

Youth unemployment and the pandemic

Young Australians have been disproportionately impacted by the COVID-19 pandemic. Young people make up just 14% of the workforce but bore 55% of the job losses during the 2021 lockdowns. This crisis has compounded decades of high youth unemployment and underemployment. Now is the time for long-term policies to help and protect young people in the labour market.

Eliza Littleton

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April 2022

Commissioned by Youth Action, the peak advocacy organisation representing young people and youth services in NSW.

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Youth Action is the peak organisation representing young people and the services that support them in NSW. We work towards a society where all NSW young people are supported, engaged, valued, and have their rights realised. We represent over 150 member organisations and regularly engage with young people and youth workers from all over the state, as we have for over 30 years.

Principles that underpin our work

We give a particular focus to young people who are regional, First Nations, LGBTIQ+, with disability, from culturally and linguistically diverse communities, including migrants and refugees, and doing it tough. We use a rights-based lens to focus on programs, policy and advocacy that achieve meaningful outcomes, embed strengths-based approaches, and are informed by data and evidence. We are an ally to the self-determination of First Nations communities, are led by the expertise of young people and the sector, and are a trust-worthy partner and collaborator.

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Summary

Young people (aged 15-24) were hit hard by the pandemic. This report shows how drastic the impact on youth employment was, using official statistics and qualitative data from eight consultations with diverse groups of young people conducted by Youth Action between July and September 2021. It makes policy recommendations developed in collaboration with young people.

From March to June 2020, a total of 843,730 Australians lost their jobs. Almost 330,000 of those were young people. Young people were twice as likely to lose jobs than any other age group. Despite making up only 14% of total employment, young people made up 39% of the job losses.

The 2021 lockdowns saw fewer people lose jobs overall, but an even greater portion of those lost jobs had been held by young people. Between June and September, 281,000 jobs were lost in the economy; 55% of those were held by young people. Of those that lost work, 56% were from NSW, 90% were part-time workers and 68% were female. Youth employment declined by 8%, compared to just 2% across all workers. Despite the recovery, a considerable gap remains between youth employment and the wider workforce. As the economy recovered, new jobs for young people were almost entirely (97%) casual or part time, with little job security.

The number of young people considered not in employment, education or training (NEET) increased by 30% to 391,300—equivalent to 12% of the youth population—during the first year of the pandemic. This means that almost one in eight young people were neither studying nor engaged in employment/training, the highest level of youth non-engagement on record.

The consequences of youth unemployment are far-reaching. Poor employment outcomes, particularly early in working life, bring suffering at a personal and societal level. Without work, individuals not only lose income, but also suffer from reduced job prospects, mental health and social integration in both the short and long term. At the macroeconomic level, unemployment imposes fiscal costs on governments, and also reduces tax revenue and output.

The pandemic has highlighted pre-existing problems for young people trying to find a job. Pre-pandemic, the labour market was already grim for young people: unemployment and underemployment for young people were at levels more than double that for the workforce as a whole. In 2019, just over half (54.3%) of all young

people were employed in casual or “gig” based jobs and had no access to sick leave, paid leave or other entitlements. This compares to only 18.2% of workers over 24 being without these entitlements.

While getting a start in the labour market has never been easy, international evidence shows that good policy can make a difference in promoting youth employment and protecting young people during downturns. Countries with detailed youth employment policies, such as Japan, Germany, and Israel, saw increases in youth unemployment during the pandemic of between 1.5% and 1.9%. Countries with less supportive policies like Canada, the United States, Ireland, and Australia experienced increases of between 4.5% and 12.4%. While direct comparisons are difficult, it is clear that good policy can make a difference.

While Australia’s response to the pandemic did much to protect overall employment, more could have been done to assist young people. The key industries for youth employment, hospitality and retail, make up nearly half of jobs for young people (22% and 20% respectively), yet these industries received less than 20% of JobKeeper funding (9.3% and 9.1% respectively).

Beyond hospitality and retail, other industries that employ a significant percentage of the youth workforce including education and training (3.9%), media and telecommunications (1.2%), and public administration (0.5%), also received significantly smaller shares of JobKeeper assistance. The exclusion of universities from JobKeeper also exacerbated the impact of the pandemic on young people’s jobs, not to mention their education.

Separate to JobKeeper, much government spending was directed towards industries with minimal youth employment; \$2.7 billion went to the aviation sector, spending on infrastructure (\$15.2 billion) and the Homebuilder grants program (\$780 million). Perhaps worst of all, \$2.9 billion has been directed to the “gas-fired recovery”, an industry accounting for less than 1% of employment for young Australians, as well as one that exacerbates climate change.

Most policy approaches to youth employment in Australia focus heavily on what economists might call “supply-side” employment measures, such as training jobseekers to improve their skills, and funding services that help people find and apply for jobs, write CVs, etc. The focus is on improving the “supply” of labour, as opposed to policies that aim to increase the demand for labour, or “demand-side” policies.

The Australian Government’s Youth Policy Framework reflects this supply-side focus, with highlighted spending on:

- \$600.3 million for the Youth Jobs PaTH (training and trial) program;
- \$481.2 million in youth employment services (such as assistance in finding jobs and career counselling); and
- A further \$1.8 billion for other initiatives in (non-youth specific) employment services.

While there is clearly a role for training and employment services, and considerable scope to improve them in Australia, the focus on supply-side policies ignores the fact that there simply are not enough jobs available for everyone who wants one. In August 2020, when employment was rising, 915,000 people were competing for 206,000 jobs, a ratio of 1 job to every 4.4 job seekers. This is not a new pandemic-related phenomenon; it is the same ratio as in August 2015. No matter how well job seekers format their CVs, they will not all find jobs unless more jobs are created.

Policy recommendations:

Youth Job Guarantee

Job Guarantees aim to ensure that eligible people are offered either a job, a paid internship, or a training opportunity within a short time of registering as unemployed. Nordic countries, led by Finland, have had youth guarantee policies for almost a decade, and the concept is being adopted in other European countries. A Job Guarantee is not one policy; rather, it entails a suite of both demand- and supply-side policies. An Australian Youth Job Guarantee should include:

- Private sector job creation programs;
- Expanded public sector graduate programs;
- De-privatising and better funding employment services; and
- Personalisation of employment support.

Adequate income support

Many young Australians rely on allowances like Youth Allowance and JobSeeker. Surviving on these alone places recipients below the poverty line. Australian unemployment benefits are the second-lowest in the OECD (only Greece offers less). The insufficiency of income support not only forces many young people to forego necessities but can also undermine efforts to find work.

Affordable tertiary education

Completion of higher education or Vocational Education and Training (VET) qualifications are increasingly a prerequisite for access to and successful participation in the labour market. Government funding for public tertiary education has been

declining relative to the economy for decades. According to the latest OECD data, public spending on tertiary education is equivalent to only 0.65% of GDP in Australia, well below the OECD average of 0.94%.

Protection for casuals

Australia is unique among developed countries in having a separate regulatory category for casual employment. This category provides no stable or assured hours of work, no entitlements to any types of paid leave, and no protections against being laid off. While the flexibility of casual work can be desirable for some people, its prevalence is not reflective of its popularity. According to the OECD, Australia has one of the highest rates of non-standard work among member countries.

Improving protections for casual workers can be achieved through reforms such as limiting casual employment to situations that genuinely reflect ongoing fluctuations in work, and providing basic protections like paid sick leave to all workers regardless of status. Increasing the number of permanent jobs through a youth guarantee would also reduce young people's reliance on casual work and ensure they have access to other types of employment arrangements.

Better targeting of stimulus spending

A large portion of recent stimulus spending was directed to businesses that did not need it and industries that are not labour intensive. Spending should be directed towards labour-intensive industries and should target workers hit hardest. In practice this means spending money on industries that have high direct employment effects per million dollars spent and on industries that employ young people.

It is time to stop looking at youth unemployment as a cost and start seeing it as a lost opportunity. If the 249,000 young people who wanted to work in 2018 had been productively employed, they would have earned \$7.1 billion. The value of the output produced by their labour would have been much greater: \$13.7 billion based on national accounts statistics. These estimates do not include the effects of redirecting government expenditure on unemployment income support, increased budget revenue through broadening the tax base and increased business revenues and profit through the production and sale of more goods and services.

For context, this increase in GDP represents eight times the amount the Federal Government spent on all employment services in 2020-21. Reducing youth unemployment has the potential to significantly increase the size of the economy, and also to help circumvent the economic and emotional suffering of young unemployed people.

Introduction

For decades, young people have experienced higher levels of unemployment, underemployment and casualisation than the rest of the workforce. With the onset of the COVID-19 crisis, youth employment and labour market participation plummeted, compounding these existing challenges and revealing fault lines of vulnerability.

The pandemic disrupted the transition between education and employment for many young Australians. It has amplified feelings of uncertainty about the future, about the prospect of finding secure employment, about the kinds of jobs that will be available, about whether and what to study, and about whether financial security will ever eventuate:

I was starting to rethink my whole degree... if I wasted my time or not. The issue of essential workers came into place and then you look at yourself and think, “How important is my work? If something like a pandemic happened would I still have a job?” – *Young person from Blacktown Emerging Leaders and Advocates*

You have questions [about] the career you are going to choose [and] if that is going to be a sustainable income if things like a pandemic hit you. It definitely makes you think twice about what you want to do. – *Young person from Fairfield*

The consequences of youth unemployment are far reaching. Poor employment outcomes, particularly early in working life, diminish the lives of all and inflict suffering at a personal and societal level. Without work, individuals don't just lose income; unemployment can affect their job prospects, mental health and social integration in both the short and long term. At the macroeconomic level, unemployment entails fiscal costs to government budgets, tax revenue and output. Youth unemployment and its consequences are not desirable for anyone—individuals and decision-makers alike. The pandemic marks an opportunity for leaders to address the long-term issue of youth unemployment in Australia.

