

SUBMISSION FOR THE
COMMONWEALTH BUDGET
2003-04

Lifting Active Youth Participation
in Education, Training and/or Employment
beyond 90% by 2008

January 2003

THE KEY ISSUE

- At present an estimated 50,000 young Australians each year are not achieving Year 12 or an equivalent qualification, the core benchmark society and governments must provide young people to ensure successful entry to active and responsible citizenship and productive work. Twelve years of worthwhile learning – achieved through vocational learning, training and decent work, not just schooling – now acts as a minimum educational requirement, superseding the compulsory school leaving age as the most important stepping stone to economic and social independence.¹
- Less than 80 per cent of young Australians are achieving this benchmark through either school or post-school VET participation.² This compares to 84 per cent in France, 88 per cent in Canada and the USA, 91 per cent in Germany, and 94 per cent in Japan.³ Completion rates in Australia have plateaued over the past decade.
- This represents an unacceptable short and long-term cost for many Australian families, individuals and the broader national economy. Early leaving presents problems for young people themselves, reduces economic productivity, results in inefficiencies and skill shortages and creates unhealthy social divisions. A central priority in leading OECD societies and economies is to ensure nearly all their young people achieve this benchmark and make a successful transition from school to further learning, training or work – Australia has a unique opportunity to put in place comprehensive strategies to achieve this goal.

THE PROPOSAL

It is proposed that the Commonwealth Government in the 2003 Budget commit itself to increasing the completion rate for Year 12 equivalent education from less than 80 per cent to 90 per cent over five calendar years (six financial years). The package will provide every young person with the foundation for long term participation in the labour market through the opportunity to participate in education, training or sustainable employment.

Effectively this means policy goals to encourage early leavers to stay on at school, develop alternative learning options within and alongside schools, and to support them in the world outside school in a highly competitive labour market if they choose to leave.

¹ 'Decent work' is the generic ILO term to express sustainable, productive work in conditions of freedom, equity, security and human dignity. See Report of the Director-General on Decent Work, International Labour Organization, 87th Session, June 1999, www.ilo.org.

² Based on an average school leaving cohort in any one year of 270,000 with 50,000 not completing a Year 12 equivalent education.

³ OECD, *Education at a Glance 2002*, Table A1.1, Paris, 2002, , p 36; JW Bowbly and K McMullen, *At a Crossroads. First Results for the 18 to 20-Year-old Cohort of the Youth in Transition Survey*, Human Resources Development Canada and Statistics Canada, 2002, p 23.

This will involve a package of shared Commonwealth-state support for:

- A first chance strategy to achieve a Year 12 or equivalent qualification through school or a VET based pathway such as TAFE, Adult & Community Education (ACE) or an apprenticeship
- A second chance strategy to re-engage early leavers in learning to achieve a Year 12 or equivalent qualification, generally through school or VET
- Personal advice and support for each and every early school leaver to enable them to make a successful transition
- Co-ordinated local community partnerships to maximise and better use existing resources
- Introduction of targeted labour market assistance – mainly employer subsidies, job creation and relevant training – to provide a better start in the labour market for the smaller number of young people remaining outside education or training.

The aim would be to serve one-fifth of the target population in calendar year 2004 and an additional 20 per cent of the target population in each succeeding year so that the commitment was met fully in 2008. The phased approach will allow for continuous monitoring, review and evaluation and adjustment.

COST

A financial commitment over six financial years, commencing in 2003-4 with a Commonwealth commitment of \$46.9M rising to \$419.6M in 2007-8. The total cost of the package, shared between the Commonwealth and the states is \$2296M, split on an approximate 60:40 basis between the Commonwealth and the states.

