting this group is key.

An early intervention approach

About 20 years ago, The Smith Family shifted our focus from being an emergency help, or welfare-focused organisation. Our attention is now on delivering our **Learning for Life** program to children and young people in need. Our aim is quite simply to change life outcomes for the next generation **through the power of education**.

That is not to say that welfare support is not needed by 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. We know from some recent research that this includes high levels of poor physical and mental health and high mobility.

Our changed approach is based on compelling research evidence and on feedback from families about what they wanted for their children. These factors have led us to take an early intervention approach to address intergenerational poverty. Our organisation now supports poor children to thrive at school as a way of breaking that cycle.

Our decision was underpinned by our understanding that:

- Education is a key enabler of economic and social participation;
- Improving educational outcomes is the most cost-effective way of addressing intergenerational disadvantage and welfare dependency;
- We know also 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 to avoid long-term costs to government and the broader community.

The students and families we support

The children and young people we are targeting are growing up in families of entrenched disadvantage, with high level risk of poor educational outcomes and employment prospects. A snapshot of the children and young people we are supporting on our *Learning for Life* program is as follows:

- 34,000 students nationally from 94 communities across all states/territories
- All low income families (Health Care Card or pension)
- 18% Aboriginal or Torres Strait Islander background
- 68% of parents not in the labour force or unemployed
- Over half are single parent; a third of households are six or more
- Around 40% of students and 50% of parents have a health issue
- 20% of students have been at four or more schools and one in 20 have been at six or more schools
- Over half of the secondary students we support have been on our program for five or more years

A report released by the Mitchell Institute last month points to 40% of young people growing up in disadvantaged communities who are not achieving Year 12 or equivalent. Our aim is to intervene at key points across the life course to change that trajectory.

Our approach

In line with the Heckman recommendation and the findings of the Mitchell Institute report, The Smith Family provides long-term support through a reciprocal agreement over many years to disadvantaged families. This comprises:

- A small amount of financial support to meet the additional costs of participating in education.
- Support from a *Learning for life* program coordinator – the type of support varies hugely from family to family but the focus is on maintaining school attendance.
- Access to a range of evidence-based programs across the education journey.

Key programs at different life stages



EARLY YEARS



- *Let's Count*
- *Let's Read*

PRIMARY YEARS



- *Student2student* reading program
- *Learning Clubs*

SECONDARY YEARS



- *iTrack* career mentoring
- *Creative enrichment*
- *Career and post-school pathways*
- *Work Inspiration*
- *Girls @ the Centre*

POST-SCHOOL YEARS



- *Tertiary mentoring*
- *Financial literacy*

PARENTS AND CARERS



- *Tech Packs*
- *Financial literacy*

← Learning for Life scholarship →

Importantly, these programs bring the children and young people into contact with mentors, tutors and members of the business community who provide them with networks, contacts and role models outside their direct sphere of experience.

This helps build for them a new set of possibilities as well as networks and relationships that they might not otherwise be able to access from among their own social circle.

Young people and the labour market

I have focused so far on how we can prepare young people for labour market participation, but what of the labour market itself – what is the situation that the young people we support are facing?

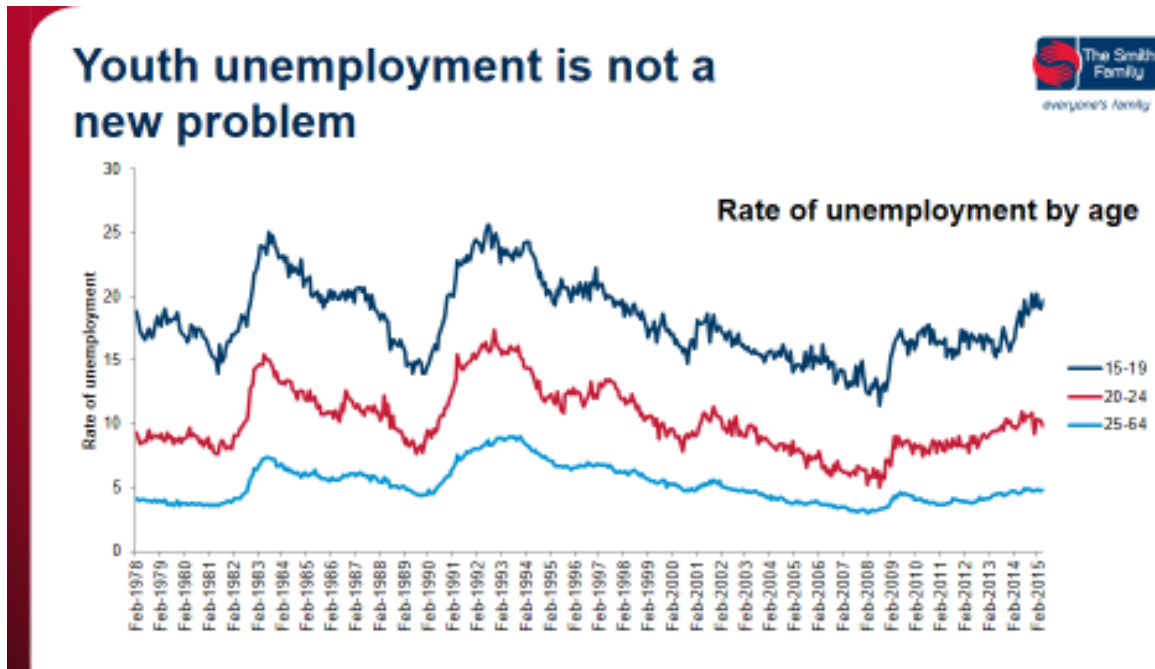
We know that technological advances in the recent and not so recent past have generated substantial changes in the labour market.