Empirical studies uniformly find evidence of scarring effects associated with experiencing unemployment and/or entering the labour market during a downturn.¹ Economic downturns increase the likelihood of young people spending additional time out of employment and/or accepting lower-quality jobs, limiting upward job mobility and causing career setbacks.² This has negative implications for employment prospects, lifetime earnings and work satisfaction.³ Unemployment and job rejection

quickly erode confidence and motivation, encouraging detachment from the labour market.⁴ Being out of the workforce long-term can lead to a loss of physical and cognitive skills through non-practice.

Personal suffering due to unemployment is not just a matter of financial security. It also extends to other types of deprivations, including loss of self-respect and the dejection associated with being dependent, and feeling unwanted and unproductive.⁵ For example, experiences of unemployment have been found to be linked with increased depression, anxiety and sleeping problems among young people.⁶ The consequences of long-term unemployment can extend beyond mental health, to physical health, family breakdown and criminality.⁷ Long-term engagement in employment and career-building are often the key pathways by which young people can build a sense of connection and contribution to society.⁸

The negative effects of unemployment are cumulative, and they act individually and jointly to undermine personal and social life.⁹ As the phenomenon of unemployment, particularly long-term unemployment, is more likely to effect disadvantaged demographics, so too is the likelihood of unemployment scarring.

The significant and long-term labour market impacts of the pandemic for young people are not inevitable. Australian governments have the power to implement policies that help protect young people from the vagaries of the labour market and disasters like the pandemic, but this will require a new approach to youth employment.

The prevailing approach to youth employment emphasises making young people “job ready,” reinforcing a narrative that blames young people themselves for their labour market status. The provision—or imposition—of numerous “opportunities” for improvement of their skills and employability shifts the onus of resolving unemployment onto jobseekers. This avoids acknowledging the entrenched structural factors influencing demand, or lack thereof, for young workers. Breaking young people free from their traditional place at the bottom of the labour market will take more than a rebranding of supply-side solutions. It will also require investment in building labour demand for young workers.

This report sets out to highlight the disproportionate impact of the COVID-19 crisis on youth labour market outcomes, to outline the reasons why the pandemic has had such a disproportionate impact on young people, and to propose policy steps governments in Australia can take to support young people in the transition between education and work. The implications for young people in NSW, and more specifically Greater Sydney, will be explored in more detail in a supplementary report.

Data, methods and definitions

The full impact of the COVID-19 pandemic on employment outcomes for young people will be complex and long-term, and will not be fully understood for some time. As the fallout from the pandemic is still unfolding, this report uses a combination of the best data available at the time of writing and direct input from consultations with young Australians to examine how this crisis is affecting their employment outcomes.

Young people are commonly defined as those aged between 15 and 24. This definition is widely used by international organisations and the Australian Bureau of Statistics (ABS), but some discrepancies still exist between Australian data sources. This report defines young people as aged between 15 and 24. Where data is not available for this specific age range, the referenced range is identified.

The analysis in this report draws on the following major sources:

- Multiple quantitative data sources, including labour force, education and engagement data from the Australian Bureau of Statistics (ABS); employment services caseload data and employment projections data from the Department of Education, Skills and Employment; and payment demographic data from the Department of Social Services, the OECD and the Australian Institute of Health and Welfare.
- A review of existing literature and research on the effectiveness of youth employment policy and programs, the impact of economic downturns on young people and the scarring effects of unemployment on young people.
- Qualitative data based on consultations with young people conducted by Youth Action between July and September 2021. Youth Action held eight focus groups with a cross-section of young people in NSW, including young people from rural and regional communities, First Nations people, LGBTIQ+ people, and those living with diverse abilities. Group members came from culturally and linguistically diverse communities, and from differing socioeconomic backgrounds. The focus groups aimed to bring the voices of young people into the research, allowing them to contribute their lived experiences of unemployment, looking for work, juggling study and work, and youth employment services, along with their attitudes towards the future and thoughts on policy solutions. The following list contains all consultations and their respective abbreviations used throughout this report:
 - Global Skills: Employment Services Liverpool (Global Skills #1), youth employment program South West Sydney

- Global Skills: Employment Services Mount Druitt (Global Skills #2), youth employment program, Western Sydney
- Tamworth Regional Council's Youth Council (Tamworth), regional NSW young people
- Fairfield City Council's Youth Advisory Committee (Fairfield) South West Sydney
- Youth Action's Health Literacy Advisory Committee (HLAC)
- Youth Action Open Invitation Consultation (Open)
- Youth Action First Nations Young People Consultation (First Nations)
- Blacktown Emerging Leaders & Advocates (BELA) newly arrived refugee and migrant young people, Western Sydney

Much is known about the experiences of young people. However, gaps in the data certainly exist that limit the capacity for analysis. The pandemic's employment effects are not distributed evenly among the young. Certain population groups are more at risk, but it is often not possible to get data on these population groups. For example, data are not readily available to study the impact on young people with disability or who identify as LGBTQIA+, young people in refugee families, culturally and linguistically diverse backgrounds, or First Nations young Australians.

This is often because these groups make up a very small proportion of the population and most data comes from surveys with small sample sizes, so the results are not reliable at this granular level. The report, therefore, relies on the consultations to explore the demographic dimension of this impact.

This report uses a range of terms around employment that are widely used among economists and labour market researchers, but that for general readers may need some clarification:

Employed: a person is considered employed if they worked for one hour or more in the reference period for pay, profit, commission or payment in kind.

Employment ratio: ratio of employed people to total population, usually expressed as a percentage.

Labour force: People who are of working age and are either employed or unemployed. Note that to be considered unemployed a person needs to not only not have a job but to also be actively looking for work. People who are not working and not looking for a job are considered to be outside of the labour force, for example students.

NEET: Stands for 'not in employment, education or training'. People who are not in the labour force and also not studying or training.

Participation rate: describes the proportion of the working age population that are in the labour force, in other words people who are either employed or unemployed according to the definition below.

Unemployed: a person is considered unemployed if they are not currently working but have been actively looking for work in the last four weeks and are available to start work within a week of the reference period.

Unemployment rate: the percentage of the labour force that is unemployed.

Underemployed: a person is considered underemployed when they have employment but would like more hours of work and are available to do so.

Underemployment rate: describes the proportion of people in the labour force that are underemployed.

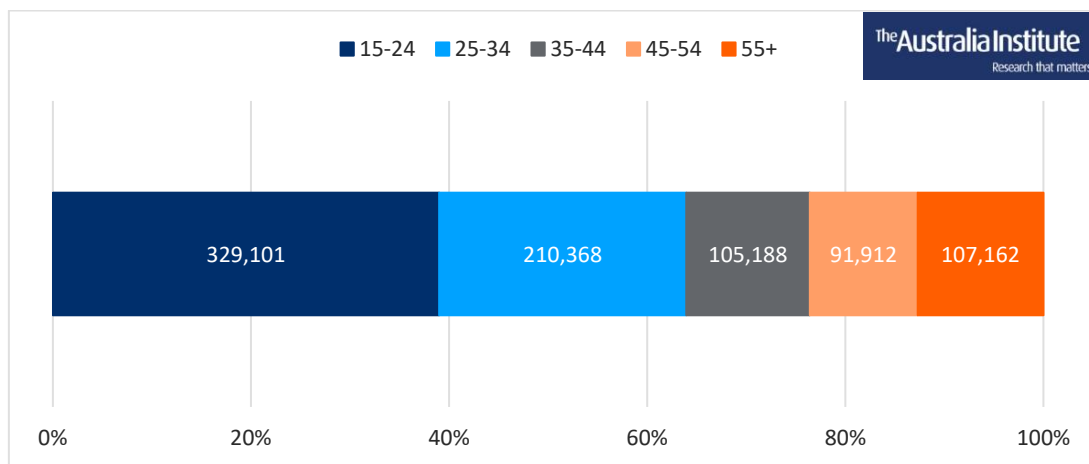
Underutilisation rate: describes the aggregate proportion of people in the labour force who are unemployed or underemployed.

Pandemic trends in youth employment

Australia recorded its first case of COVID-19 on 25 January 2020.¹⁰ By March 2020, the Federal Government announced the closure of Australia’s international border and put in place a series of physical distancing measures.¹¹ States and territories went into lockdown, closing their borders and non-essential businesses, and implemented stay-at-home orders. The initial closing down of large amounts of economic and social activity lasted until June 2020.

With lockdowns restricting business operations in most industries, many employers responded by cutting staff. Australia lost more jobs in April and May 2020 than any other months on record (i.e. since the ABS started collecting monthly employment data in 1978).¹² Between March and May 2020, during the first nation-wide lockdown, a total of 843,730 jobs were lost.¹³ Almost 330,000 of these jobs were held by young people—those aged 15 to 24—as shown in Figure 1:

Figure 1: Number of jobs lost between March and May 2020, by age group



Source: ABS (2021) 6202.0 Labour Force, Table 22

This means that despite making up only 14% of total employment, young people made up 39% of the job losses. One in six young workers lost their job during the initial pandemic lockdowns.