Realising Australia's Commitment to Young People. Forward Estimates. Commonwealth Contribution (\$M in 2002 prices).

| FINANCIAL YEAR | 2003-4 | 2004-5 | 2005-6 | 2006-7 | 2007-8 | 2008-9 | TOTAL OUTLAYS |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------------------|
| Education and Training | 24.5 | 73.5 | 122.5 | 171.5 | 218 | 120 | 730 |
| Transition Support | 6.4 | 19.2 | 32 | 44.8 | 57.6 | 32 | 192 |
| Labour Market Support | 16 | 48 | 80 | 112 | 144 | 80 | 480 |
| Commonwealth Outlays | 46.9 | 140.7 | 234.5 | 328.3 | 419.6 | 232 | 1402 |
| State Outlays | 30.1 | 90.3 | 150.5 | 205.7 | 263.4 | 154 | 894 |
| Overall Outlays | 77 | 231 | 385 | 534 | 683 | 386 | 2296 |

Note: Table excludes cost of the proposed Office of Transition from Education to Employment, to be negotiated and shared between the Commonwealth and states. Funding is additional to existing programs. Assumes states meet 50 per cent of the direct education and training costs, and 20 per cent of the transition support and labour market support costs. Total balance represents a 61:39 share between the Commonwealth and the states. Taken from Table S2 in Applied Economics report that is based on calendar year participants, this Table projects into financial years.

The benefits to individuals, employers and the rest of society are considerable and are estimated to range from \$4.6 billion to \$8.2 billion. The proposal will be cost-neutral to governments if 25 per cent of these benefits are captured through taxation, and this is not an unreasonable expectation.

Independent modelling and evaluation of the education and training components of the package suggests long-term macro-economic benefits are likely to result; in 2020, GDP is .28 per cent (or around \$1.8 billion in today's terms) greater than would have otherwise been the case. The program will generate a rate of return of around 9.6 per cent over the period 2004 to 2050.⁴

The package:

- Will produce significant economic returns (see Applied Economics study)
- Is consistent with existing Government policies, priorities and objectives
- Is based on evidence and proven potential (including Government pilots and evaluations)
- Provides a direct incentive for necessary Commonwealth-state cooperation AND a mechanism for evaluating the outcomes
- Provides a viable means for breaking the “program maze” barrier and allows for flexible delivery and local circumstances on an informed basis
- Sets common directions and outcomes for local communities
- Most importantly it offers the prospect of a significant positive impact on participation rates for teenagers and, for the first time in several decades, associated reduction in the number of teenagers ‘at risk’ or otherwise marginally attached to education or work.

This proposal reflects the extensive research and best available evidence showing that successful transitions from school are increasingly dependent on the degree to which education, training and employment services connect effectively at the local level.

The package is viable even in a difficult fiscal environment. On the basis of a six financial year phase in the Commonwealth's contribution in the first two years is modest. Once fully operational the Commonwealth contribution would be significant but offset if 25 per cent of the benefits of the program are captured by taxation. In addition there is scope for cross-sectoral efficiencies to help fund the program.

The proposal is elaborated in two documents released by the Dusseldorp Skills Forum in November 2002:

- *Honouring Our Commitment: a policy paper about Realising Australia's Commitment to Young People*, by DSF
- *Realising Australia's Commitment to Young People: scope, benefits, cost, evaluation and implementation*, by Applied Economics commissioned by DSF.

⁴ See, 'The Economy-wide Benefits of Increasing the Proportion of Students Achieving Year 12 Equivalent Education: Modelling Results. Report to the Business Council of Australia', Allen Consulting Group, January 2003.

These reports are attached and more detailed information and associated evidence is available at the DSF website: www.dsf.org.au. The Dusseldorp Skills Forum is prepared to provide additional information and/or references to other sources should it be required.

NON-PREFERRED OPTIONS

There are essentially two further options open to the Commonwealth:

1. Funding individual elements of the package on a program basis.
2. Business as usual.

1. Funding individual elements of the package on a program basis.

One option is to identify particular aspects of the proposed package to fund on a program basis. The most suitable element in our view would be direct Commonwealth support for a national network of ‘transition support workers’ (funded on a caseload of 1:50 at an average cost of \$1600/participant as suggested by Applied Economics in the enclosed cost-benefit analysis. This contrasts with the average cost of JPP at \$300 per participant).⁵ This could be established as a stand alone Commonwealth program administered by DEST, building on JPP and the Eldridge pilots (ICYS, POEMS, CATS). It would have a direct and reasonably significant benefit.