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.

The labour market over time

The following chart, courtesy of (our next speaker) Professor 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 been, more difficult for young people than for older jobseekers.



This gap is exacerbated at times of economic downturn. You can see from this chart, 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.

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 to this:

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 path.
 - A recent analysis of ABS employment data by RMIT showed that the 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 had the effect of substantially narrowing 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.

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 socio-economic 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, that 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% in 2012, to
- 68% 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% in 2012, to
- 20% in 2014.

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

So what can be done to better support young people's preparedness to participate in this changed labour market?

The pre-conditions for labour market attachment

I have already outlined key aspects of our approach above, and this is supported by a research report conducted in September 2014, which articulates clearly five pre-conditions for labour market attachment. These can broadly be summarised as Knowledge and Networks.

Firstly, stable economic supports.

Here I am talking about young people's social and economic contexts. Young people living in socio-economically disadvantaged communities face employment challenges on multiple fronts. These include:

- Less access to information about employment, and an increased likelihood that they will undertake education or training programs for which they are not physically or emotionally suited.

Secondly, supportive networks and relationships. At the most fundamental, poor people tend to know poor people.

In this context, young people don't have the same opportunity to imagine and identify their own career aspirations, which is a key underpinning of them developing self-esteem.

Anthony Mann from the Education and Employers Taskforce in the UK, has shown that if young people can recall four structured career conversations across their school life, they are five times less likely to not be in Employment, Education or Training.

Thirdly, the capacity to assess labour market opportunities.

Positive transitions emerge when:

- young people understand how to undertake astute job searching,
- they begin to develop understanding of the labour market and how it works, and
- they cultivate an ability to develop and set realistic career goals.

Providing young people with the opportunity to develop networks with potential employers deepens their understanding of working life and career planning.

Fourthly, there's job readiness and employability skills.

Given the changes in entry level roles, lifting young people's job readiness is a high priority for employers. New labour market entrants require not just basic literacy and numeracy skills, but also need to understand the soft skills that enable young people to 'fit in' with the needs of business. People who can work with other people, who can communicate and who are willing to learn.

And lastly, opportunities for development of recognised skills. This is a complex issue.

On the one hand, as I noted earlier, skills acquired through formal education and training don't always equip young people with job readiness skills. On the other hand, there is clear evidence that higher levels of education are connected to employment outcomes which can attract better pay and more security. There is clear value in interventions which encourage early school leavers to engage with accredited training.

So in summary the five pre-conditions for labour market attachment are:

Knowledge

- Capacity to assess labour market opportunities
- Job readiness and employability skills
- Opportunities for recognised skill development



Networks

- Stable economic supports
- Supportive networks and relationships

At this point I'd like to pause here and share an extract from a speech made by a student supported by The Smith Family over many years.

Paul was speaking at a recent event and shared his experience overcoming severe financial hardship in his family amongst other very challenging hurdles. Despite these, Paul went on to achieve a university qualification and has now transitioned to employment. He noted that:

Every child has dreams/ambitions

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 ambitions....

And so who has responsibility for ensuring that we help disadvantaged young people like Paul overcome the challenges and barriers to labour market attachment, so that they can realise their ambitions?

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 roles to play in addressing these issues.

While I have earlier used the terms 'supply and demand' to describe sides of the labour market, my own view is that these terms assume that ensuring that young people are supported to enter the labour market, is the responsibility of bodies other than business themselves.

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.

Businesses large and small can and should support young people to successfully transition into the labour market. In fact 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.

Conclusion

My firm belief is that we all have a role to play in providing young people from disadvantaged backgrounds with the knowledge and the networks they need to break the intergenerational trajectory to long-term unemployment. Our learning institutions have a role, and so too do our businesses, governments, not for profits and individual Australians through financial support, strategic partnering and volunteering.

Post school transitions

Supporting young people throughout their education journey so that they attend school and complete their high school years is an approach that is delivering dividends for the young people we support. In fact, 84.2% of the students we support are in work or study 12 months after leaving our program. The figure for our Aboriginal and Torres Strait Islander students is 74.2%. And for those former students not yet engaged in work or study, 80% were actively **seeking employment** and one in six was **volunteering**.

Paul, who I mentioned previously, has 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:

- 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 shored up access to meaningful employment pathways
- They need to learn about possibilities for their futures and what they need to do to get them
- 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.