Among young people who kept their jobs during the pandemic, many lost work hours. In April 2020, 471,000 young people—27.5% of all young people employed at that

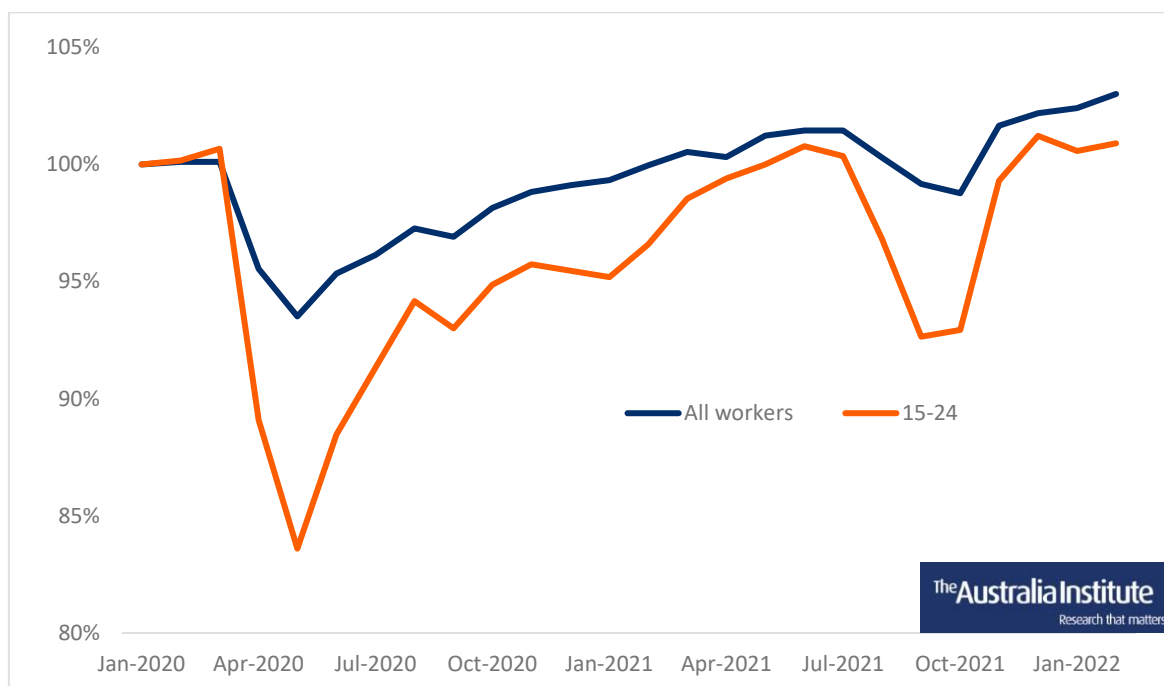
time—were considered underemployed. This was an increase of over 50,000 people from March 2020.

I think underemployment is a really big issue, particularly for uni students who have [a] commitment to study: just not having enough work ... to live off and to be able to save and do all the things that they want to do while they're trying to get themselves an education to get ahead. – Young First Nations person

The Federal Government responded to the economic crisis by implementing two large economic support packages. The JobSeeker unemployment payment (previously called Newstart) was expanded with the Coronavirus Supplement, and the JobKeeper wage subsidy was introduced to keep workers connected to their employer. This was accompanied by other state and territory government initiatives.

While Australia’s economic response to the pandemic certainly protected many jobs in the economy, it is clear that young people were the hardest hit.¹⁴ Youth employment declined further and was slower to recover than employment in the wider working population, as shown in Figure 2 below:

Figure 2: Percentage change in employment from January 2020



Source: ABS (2021) 6202.0 Labour Force, Australia, Table 1, Table 13

Figure 2 shows that between March and May 2020, employment for young people dropped by 17%, while the employment for all workers only dropped by 6.5%. Young workers trailed the rest of the labour force through the 2020-21 recovery until being hit again in the July 2021 lockdowns, when youth employment declined by 8%

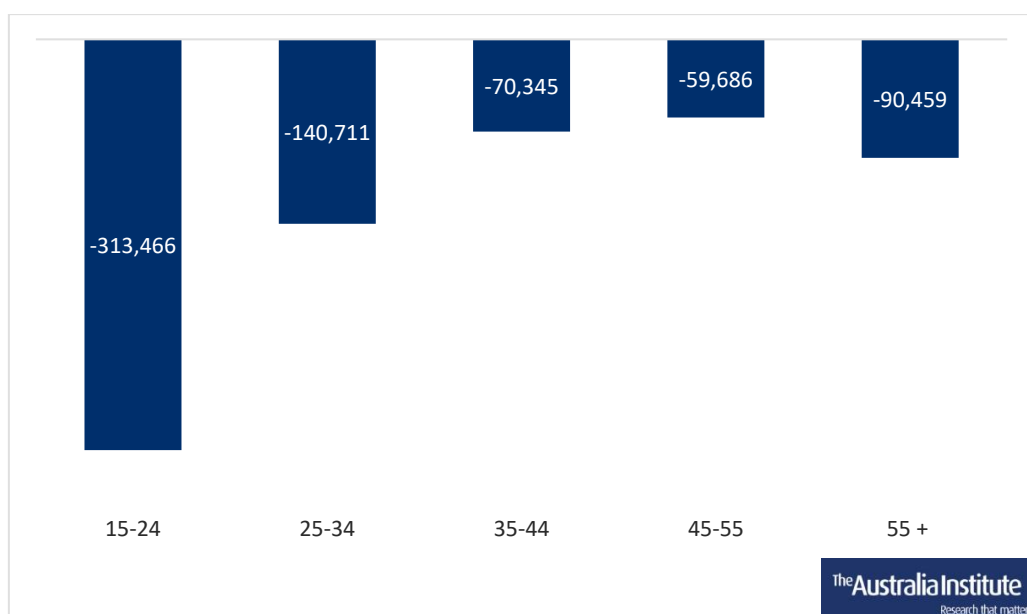
compared to just 2% across all workers. Into 2022, recover has been stronger for all workers than it has been for young workers. Worse still, young workers' employment growth was predominately in part-time and casual work (discussed more below).

The key message from Figure 2 is that young people are the part of the workforce most vulnerable to economic shocks. While many regained employment following the lockdowns, without specific policies to protect young workers they will always be disproportionately hit by any economic downturn.

Just as young people experienced the largest share of job losses, they also experienced the largest increase in unemployment. The youth unemployment rate increased by 3.2% between March 2020 and its peak in July 2020, while the unemployment rate for all workers only increased by 1.2%. Around 50,000 additional young people were considered unemployed by July, 31% male and 69% female.¹⁵

When a person is neither employed nor unemployed, they are not counted as being in the labour force. This category includes people who may want to work but are not actively seeking work, for example due to health restrictions or the belief that there are no jobs. The change in labour force participation therefore captures those who lost work or were deterred from looking for work due to the pandemic. Figure 3 shows that over 300,000 young people—14.1% of the entire demographic—left the labour force between March and May 2020. This is more than twice as many as any other age group.

Figure 3: Change in the labour force participation, March to May 2020, by age



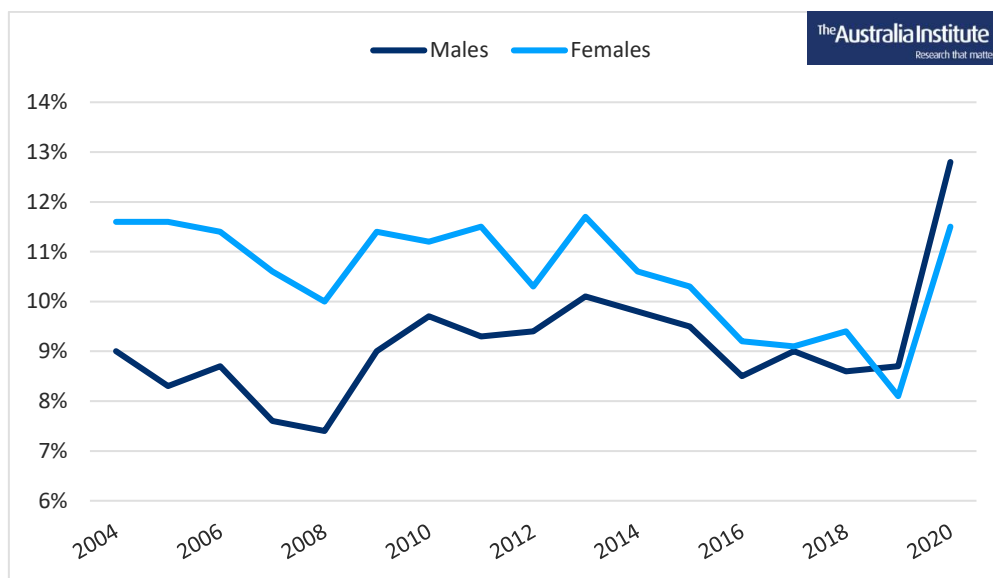
Source: ABS (2021) 6291.0.55 Labour force, Australia, Detailed, Table 01

People who are not in the labour market and are not studying fall into a category commonly called ‘not in employment, education or training’ (NEET). Long periods spent NEET, or disengaged from the labour force, are detrimental for young people, impacting short- and long-term mental and physical health, financial security and employment prospects.¹⁶ Most young people transition between education and employment, but disruptions such as a pandemic can have severe impacts on the proportion of young people and the length of time that they spend not studying or working.

The uncertainty ... [means] everyone I know has written the year off. Many had to take a gap year [from studying] to save money to go to Uni. – Young person from the Tamworth Youth Council, regional NSW

Figure 4 below shows that the pandemic has driven a significant increase in the proportion of young people considered NEET:

Figure 4: Proportion of young people considered NEET, 2004-2020



Source: ABS (2020) *Education and Work, Australia*, Table 34

Figure 4 shows that in 2019, around 8% of young Australians—just over 270,000 young people—were NEET. The number of young people considered NEET increased by 30% to 391,300—12% of the youth population—during the first year of the pandemic. This means that almost one in eight young people were not studying or engaged in employment/training, the highest level of youth non-engagement on record (since the ABS started collecting this data in 2004).

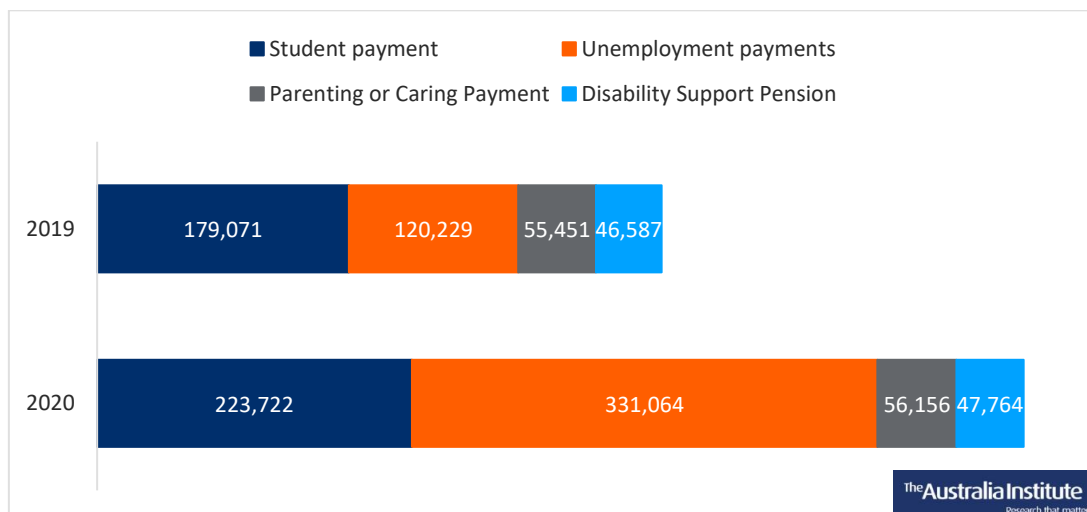
NEET levels are not evenly distributed among the 15-24 aged population; disengagement tends to be related to sex, location, income, level of education and where a person is born.¹⁷

Youth population goes down when young people finish school because they have to leave for work. The only jobs here are agribusiness, airport, teaching, or health care. – Young person from the Tamworth Youth Council, regional NSW

Typically, more young women than men are not working or studying, but this reversed in 2020, with 12.8% of young men NEET, compared to 11.5% of young women. (See Figure 4 below.)