Applied Economics has recommended an intensive ‘pathway planning’ or youth transition support program based on progressively meeting the needs of early school leavers not achieving the 12 years of worthwhile learning benchmark. The financial year cost of this program is outlined in the table below. This program would pick up the best elements of JPP and provide intensive personal support for at-risk early leavers, encouraging participation in education, training and work options.

Proposed New National Youth Transition Support Program. Forward Estimates (\$M in 2002 prices).

| Year | 2003-4 | 2004-5 | 2005-6 | 2006-7 | 2007-8 | 2008-9 | TOTAL |
|-----------------------------------|--------|--------|--------|--------|--------|--------|-------|
| Transition Support Program | 8 | 24 | 40 | 56 | 72 | 40 | 240 |

Note: The transition support program is fully funded by the Commonwealth, is additional to existing outlays on JPP and absorbs Eldridge pilot funding. Described in Applied Economics as ‘pathway planning’.

However such a program should be additional to and not funded at the expense of JPP. Option 1 is therefore a new national youth transition support program including the existing JPP. The cost of this would be \$378M over six financial years. Estimated forward estimates are outlined below.

⁵ See also P Kellock, ‘Familiarity Produces Trust. The role and effectiveness of transition workers’, Dusseldorp Skills Forum and Brotherhood of St Laurence, 2003.

Option 1. New National Youth Transition Support Program (including existing JPP). Forward Estimates (\$M in 2002 prices).

| Year | 2003-4 | 2004-5 | 2005-6 | 2006-7 | 2007-8 | 2008-9 | TOTAL |
|-----------------------------------|--------|--------|--------|--------|--------|--------|-------|
| Transition Support Program | 31 | 47 | 63 | 79 | 95 | 63 | 378 |

Note: Combines existing JPP funding (\$23M in 2002-3) with the transition support program recommended in the Applied Economics report above. Assumes 100 per cent Commonwealth funding.

However, this option is not preferred for a number of reasons:

- It does not provide any additional incentive for states and territories to either work in cooperation with the Commonwealth (e.g. by aligning programs and reducing duplication and other inefficiencies) or to accept the necessary degree of responsibility beyond the school gate.
- It may further exacerbate the “program maze” Eldridge and others have identified as a barrier to effective youth support.
- It limits the capacity for communities to play a full role and to apply resources to maximum effect based on local research, local needs and associated priorities/strategies.
- Most importantly the anticipated impact will be limited (possibly providing real improvements in participation in education and training but less certain outcomes with respect to the positive broader economic impact in terms of employment and productivity).

2. Business as Usual

Another option would be to develop new arrangements based on JPP and the small-scale career and transition pilots funded in recent federal budgets. However the rebranding of JPP with the addition of pilot funding folded into recurrent funding would essentially represent “business as usual”. It would fall a long way short of the promised “comprehensive response” to the Eldridge report and will not make significant inroads into the entrenched numbers of young people currently marginally attached to learning or work. It would not ensure that every early school leaver in need of transition support would receive it. It would not result in either lifting educational attainment sufficiently or providing the skills profile that industry requires.

Option 2. Rebadged JPP. Forward Estimates (\$M in 2002 prices).

| Year | 2003-4 | 2004-5 | 2005-6 | 2006-7 | 2007-8 | 2008-9 | TOTAL |
|---------------------|--------|--------|--------|--------|--------|--------|-------|
| Rebadged JPP | 33.3 | 33.3 | 33.3 | 33.3 | 33.3 | 33.3 | 199.8 |

Note: incorporates existing pilot funding for ICYS, POEMS and CATS funding (\$10.3M in 2002-3) into existing recurrent JPP funding (\$23M in 2002-3).

