Policies to assist young people into work

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Overview

• What gets young people into work?
• (1) The best way to assist young people into work in Australia is to increase the rate of economic growth and net job creation.
• (2) Labour market programs for the unemployed (or in-school programs) have only a minimal impact on net job creation. Their main effect is on labour supply – The job readiness of the labour force.
• Is youth unemployment a new problem?
• (3) Youth unemployment is currently a problem. But it is not a new problem. Young people are always disproportionately represented amongst jobseekers – hence have higher cyclical and frictional unemployment.
• The major cause of high rates of youth unemployment in Australia at present is therefore the downturn in economic activity since the GFC. Structural factors do not seem to be important.
• **What are the right policies?**

• (4) A portfolio approach to dealing with youth unemployment: Need to recognise differences in labour market barriers between young unemployed and target programs accordingly.

• (5) Can use knowledge of what works from international and Australian research on labour market programs to suggest general types of programs that will and won’t be effective.

• (6) But there is as much variation between types of programs as across -The details matter.
• (7) The most scope for improvement in Australia is in programs for the most disadvantaged young job seekers. Need a bottom-up model for program development based on local partnerships between employers, service providers and welfare agencies. Government funding needs to be directed to enable and support this type of program.

• (8) A portfolio approach to maximising job readiness: Don’t just worry about today’s young unemployed. Worry about groups who will be the young unemployed tomorrow.
(1) Getting unemployment down depends on economic growth
(2) The main effect of LMPs is on job readiness

- ALMPs can increase employment by:
- Creating extra jobs or funding for jobs – But usually short-term + Substantial estimated deadweight/displacement effects; and
- Increasing efficiency of matching of jobseekers with job vacancies -> Secondary effect of inducing employers to offer more job vacancies – But estimated effects generally small.
- Hence main effect of LMPs is on job readiness.
(3) Youth unemployment is a problem – But not a new problem

Rate of unemployment by age

- Blue line: 15-19
- Red line: 20-24
- Green line: 25-64
More on ‘special times’: Is getting a Bachelor degree still worth it?

Percent of Bachelor degree graduates in FT and PT employment (out of those available for FT employment), 1990 to 2014
And today’s Bachelor graduates are not the same as 1990’s Bachelor graduates

Academic ability

1990 cohort

2014 cohort

More students continuing to graduate study + Expansion of Bachelor degree places

Proportion of cohort
A portfolio approach to dealing with youth unemployment

**Extent of barriers to employment**

- **Low barriers** – Mainly cyclical
  - Programs to **maintain** job search and job readiness
    - Eg., job search counselling

- **High barriers** – Mainly structural
  - Programs to **demonstrate** job readiness – such as opportunities for work experience
    - Eg., wage subsidy programs
  - Programs to **build** job readiness and skills
(7) Where there is scope to add value in Australia

• Programs for young unemployed with the highest barriers to employment – What works?

• Programs must:

• (i) Provide a substantial and growing increase in skills (Need to address lack of job readiness); and

• (ii) Be tied to the prospect of long-term employment (Ensures relevance and motivation).

• Most successful way of delivering this type of program seems to be bottom up via local partnerships between employers, service providers, local government and not-for-profit/welfare organisations + Voice for young unemployed.
• **Why partnership?** Best way to provide increase in skills (job readiness) + provide job opportunity.

• **Why local?** Best able to fit program to needs of jobseekers and to available jobs. Eg., Having high barriers to employment is likely to mean a combination of issues that need to be addressed simultaneously.

• **Examples:**
  - SVA Industry Employment Initiative
  - STREAT
  - Ticket to Work
  - Education First Youth Foyers
• What we know doesn’t work:
• ‘Another clear finding is the relatively poor performance of public sector programs...The pattern suggests that private sector employers place little value on the experience gained in a public sector program – perhaps because many of these programs have little or no skill-building component, and only serve to slow down the transition of participants to unsubsidised jobs’

• Need a government funding model that supports the local/partnership type of program.
• Idea of an Australian Research Council Fund for supporting programs.
• The new Commonwealth Transition to Work Scheme + Innovative Youth Programmes Scheme.
(8) A portfolio approach to maximising job readiness

- Low barriers to employment
  - Maintain job readiness
    - Demonstrate job readiness
    - Build job readiness
    - Labour market transition
      - Eg., Careers counselling
  - Early years interventions

- High barriers to employment
  - Entering the labour market
    - At school
      - Early years interventions

- At school
  - Early years