As masses of young people lost work and the main source of their income during the pandemic, the number of young income payment recipients spiked. In line with the disproportionate decrease in employment and increase in unemployment, young people experienced the biggest increase in the proportion of the population receiving an income payment compared with all other ages. In June 2019, around 401,338 young people were receiving an income payment, equating to 14% of the population aged 16-24. This number increased by 64% to 658,706 people in June 2020. This made young people the age group most likely to be receiving an income support payment, followed by people aged 55-64.¹⁸

Figure 5: Type of income payment received by people aged 16-24 in June 2019 and 2020



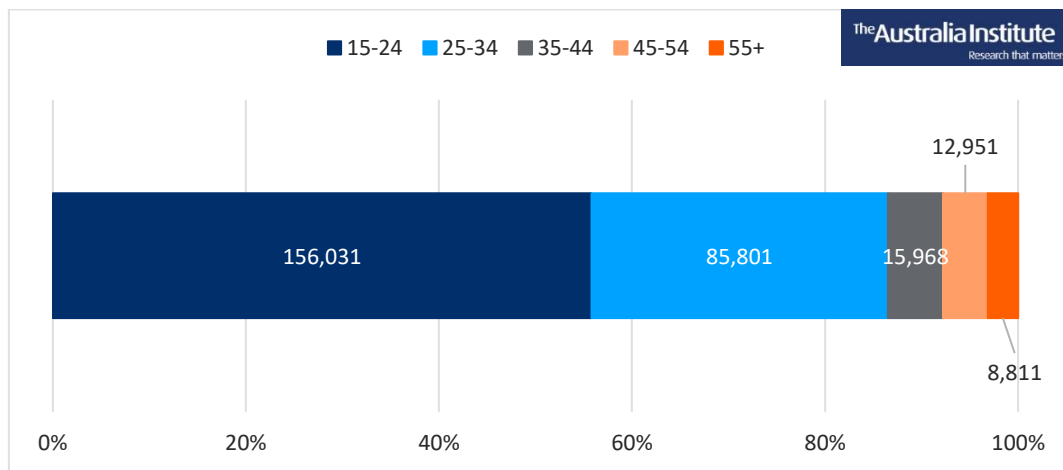
Source: DSS (2021) *DSS Demographics – June 2019 and June 2020*

After lockdown and domestic border restrictions eased in June 2020, economic activity increased, and many jobs returned—until the subsequent COVID outbreaks, and resultant lockdowns, in 2021. Youth employment rose slightly by 228,000 between

June 2020 and the end of that year.¹⁹ This growth was overwhelmingly in part-time and casual work, with 97% of the jobs recovered being part-time. This has compounded the existing trend of high underemployment and declining full-time permanent work for young people. It also ensured the vulnerability of young people to job losses in subsequent lockdowns and future economic downturns.

Beginning in July 2021, over half the population went into lockdown again with most living under these restrictions up until the end of October. The underlying reasons that young people were hit hardest had not changed since the first round of lockdowns, and the 2021 lockdowns thus again impacted young workers disproportionately, as shown in Figure 2 above and Figure 6 below:

Figure 6: Job losses between June and September 2021, by age group



Source: ABS (2021) 6202.0 Labour Force, Table 22

Figure 6 shows that between June and September 2021, a total of 281,000 jobs were lost; 55% were held by people aged 15-24. This means that young workers made up an even bigger proportion of job losses than they did during the 2020 lockdowns. Of those who lost work, 56% were from NSW, 90% were part-time workers and 68% were female.²⁰

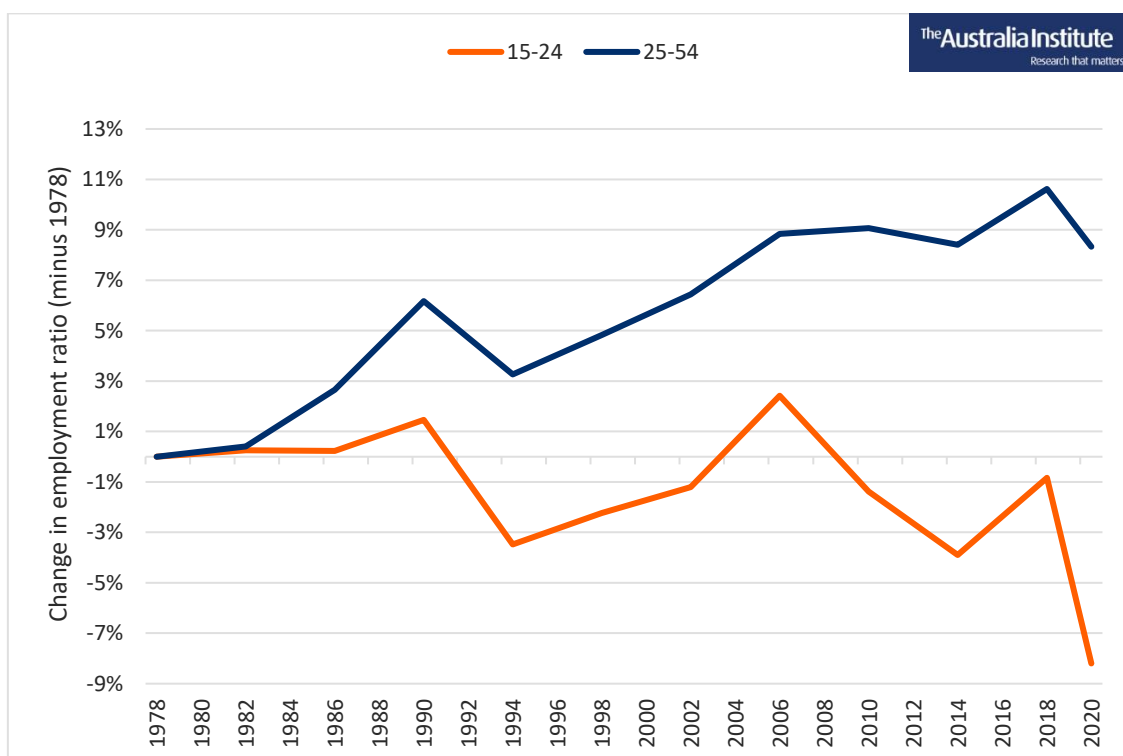
One of the main differences between the later lockdowns and those in 2020 is that the Federal Government chose not to implement such wide-reaching stimulus measures to support vulnerable people. In particular, it did not reintroduce the Coronavirus Supplement distributed to people considered unemployed, nor did it implement a large-scale wage subsidy. During the 2020 lockdowns, young people, more than any other age group, relied on unemployment benefits, so the reduction in income supports and wage subsidies in the subsequent lockdowns hit young people hard. Young people have now faced higher job losses and unemployment, but with less financial support and protection from poverty.

The impact of the pandemic on young people is still unfolding and there is a need for ongoing research to identify issues and advise on the way policy can be used to support and intervene. What is clear is that young people have taken a disproportionate economic hit from the pandemic recession. The rest of this report considers why this has been the case, what could have been done differently, and what should be done differently in the future.

Why young people were impacted disproportionately by COVID-19

Young people were not just the hardest hit by COVID-19 job losses—they have been the hardest hit in all recent economic downturns. Figure 7 below shows long-term trends in employment ratios, going back to the 1970s:

Figure 7: Change in employment ratio since 1978, by age group



Source: Authors calculations based on ABS (2021) *Labour Force, Australia, Detailed*, Table 01. Note that this is a modified version of Borland (2020) model.

Figure 7 makes two things clear: that downturns always hit young people the hardest, and that getting a job has gotten much harder for young people over recent decades.

The three major dips shown in Figure 7 in the youth employment ratio represent the 1990s recession, the Global Financial Crisis (GFC) and the COVID-19 recession. In each case, youth employment declined more dramatically, and recovered more slowly, than employment for workers over 25 years of age.

It has been well documented that high youth unemployment often persists for years after an economic downturn. It is estimated that, after the Global Financial Crisis of the

late 2000s, extreme competition in the labour market reduced the proportion of young Australians engaged in employment by 4.3%.²¹ In fact, even when the COVID-19 pandemic hit, young Australians were still suffering the consequences of the GFC, including increased long-term unemployment and longer, more difficult paths to full-time employment.²²

Figure 7 also shows that employment has gotten tougher in general for young people over the course of the last four decades. While the ratio of young people in employment to their total population has had periods of stability, it has experienced a long-term decline. Meanwhile, the same ratio has increased for most of the working population.