MODERNISING YOUTH TRANSITIONS

Australia urgently needs to modernise its system of transition support for young people leaving school by bringing the disparate patchwork of existing arrangements and initiatives into a cohesive framework. Youth transition is a cross-jurisdictional issue involving schools, training providers, higher education, employers and employment assistance providers – their journeys are on pathways that cross state and federal boundaries. A key mechanism is the development of bilateral framework agreements with state or territory governments willing to collaborate in delivering this ‘commitment to all young people’. The proposed framework agreement would specify:

- Agreed purposes
- Objectives and benchmarks
- Commitments (including funding) by the respective parties
- Recognition of the variations between states in approaches to legislation, learning options and the development of community partnerships
- Duration – suggested as five years in line with the recommended time for phasing in the proposed programs
- Monitoring and review, including provision for data sharing and independent review. Specific provision should also be included for public release of all reports and collected data, subject only to privacy conditions.

Establishment of an independent agency – suggested as an Office for Education to Employment Transition – overseeing implementation of the Framework Agreement(s) is crucial. An annual report prepared by the Office would be tabled in the Commonwealth Parliament, and in the parliaments of the states that are parties to the Agreement. The guiding characteristics for such an Office would be:

- A policy development, monitoring and review role to achieve successful youth transition. It is not an operational or a direct funding body.
- A mandate sufficiently broad to encompass relevant education, training and employment programs.
- Membership reflecting the cross-jurisdictional responsibilities for youth transitions.
- Independence and freedom of a primary allegiance to any one stakeholder.

CONSULTATION ON THE PROPOSAL

This proposal is the culmination of five years extensive research and demonstration projects. The foundation research involved nine of Australia’s leading research organizations including ACER, NCVER, NATSEM, ACIRRT, NILS, the

Brotherhood of St Laurence, CEET, the Centre for Applied Social Research (RMIT) and the Centre for the Study of Higher Education (University of Melbourne).⁶

A critical contribution to the evidence in support of this proposal has been the National Youth Commitment project, a partnership between the Enterprise and Careers Education Foundation and DSF. This project has seen regional youth commitments being implemented in eight communities across three states: Northern Sunshine and Gold Coast (Qld), Central Coast, Macarthur and Tumut (NSW), Frankston-Mornington Peninsula, La Trobe-Baw Baw and Whittlesea (Vic).

The reports on which this proposal is based have been subject to extensive consultation and scrutiny both in the draft and final versions. Those consulted included:

- Commonwealth Government: Ministerial advisers, departmental officials (Cabinet Policy Unit, PM&C, Treasury, DEST, DEWR, FACS)
- State governments: Ministers, advisers and officials in NSW (including Treasury), Victoria and Queensland
- Industry: ACCI, BCA, AIG, ACTU
- Education and Welfare agencies including ACOSS, National Catholic Education Commission, Jobs Australia, ECEF, Australian College of Educators, The Smith Family, Rural Skills Australia.

The development of the proposal also included supplementary research involving focus groups with young people themselves.

EXTENT OF AGREEMENT

The proposal and the material underpinning it has proved to be robust.

- There has been general agreement on the cost/benefit assessment and methodology (DEST and others provided helpful comments including adjusted figures for various line items).
- The consultations have revealed strong consensus on:
 - the proven need for a modern and better integrated system of youth transition
 - a 'national youth commitment' to assist young people in transition implicitly exists but needs to be made much more effective and explicit
 - the key policy and strategic responses required.
- There have been strong indications of support from industry. The peak business organisations are broadly supportive of the core elements of the proposal. A meeting of the key employer organizations in late January is being convened by

⁶ Dusseldorp Skills Forum, *Australia's Youth: Reality and Risk*, Sydney, 1998 and *Australia's Young Adults: The Deepening Divide*, Sydney, 1999.

DSF at ACCI's request; the meeting will further consider issues such as the structure of the proposed Office for Education to Employment Transition.

- Recent research on the links between crime, male youth unemployment and education levels points to the need for this proposal. The NSW Bureau of Crime Statistics and Research concludes:

“ ... elimination of long term unemployment among males aged 15-24 by direct job creation would result in close to a 7 per cent reduction in property crime in NSW. Better still, if these individuals continued in formal education to the end of senior high school (increasing school retention by an extra 7,000 individuals) the reduction in break, enter and steal over the course of a year would amount to almost 15 per cent.”⁷

- Education and welfare agencies also appear to be strongly supportive. Patrick McClure, CEO at Mission Australia and Chair of the Reference Group on Welfare Reform, wrote to DSF⁸ saying in part:

“As you would be aware, a significant part of Mission Australia's work is with young Australians. We have a range of youth services across the country, with the majority seeing young people who have left school early and/or are unemployed. Everyday our staff see the need for an increased commitment to supporting these young people to return to school, to enter some form of vocational training or employment opportunity.