Many factors are at play here. Employment growth has been stronger in highly-skilled occupations, with a growing proportion of jobs requiring a bachelor's degree or higher.²³ There has been a trend towards employers requiring previous work experience; now approximately three-quarters of employers require work experience, which young people often lack.²⁴ Increases in labour market participation over recent decades from a rise in female participation, growth in immigration and international students, and older workers delaying retirement. All these trends have increased the competition for jobs.²⁵

The market is now over-saturated with skilled individuals with 10 years more experience than you. You've got nothing to offer. You can't even look at an entry level job without needing experience these days, which is pathetic: it's an entry level job. – Young person from the Global Skills youth employment program, Western Sydney

Young people face stiff competition for jobs, which has resulted in fewer opportunities for stable work as young people tend to be the last ones hired for those positions. Consequently, young people are overrepresented in casual and part-time work, and are starting their careers in lower quality jobs.²⁶

It is clear that well before the COVID-19 pandemic, labour market conditions for young Australians were grim. Unemployment and underemployment for young people were at levels more than double that for the workforce as a whole, as shown in Table 1 below:

Table 1: Labour market indicators, young people compared to all workers, 2019

	Aged 15-24	All workers
Unemployment rate (% of labour force)	11.8%	5.2%
Underemployment rate (% of employment)	20.0%	8.8%
Total underutilisation (% labour force)	29.4%	13.5%
Participation rate (% working age population)	68.1%	65.9%

Source: ABS (2021) 6202.0 Labour Force, Australia

Table 1 shows that in 2019, the youth unemployment rate was 11.8%, compared to 5.2% for all workers. One in every three unemployed people was aged 15-24, despite this age group only making up 16% of the labour force.²⁷ Underemployment was also rampant, with over 400,000 young workers—20% of all employed young people—stating they wanted more work hours. Meanwhile, just 9% of the overall working population experienced underemployment.²⁸

The average duration of unemployment in Australia has also increased steadily over the last decade.²⁹ In 2019, one in five unemployed young people had been out of work for a year or more, compared to only one in ten young people in 2009.³⁰

These figures correspond with the lived experiences of young people as reported in consultations for this report:

It's harder to get into the jobs that were already hard to get into. – Young person from the Global Skills youth employment program Western Sydney

It has always been tough for young people to get a start in the labour market—they lack experience and are often undertaking study and training, restricting working options. These realities have led Australian Government approaches to youth employment to focus heavily on supply-side employment measures, including upskilling jobseekers to improve their “job readiness”. Economists might call this a focus on improving the “supply” of the labour market, as opposed to “demand-side” policies that aim to increase the number of jobs.

The Australian Government’s Youth Policy Framework reflects this supply-side focus, with highlighted spending on:

- \$600.3 million for the Youth Jobs PaTH (training and trial) program;
- \$481.2 million in youth employment services (such as assistance in finding jobs and career counselling); and
- A further \$1.8 billion for other initiatives in (non-youth specific) employment services.³¹

The Youth Policy Framework, and other employment related policy documents, ignore the fact that there simply aren't enough jobs available for everyone who wants one. In August 2020, when employment was rising, 915,000 people were competing for 206,000 jobs, a ratio of 1 job to every 4.4 job seekers.³² This is not a new pandemic-related phenomenon; it is the same ratio as August 2015.

No matter how well job seekers format their CVs, they will not all find jobs unless more jobs are created.

Young people expressed this fact to policy makers in consultations related to the Youth Policy Framework. Although they may have lacked economic jargon, the message is clear from responses to the question “What would help young people secure a job?”:

Figure 8: Factors to securing a job

	Major cities %	Regional areas %
Flexible working hours	76.7	70.7
More jobs in my local area	60.0	55.2
Work experience	44.7	36.3
Improved skills in resume writing/interviews	36.2	28.9
Training/skill development programs	24.2	19.4
Volunteering opportunities	19.0	15.9
More school support	13.9	11.2
Job services/agencies	12.3	9.5
Networking	11.5	7.8
More parent/family support	10.3	9.9
Mentors	8.6	6.1
Other	2.5	3.9

Source: Mission Australia (2020) *Youth survey report 2020*. Note: Respondents were able to choose more than one option.

Figure 8 shows that the top three factors in securing a job identified by young people in both cities and regional areas are demand-side related: more jobs at suitable hours, more jobs at suitable locations, more entry-level jobs. Supply-side factors, such as improved resumé writing, job service agencies and mentoring, are identified by at best one third of respondents—yet it is these kinds of policy responses that are favoured by governments.

This is not to suggest that education, training, work experience programs and other supply-side programs are unimportant. There is considerable scope to improve Australia's youth labour market supply-side policies, but in understanding the impact of the pandemic on youth employment and shaping a better future, we must first look at youth labour demand, the industries that employ young people, and the conditions under which they are employed.

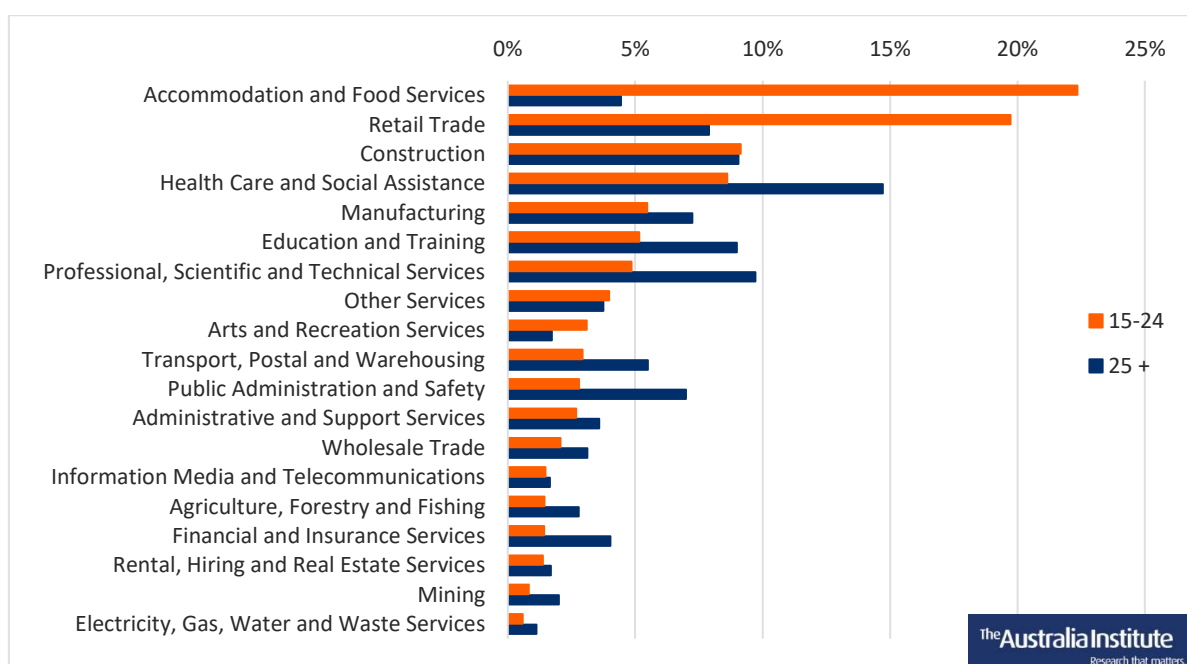
Demand-side issues and policies

The shutdown of most economic activity to stop the spread of COVID-19 had a rapid and large-scale impact on the demand for labour by employers. The deterioration of labour demand had a disproportionate impact on casual workers and those employed in customer-facing sectors like retail and hospitality. The distribution of young people in the labour market and the way government stimulus spending was targeted left young people particularly vulnerable to job losses. To reduce youth unemployment, young people actively looking for work—and ideally those discouraged to look for work—need to find jobs. Governments have various policy tools at their disposal to directly create demand for young labour.

INDUSTRY SEGREGATION

Employment of young Australians is disproportionately dependent on two key industries: hospitality and retail. The term “hospitality” refers mainly to the official industry categories of accommodation and food services. This industry makes up 22% of employment for young people, while retail accounts for another 20%. Both, however, are relatively small employers of workers over 25, as shown in Figure 9 below:

Figure 9: Proportion people employed, by age and industry, February 2021



Source: ABS (2021) *Labour force, Australia, Detailed*, Table EQ12

All industries have been affected by the COVID-19 pandemic, but in different ways. Restrictions on domestic and international travel, stay-at-home orders, and limits on the operation of non-essential services placed particular constraints on industries with high levels of personal contact. The distribution of job losses broadly reflects the direct and indirect impact of COVID-19 policies.

Of the 19 broad industry categories measured by the ABS, 14 saw a decrease in employment between February and May 2020. Accommodation and food services experienced the largest number of job losses—almost 300,000, as shown in Table 2 below:

Table 2: Changes in employment in selected industries, February to May 2020

	No. of jobs lost	% of industry jobs lost	Industry share of total employment	Industry share of total jobs lost
Accommodation & Food Services	-277,051	-29.8%	7.1%	29.1%
Transport, Postal & Warehousing	-98,200	-14.7%	5.1%	10.3%
Arts & Recreation Services	-93,221	-37.0%	1.9%	9.8%
Retail Trade	-84,350	-6.7%	9.7%	8.8%
Administrative & Support Services	-59,580	-13.2%	3.5%	6.2%
Other Services	-51,972	-10.5%	3.8%	5.5%
Information Media & Telecommunications	-24,026	-11.3%	1.6%	2.5%

Source: ABS (2021) 6291.0.55 *Labour Force Australia, Detailed*, Table EQ12

Beyond hospitality, Table 2 also shows the large job losses in transport, arts and recreation services and retail. All are large employers of young people, particularly the latter two. Arts and recreation, and accommodation and food services, experienced the most severe contractions of any industries, losing respectively 37% and 30% of industry jobs. These, along with retail, account for 19% of jobs in the economy but combined suffered 48% of the jobs lost between February and May 2020.

I think about friends from my home town who are all hospitality-based. and they've ... been working much less. I think that it really emphasises [how] precarious work is ... when a pandemic hits. What stability do you have? You don't. – Young First Nations person

The concentration of young workers in these hard-hit industries partly explains why labour market outcomes for the young have been affected so dramatically by the

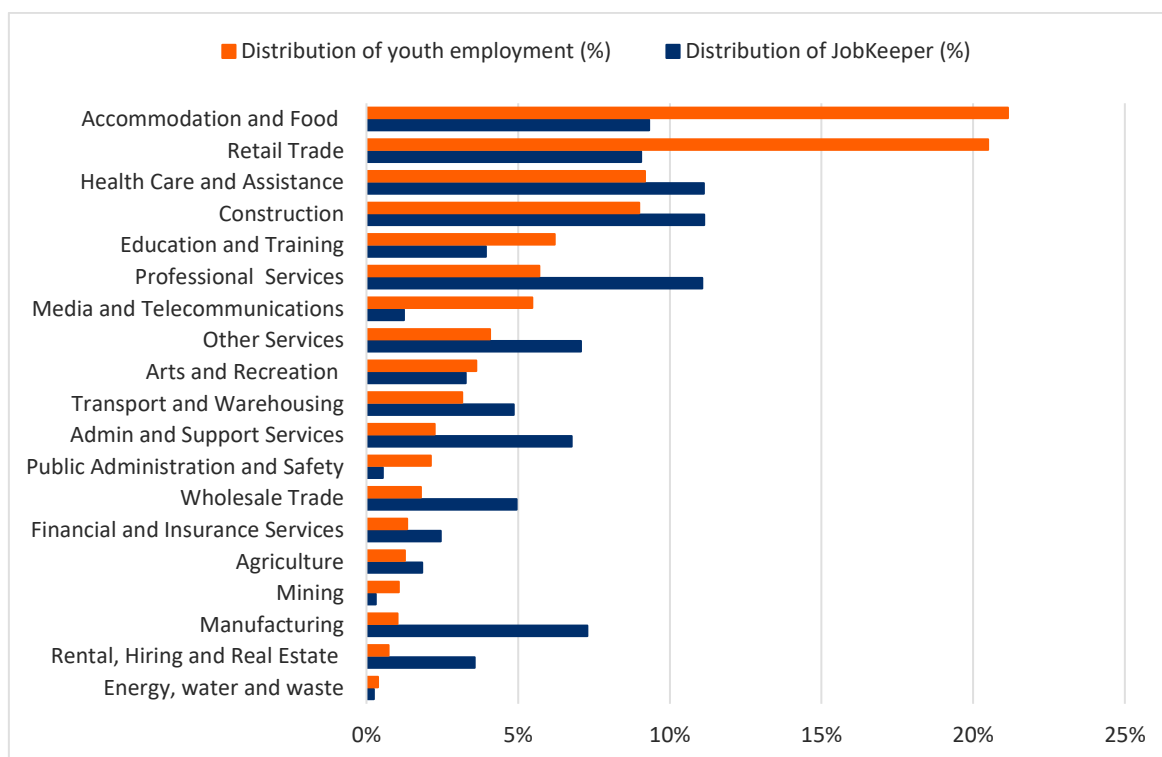
pandemic. With better government support, it is likely these industries could have fared better, reducing the hit to youth employment.

GOVERNMENT STIMULUS

The fall in employment experienced across the population during the initial stages of the pandemic would have been greater had it not been for government stimulus spending, particularly through the JobKeeper wage subsidy program. However, the design of the subsidy excluded many casual workers, preventing many young workers from accessing the support.

In March 2020, the Federal Government introduced JobKeeper for businesses that anticipated a 30-50% reduction in turnover. Figure 10 shows that major industries of youth employment did not receive a commensurate share of JobKeeper payments:

Figure 10: Distribution of JobKeeper and employed young people, by industry



Source: Calculation based on ABS (2021) 8155.0 Australian Industry, 2019-2020; ABS (2021) 6291.0.55.001 Labour Force, Australia, Detailed, June 2020; ABS (2020) *Government support for business*, Figure 2

Figure 10 shows that the industries employing the largest share of young workers, hospitality and retail, received a far lower portion of JobKeeper. Beyond hospitality and retail, other industries with high youth employment, including education and

training (3.9%), media and telecommunications (1.2%), and public administration (0.5%), employ a significant proportion of young people but were neglected by JobKeeper. The exclusion of universities from JobKeeper will also have exacerbated the impact on young people.

For me COVID has really affected my work. ... I used to work [at] Chemist Warehouse but someone tested positive for COVID-19 so I had to go into isolation for two weeks ... [and] we haven't been called for work since. They told me to apply for COVID pandemic relief payment. I did that and then they rejected my payment because of my visa status, and I didn't understand. I called and no one was trying to help me, so during that isolation, no one paid me. – Young person from Blacktown Emerging Leader and Advocates, Western Sydney

Separate to JobKeeper, government spending was directed towards industries with minimal youth employment; \$2.7 billion went to the aviation sector, spending on infrastructure (\$15.2 billion) and the Homebuilder grants program (\$780 million).³³ Perhaps worst of all, \$2.9 billion has been directed to the “gas-fired recovery”—to an industry that accounts for less than 1% of employment for young Australians, and that actively damages young people’s futures through exacerbated climate change.³⁴

It is important to note that demand-side policies are not a panacea. Policies need to be well designed and managed. For example, the JobMaker Hiring Credit Scheme was introduced as an incentive for businesses to employ additional jobseekers aged 16 to 35 years.³⁵ Employers were to receive payments of up to \$200 a week for each eligible additional employee aged 16 to 29 and \$100 a week for each eligible additional employee aged 30 to 35 between October 2020 and 2021. Unlike the JobKeeper wage subsidy, which was required to be passed on to the employee regardless of their hours worked, JobMaker allowed the employer to keep the hiring credit while paying employees only for hours worked.

Concerns were raised that JobMaker would incentivise the replacement of permanent workers with subsidised casual workers. These insecure workers could then be quickly replaced, and the same subsidy claimed again.³⁶ Businesses also complained that compliance requirements were too onerous.³⁷ As a result, the scheme supported just 5,278 jobs by mid-2021 compared to initial goals of 450,000.³⁸

The experience of JobMaker and JobKeeper shows that quality of employment is important. JobMaker encouraged insecure work and JobKeeper excluded many insecure workers because of eligibility requirements. This underscores the pre-existing problems that many young Australians experience with low quality and security of work.

CASUALISATION AND THE CRISIS

Young people are overexposed to economic downturns due to the insecurity of their employment. The worst-hit industries during such downturns also happen to be the industries with the largest share of part-time and casual employment.³⁹

The flexibility of casual work may be ideal for some young people, who are juggling study and work; however, it also comes with less work protection, security and power. Casual employment has low job security and no leave entitlements for workers; this makes them more vulnerable to unemployment, underemployment, and exogenous labour market shocks like a recession. Employment in casual jobs fell from 2.6 million to 2.1 million between February and May 2020, accounting for two thirds of all job losses during that period.⁴⁰

I think security and stability is massive in the context of COVID. The majority of young people are casual and have been hit so hard through COVID. In my situation, I used to work at a café, and I also interned two days a week at a company. I lost my café job, but I was able to pick up more days in my internship, which was really lucky. – Young First Nations person

Casualisation is endemic in hospitality, retail and other industries that employ young people. Young people are much more likely to be employed on a casual basis compared to other workers. In 2019, just over half (54.3%) of all young people were employed in casual or “gig” based jobs and had no access to sick leave, paid leave or other entitlements. This compares to only 18.2% of workers over 24 being without entitlements, as shown in Table 3.

Table 3: Percentage of employees by age, length of employment and access to paid leave, August 2019

	Permanent workers	Casual/gig workers	Total
15-24 years			
Less than 12 months	15.9	26.4	42.3
12 months or more	30.2	27.9	57.7
TOTAL	46.1	54.3	100.0
25 years or more			
Less than 12 months	11.5	6.5	18.0
12 months or more	70.3	11.6	82.0
TOTAL	81.9	18.2	100.0

Source: Gilfillan (2020) *COVID-19: Impacts on casual workers in Australia*

Table 3 also shows the length of time workers have been with their employers; either more or less than one year. This is important because the JobKeeper payment only covered the wages of casual employees if they had held their job for over 12 months.⁴¹ This meant that many young people, who are less likely to have permanent positions and more likely to have held a job for less than 12 months (see Table 3), were not eligible to receive the payment. In 2019, just over 26% of young workers (489,300) were casuals employed for less than 12 months, more than four times the proportion of short-term casual employees aged 25 and over.⁴²

Young people made up 15% of the employed population in 2020, but they only received around 12% of the JobKeeper payments made between April and October 2020, dropping to 9% by February 2021.⁴³ The weaker coverage of JobKeeper among young workers is consistent with the considerably higher job losses and income payment receipts for the young compared to other age groups (see Figure 10).

As lockdowns in most states ended, the marginal job growth that took place was largely in part-time and casual work, reinforcing existing labour market weaknesses. Although many young people had regained employment since the initial stages of the pandemic, the insecurity of their employment means they remain vulnerable to job losses in the subsequent and ongoing lockdowns.

Supply-side issues and policies

The pre-COVID state of youth labour market outcomes indicates that supply-side policies such as youth employment programs were not addressing the problems faced by young people. The pandemic has only exacerbated these issues and it is unlikely that existing youth employment policy and programs will fare any better in the worsening labour market conditions.

A patchwork of youth employment policies and programs exist in Australia, delivered both at a state and Federal level. Historically, the approach of these policies and programs has been characterised by an emphasis on improving jobseekers' employability through education and training—but this approach has increasingly shifted towards a focus on getting people into work.⁴⁴ Youth employment services range from short-term, intensive, non-technical skill training through internships, work experience, interview and job application support to career planning. The strong focus on employment in many cases comes at the expense of encouraging dedicated time and resources for further education, or finding suitable, high-quality work that aligns with the preferences of the individual.⁴⁵

The two main Federal, youth-specific employment programs are detailed below. In addition to these, there is a range of employment programs that are not youth-specific, such as Jobactive and its replacement, the New Employment Services Model (NESM), which will be rolled out nationally from July 2022.