We are, therefore, supportive of the Dusseldorp Skills Forum's call for an effective national commitment to young people, as set out in the proposed five year plan.”

⁷ B Chapman, D Weatherburn et al., 'Unemployment Duration, Schooling and Property Crime', *Crime and Justice Bulletin*, NSW Bureau of Crime Statistics and Research, no. 74, December 2002, p 10.

⁸ Letter to Jack Dusseldorp, 16 December 2002.

ATTACHMENT 1

FIT WITH GOVERNMENT PRIORITIES AND DIRECTION

The proposal fits strongly with a range of existing government priorities and commitments:

2002 Intergenerational Report

The recent assessment of the intergenerational obligations of taxpayers identifies a potential \$87 billion black hole in federal spending by 2041-2. An ageing population, a growing health care and income support bill, and low fertility rates are “likely to impose a higher tax burden on the next generation.” This proposal will help ensure that the rising generation of young people are able to make a full economic contribution to society – to participate fully in work, to be more productive in doing so, and ultimately to be less reliant on government to fund their social and health needs. Higher levels of education and skill development will be crucial in extracting the maximum participation and productivity in this task.

Strategic Leadership for Australia

In November 2002, the Prime Minister outlined the Government’s key policy directions, noting, inter alia, “education underpins the nation’s capacity to generate new ideas ... it also has the potential to contribute to the self-reliance and prosperity of all Australians and to Australia’s ethic of equality of opportunity and a fair go for all ...” The proposal is designed to harness this potential and assist in developing this prosperity.

Prime Minister’s Youth Pathways Action Plan Taskforce (the Eldridge Report)

The Taskforce was personally commissioned by the Prime Minister and recommended the adoption of a national commitment to the improved learning and work opportunities of young Australians. The proposal strongly supports this recommendation and would substantially represent the comprehensive response to the Eldridge Report promised by the Government at the time of the 2001 Budget.

Australians Working Together

The proposed ‘transition support workers’ to enable early school leavers to enter further, education, training or employment – arresting a potential drift into unemployment – strongly resembles the new arrangements for personal advisers to assist those dependent on welfare over the long term to move back into paid employment.

Existing Programs

Existing programs are making some impact but much more progress and effectiveness across a variety of fronts is urgently needed. The proposal intensifies and extends existing youth transition programs such as Jobs Pathways Programme (JPP), which is thinly spread. It complements the participation obligations contained in Youth Allowance and Work for the Dole. It provides a clearer and much needed pathway to work for the substantial minority of young people for whom formal schooling is not appropriate.

Minister Abbott's recent comments that "Governments are at their best when determined to make a difference rather than mind the shop" are pertinent here.⁹ We are heartened by his confidence in this Government's capacity to press forward with a domestic social and economic agenda in spite of the pressures imposed by current international tensions.

⁹ Tony Abbott, *Reform with a Social Conscience*, speech 11 January 2003.

ATTACHMENT 2

BACKGROUND

Twelve years of worthwhile learning is now the core benchmark society and governments must provide young people to ensure successful entry to active and responsible citizenship and productive work. It now acts as a minimum educational requirement, superseding the compulsory school leaving age as the most important stepping stone to economic and social independence. Gaining a Year 12 qualification through schooling is only one of the ways of achieving twelve years of worthwhile learning – vocational learning, training and decent work are also crucial pathways for young people.¹⁰

An estimated 80 per cent of young Australians are achieving this benchmark through either school or post-school VET participation.¹¹ This compares to 84 per cent in France, 88 per cent in Canada and the USA, 91 per cent in Germany, and 94 per cent in Japan.¹² Fifty nine per cent of Australians between the ages of 25 and 64 have achieved a senior secondary qualification compared to 67 per cent of Britons, 76 per cent of New Zealanders, 82 per cent of Canadians and 88 per cent of Americans.¹³