Although Jobactive is not youth-specific, approximately 17% of the more than 1 million people who participate in the program are young people aged between 15 and 24.⁴⁶ Participation is compulsory for unemployed individuals who are receiving income support, such as Youth Allowance. Compulsory participation or mutual obligations make receiving income payments conditional on performing tasks such as applying for a certain number of jobs and attending appointments. By 2000, there were a total of 56 possible reasons for suspending the payment of an unemployed worker and between 2015 and 2018 employment services had imposed 5.2 million penalties on unemployed workers.⁴⁷

If a jobseeker has been with a Jobactive provider for six months, they are moved into a program where they must undertake work-like activities to continue receiving income support. A review of the Work for the Dole program found that participation increased employment outcomes by a negligible 1.9%.⁴⁸ The punitive nature of this strategy is

designed to force people into employment with little consideration for the welfare and desires of the jobseeker.

I've noticed that when the job agency forwards me jobs, they're all construction. I don't know if that's just because I'm male, [but] I've specifically said that I would not like to do construction because I am not physically suited for it. I am quite weak. – Young person from the Global Skills youth employment program, South West Sydney

Youth Jobs PaTH (Prepare - Trial - Hire)

Youth Jobs PaTH is a program for job seekers under the age of 25 with an emphasis on those at risk of becoming long-term unemployed and dependent on income support.⁴⁹ There are three components to the program: Prepare, Trial and Hire.

- **The Prepare component** involves two three-week blocks of intensive employability skills training.
- **The Trial component** is a voluntary internship of four to 12 weeks for job seekers aged 17 to 24 who are engaged with Jobactive, Transition to Work (see below) or Disability Employment Services. Depending on the employer's needs, these internships can be between 15 and 25 hours per week. Young people participating in internships receive an extra \$200 per fortnight, in addition to their existing income support payments. Businesses and Jobactive employment service providers also receive payments for hosting the internship and achieving certain outcomes.
- **The Hire component** involves a financial incentive for businesses to employ young people in an ongoing job. Wage subsidies up to \$10,000 over six months are available to employers who hire eligible young people for a minimum of six months, for an average of at least 20 hours a week.

Jobs PaTH is the main youth-specific policy, with an initial budget of \$751 million over four years from 2016. It has failed to meet its initial targets by a wide margin—only 16% of internships and 40% of training targets were met.⁵⁰ The program set out to deliver 30,000 internships a year for young jobseekers, but in the first 18 months of the program only 4,785 internships were completed. Instead of providing young workers with career opportunities in diverse fields, around half were employed as café workers, sales assistants, and kitchenhands.⁵¹ This further entrenched the dependence of young workers on retail and hospitality jobs, industries that notoriously provide low paid, insecure jobs with few opportunities for skill development and career progression.

Transition to Work (TtW) program

The TtW program targets young people aged 15 to 21 who are not engaged in employment or education, and Jobactive referrals.⁵² Eligibility also depends on the young person's circumstances, including whether they finished Year 12, have had a job in the last six months, or are receiving income payments. In May 2021, there was a total of 37,923 people in the scheme.⁵³

The TtW employment service operates separately from the government's non-youth specific Jobactive service. It is run through a network of community-based organisations, and provides "intensive, pre-employment support to develop practical skills to get a job, connect with education or training, find local job opportunities and connect with relevant local community services."⁵⁴

The TtW program has a budget of around \$100 million per year; in 2018, it cost over \$5,000 per participant (compared to Jobactive's \$1,800 per participant). Evaluation of the scheme notes, however, that this should not be surprising given the TtW program's focus on young people at risk of long-term unemployment.⁵⁵ There has been little attention given to the TtW program by the media or other stakeholders.

The underperformance of youth employment programs can arguably be attributed to structural features. The provision of youth employment services—via government programs like Youth Jobs PaTH, Transition to Work and Jobactive—are outsourced to private providers. This results in a market-based system, in which for-profit and non-for-profit organisations, chosen through a tender procedure, deliver services to a specific group in a specific area. Provider compensation is linked to performance, consisting of relatively moderate per-client administrative fees and more significant outcome payments for moving jobseekers into employment or training.

This funding system can create disincentives for providers to secure jobseekers long-term, sustainable employment and to work with jobseekers with the most disadvantage.⁵⁶ To access more funding, providers often take on high caseloads—e.g. 80 jobseekers—which can prevent staff from actively addressing the particular barriers to employment that a young person may face.⁵⁷ This lack of personalised support, along with the pressure to place jobseekers in work, does not produce conditions where vulnerable youths are receiving the skills and guidance needed to make informed decisions about where they may want to work. Under this regime, less than a third of all young, disadvantaged jobseekers find employment—and of those that do, almost a third are not able to sustain that work for more than six months.⁵⁸

My job agent has helped me a lot, but my sister was at a different job provider and she didn't get any help whatsoever. – Young person from the Global Skills youth employment program, South West Sydney

Employment services in Australia tend to be highly targeted towards early school leavers and the young not in education, employment, or training (NEET).⁵⁹ A young jobseeker must usually be unemployed for more than 6 months to receive individual case management.

After school there's not a lot of support out there. [Not] all young people know about support that they can access to help them gain employment, so having a career advisor/job skills person [with whom] to work together closely will build on success stories where young people are supported throughout and after school – Young person from the Fairfield Youth Council

While not all young people need support to get a job, to find a course to study and/or to make decisions about their future, the difficulty of this transition is not limited to those on income support for an extended period. The requirement for at least 6 months of unemployment is particularly damaging during the pandemic, when many young people are plunged into unemployment and may respond by disengaging. Delayed support can significantly reduce the odds of a successful transition into work.

Opportunity cost of youth unemployment

While the personal costs of unemployment for a young person can be devastating, the economic costs of high youth unemployment at a societal level are also undeniable. While public focus is often on how much unemployment benefits cost governments, a more useful question from an economic perspective is: “What is the cost of unemployment itself?”. In other words, how much productive output has the community foregone by allowing the labour of young people to sit idle, or be directed into unproductive job search activities?

Table 4 below estimates these costs, based on the number of young people looking for part- or full-time work, along with the average wages for young workers:

Table 4: Wages and output foregone due to youth unemployment

	Number of young people unemployed	Forgone wages	Foregone GDP
Looking for PT work	108,919	\$1.56 billion	\$3 billion
Looking for FT work	140,288	\$5.55 billion	\$10.68 billion
Total	249,207	\$7.11 billion	\$13.68 billion

Source: Authors’ calculations based on 2018 figures from ABS (2019) *Employee Earnings and Hours, May 2018*; ABS (2021) *Labour Force, Table 13*; ABS (2020) *Australian System of National Accounts, Table 1*.

Table 4 shows that if the 249,000 young people who wanted to work in 2018 had been productively employed, they would have earned \$7.1 billion. This is based on the average weekly earnings of PT and FT workers aged 20 years and under multiplied by the number of young people looking for PT and FT work. All data used is from 2018.

The value of the output produced by the labour of these young workers would have been much greater: \$13.7 billion based on the average figures in national accounts statistics. This was calculated by adding the labour share plus the non-labour share of GDP. The non-labour share was estimated as the difference between the labour share of GDP (52% in 2018) and GDP in 2018. These estimates do not include the effects of redirecting government expenditure on unemployment income support, increase budget revenue through broadening the tax base and increase business revenues and profit through the production and sale of more goods and services.

For context, this increase in GDP represents eight times the amount the Federal Government spent on all employment services in 2020-21, including Jobactive, Transition to Work, ParentsNext etc.⁶⁰ Reducing youth unemployment has the potential to significantly increase the size of the economy, and also to help circumvent the economic and emotional suffering of young unemployed people.

The cost of youth unemployment is not inevitable. Not all young people around the world were as badly hit by the pandemic, or by previous crises, as those in Australia. International comparisons show that policy settings can protect young workers from unemployment and its associated costs.

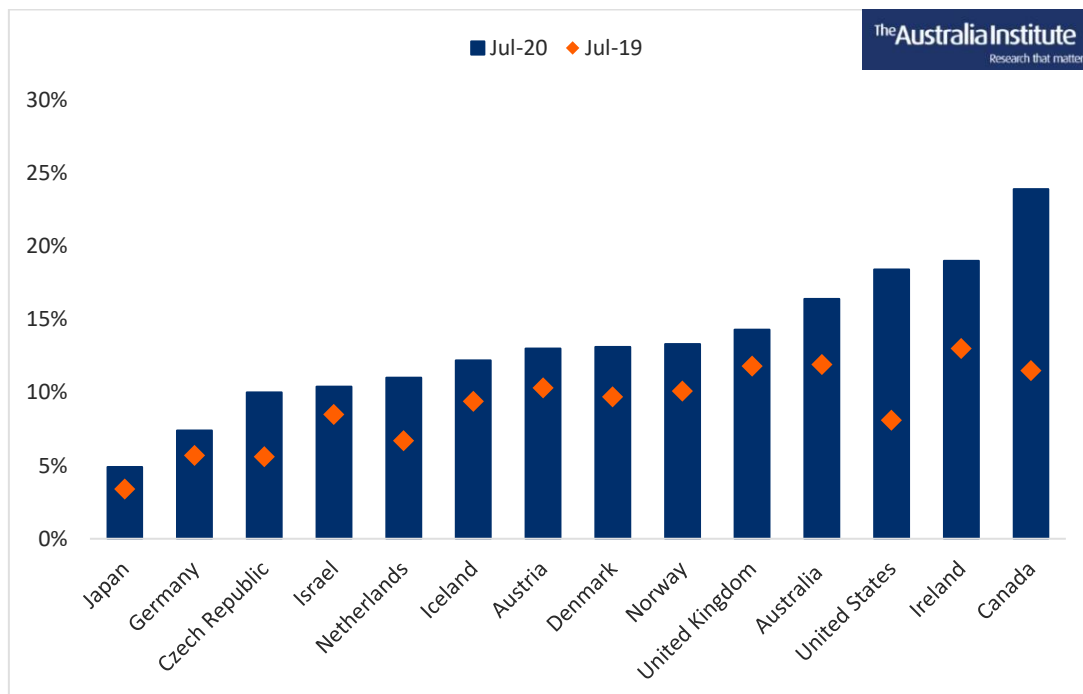
International policy comparisons

The COVID-19 pandemic has had a dramatic effect on the jobs, livelihoods, and wellbeing of workers across the globe. As in Australia, the impacts of the crisis fell disproportionately on those who were already in vulnerable circumstances. Young people accounted for more than four in ten workers employed globally in the hardest-hit sectors.⁶¹ However, young people in some countries have fared better than others.