More than a quarter of all Australian school leavers are in situations of substantial labour market risk just five months after leaving school – i.e. unemployment, part-time work without being in study, or not in the labour force. In 2001 over 40 per cent of early leavers were in this situation.¹⁴ In terms of teenagers not studying who are either unemployed or not in the labour force, Australia ranks 16th out of 26 OECD countries, behind countries such as France, Germany, the Netherlands, Ireland, Scandinavia and Canada.¹⁵

Transition experiences do have longer-term impacts; up to a third of young Australians experience a difficult transition. By their mid twenties, seven per cent of young Australians have experienced long term unemployment while another five per cent experience mainly part time work while in the search for a full time job. For a large group – 13 per cent – full-time work is achieved, but only after an extended period (up to four years) of unemployment, part-time work or activities outside of the labour force. A further seven per cent never really enter the labour market, spending

¹⁰ ‘Decent work’ is the generic ILO term to express sustainable, productive work in conditions of freedom, equity, security and human dignity. See Report of the Director-General on Decent Work, International Labour Organization, 87th Session, June 1999, www.ilo.org.

¹¹ Based on an average school leaving cohort in any one year of 270,000 with 50,000 not completing a Year 12 equivalent education.

¹² OECD, *Education at a Glance 2002*, Table A1.1, Paris, 2002, p 36; JW Bowbly and K McMullen, *At a Crossroads. First Results for the 18 to 20-Year-old Cohort of the Youth in Transition Survey*, Human Resources Development Canada and Statistics Canada, 2002, p 23.

¹³ OECD, *ibid.*, Table A1.2, p 37. An estimated one in five adult Australians struggles with basic literacy, see OECD, *Literacy in an Information Age*, Paris, 2002.

¹⁴ Dusseldorp Skills Forum, *How Young People are Faring 2002*, Sydney, 2002.

¹⁵ OECD, *op.cit.*, Table C5.1, p 259.

most of their time rearing children or being engaged in other activities.¹⁶ This group is likely to be vulnerable to dependence on welfare benefits over the long-term. Completing 12 years of worthwhile learning makes a substantial difference – early leavers have significantly less chance of securing sustainable employment over the long-term.¹⁷

This proposal is designed to deliver:

- a first chance strategy to achieve a *Year 12 or equivalent* qualification through school or a VET based pathway [such as TAFE, Adult & Community Education (ACE) or an apprenticeship]
- a second chance strategy to re-engage early leavers in learning to achieve a *Year 12 or equivalent qualification*, generally through school or VET
- structured intensive support and guidance to assist young people with their education and work options
- labour market assistance such as pathway planning, careers advice, and job search training as part of the work access side of the commitment, along with active labour market programs including some direct job creation and wage subsidies.

Effectively this means an effort to encourage early leavers to stay on at school, develop alternative learning options within and alongside schools, and to support them in the world outside school in a highly competitive labour market if they choose to leave.

It will do so by:

- significantly enhancing the effectiveness of existing programs and services through better integration at the community level
- improving knowledge about the economic and social participation of young people (including through student tracking, applied research at the regional level, and creating a viable means for ongoing monitoring & evaluation by Government and education/training systems)
- introducing a *new, nation-wide system of transition support* for all young people according to individual need.

¹⁶ S Lamb & P McKenzie, 'Patterns of Success and Failure in the Transition from School to Work in Australia', LSAY Research Report 18, ACER, Melbourne, 2001, p vii.

¹⁷ *ibid.*, p ix.

ENCLOSURES

- Dusseldorp Skills Forum, *Honouring Our Commitment: a policy paper about Realising Australia's Commitment to Young People*, DSF, Sydney, 2002.
- Applied Economics, *Realising Australia's Commitment to Young People: scope, benefits, cost, evaluation and implementation*, DSF, Sydney, 2002.

These documents can also be downloaded from the DSF website www.dsf.org.au