In part, the global variance in outcomes for young people during the pandemic reflects the strength of individual countries' pre-existing youth employment policies and youth labour market conditions, but also the scale and timeliness of stimulus measures implemented by their governments. To minimise the impact of the crisis on workers and businesses, governments globally have executed a range of measures, with a total of \$9 trillion spent on fiscal stimulus measures in over 170 countries.⁶²

Figure 11 shows the youth unemployment rate for a range of OECD countries in July 2019 compared to 2020. In all countries, the unemployment rate increased in 2020, but to widely varying degrees:

Figure 11: Unemployment rate for people aged 15-24 by country, 2019 and 2020



Source: OECD (2021) *Unemployment rate by age group*

Figure 11 shows that Japan, Germany, and Israel experienced the smallest increase (between 1.5% and 1.9%), while countries like Canada, the United States, Ireland, and Australia experienced a much bigger increase in the unemployment rate (between 4.5% and 12.4%). Figure 11 also shows that the latter countries started with a much higher unemployment rate pre-pandemic than the countries that experienced less of a spike in youth unemployment.

It is important to note that countries experience different levels of unemployment for a range of reasons, some more problematic than others. For example, low rates of youth unemployment in Germany are often ascribed to the strength of transition policies, whereas low rates of youth unemployment in Mexico hide the huge number of young people participating in informal working arrangements. Comparison countries in Figure 11 were chosen based on the strength and success of their youth employment policies.

Responses to employment during the pandemic have differed between countries in scale, focus and demographic targeting, but many have emphasised youth employment. Measures have included drawing upon national youth strategies, providing additional income support, offering hiring subsidies, expanding work-based learning opportunities, strengthening employment services, and bolstering mental health services.⁶³ Other interesting policies include:

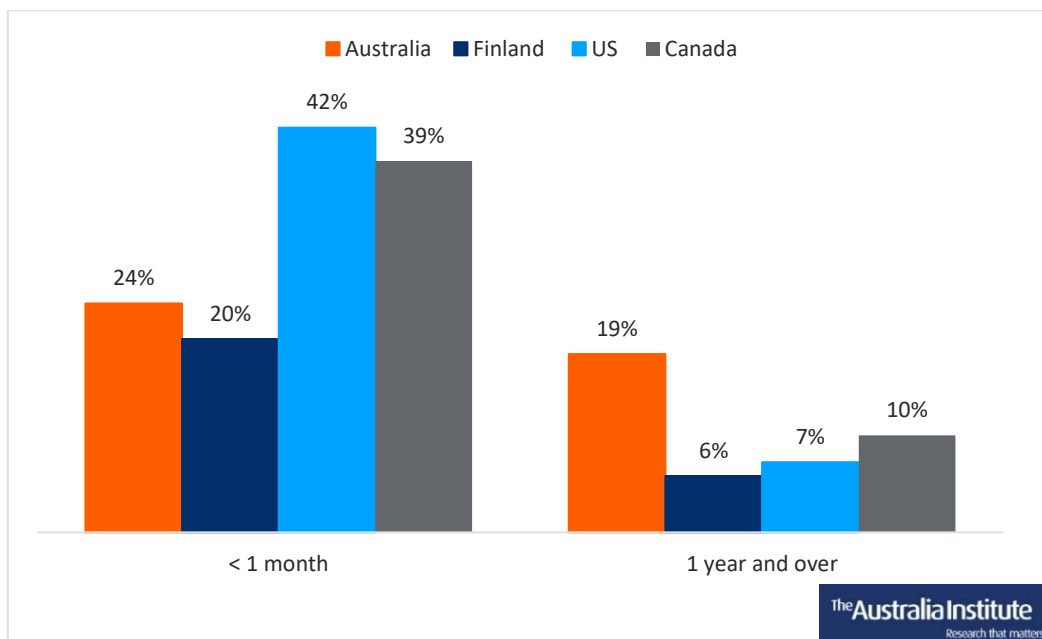
- At least 11 OECD countries—including Austria, Canada, France, Germany, Japan, Netherlands, and Norway—introduced emergency income support measures for students in post-secondary education and universities, in many cases targeted at students who lost part-time jobs and those unable to find work. For example, in the Netherlands, one-off income support was made available to students in vocational education and tertiary education to compensate for delays in studies and support students to complete their education.⁶⁴
- In Germany, the Government launched a new national scheme to secure apprenticeships by funding small and medium-sized enterprises. The scheme targeted employers hit hard by the pandemic, providing subsidies to maintain or increase their level of apprenticeships for young people.⁶⁵ The Government also safeguarded a significant number of jobs by expanding access to its short-term work program (Kurzarbeit), which supplements wages for workers working reduced hours at companies with reduced levels of activity.⁶⁶
- The Austrian Government expanded its apprenticeship program, making an additional 3,000 placements available in response to the pandemic. The program aims to provide apprenticeship training to young people who upon completion of compulsory school cannot find an apprenticeship, with a focus

on helping people from disadvantaged backgrounds. Apprenticeships are offered directly in operating companies, or if no position is available in a relevant company, equivalent training is offered by a training provider in a 'supra-company'. The program is coordinated at a regional level, making skill development more responsive to skill shortages.⁶⁷

- The Japanese Government made special consultation services available at 56 employment service officers for new graduates. This specifically targeted young people who had their job offers withdrawn due to the crisis, and included counselling, job-matching and mental health support.⁶⁸
- In Ireland, the government created 19,000 full- and part-time student placements for young unemployed individuals, providing opportunities to reskill in sectors identified as providing sustainable employment, such as health care, software development and e-commerce.⁶⁹

Long-term youth unemployment is higher in Australia than in some comparable countries. Figure 12 shows that in 2018, before the pandemic, short-term (less than one month) youth unemployment in Australia was at a similar level to that in Finland. The proportion of short-term unemployed young people in Canada (39%) and the US (42%) was much higher. However, the incidence of long-term unemployment (one year or over) was much higher in Australia: 19% compared to 6% in Finland, 7% in the United States and 10% in Canada.

Figure 12: Australia, Finland, USA and Canada, proportion of youth unemployment by duration, 2018



Source: OECD (2021) Incidence of *unemployment by duration*, *Employment and Labour Market statistics*

Figure 12 shows that a larger proportion of young people looking for work experience unemployment for a year or longer in Australia than in Finland, which has a similar short-term youth unemployment rate, or in the United States and Canada, which have much higher short-term youth unemployment rates.

Australia had experienced 30 years of consecutive recession-free growth up until 2020, so increasing long-term youth unemployment suggests youth employment policies and programs have been ineffective.

Fundamentally, Australia treats youth unemployment as a supply-side issue. However, youth unemployment is predominately a demand-side problem. Preparing young people with practical skills for entering the labour market is important, particularly for disadvantaged groups, but many young people find it difficult to get a job because there are not enough jobs. Supply-side measures also let many young Australians fall through the cracks. Policy lessons can be learned from effective approaches around the world:

- Germany has a long history of vocational education pathways to quality employment in a range of occupations. The publicly funded vocational education and training (VET) system combines theoretical education and practical relevant work experience with a local business. The dual nature of the system attracts strong employer engagement, as employers contributed to the design and delivery of the system.⁷⁰
- Finland introduced a youth guarantee in 1996. It comprises a suite of policies designed to ensure that everyone under the age of 25, as well as recent graduates under the age of 30, is provided with either a job, a traineeship, or a study place within three months of becoming unemployed.⁷¹ The guarantee is coordinated by public employment services that offer comprehensive supports to young people, starting with a personalised development plan and needs assessment.⁷²
- Norway has Follow-Up Services, which are central for outreach to young people not in employment, education, and training. This involves municipal authorities contacting all school-leavers and tracking them up until the age of 21 to ensure they have been offered an education, training, or employment option. The process is coordinated between the Norwegian Labour and Welfare Administration and educational institutions at a regional level, and legally obliges municipal authorities to track young people who have leave school and are not in work. In 2017, around 18,000 young people NEET were identified, and contact was established successfully with 94% of them.⁷³
- In Japan high school students have access to career counselling, job search support and placement managed by schools in cooperation with the public

employment service centres called Hello Work (HW). Career planning and job search training are part of the curricula. Students not planning to finish non-compulsory high school undergo a highly regulated job placement at school, in which career guidance teachers match students to available positions provided by HW. The job placement system that intervenes before the student has left school is effective: among students choosing to enter the labour market, nearly 98% were placed with an employer in 2016.⁷⁴

These examples show that there are a range of policy options that can reduce the vulnerability of young people to unemployment and labour market shocks. The following section draws on some of this international experience to make policy recommendations.

Policy recommendations

The recommendations that follow constitute a broad agenda to reform Federal, state and territory policies affecting young Australians. A future where all young people have opportunities for decent employment is possible with evidence-based policies in place. The policies recommended in this report were developed and discussed in consultation with Youth Action and a group of young Australians with diverse backgrounds and experiences. It is critical that governments and other stakeholders involve young people in the policy reform process and decision-making. They have the right to be included in decisions that affect their lives.

1/ Youth Job Guarantee

Youth Job Guarantees and similar policies aim to ensure that eligible people are offered either a job, a paid internship, or a training opportunity within a short time after registering as unemployed.⁷⁵ Nordic countries, led by Finland, have had youth guarantee policies for almost a decade, and the concept is being adopted in other European countries.⁷⁶ The European Union introduced a Youth Guarantee scheme after the GFC recession to address rapidly rising youth unemployment.⁷⁷ This commitment was recently reinforced and extended to address the fallout of the pandemic.⁷⁸

A Job Guarantee is not one policy. It entails a suite of structural reforms to both the demand and supply side of youth employment policy. Approaches to implementing the youth guarantee vary across countries in terms of the type of support, duration of assistance and resources provided to the scheme. Regardless of the exact details, these guarantees have been successful in improving labour market conditions for young people.⁷⁹

The primary objectives of a youth guarantee are:

- Smoothing the transition from school to work;
- Providing support in career planning;
- Preventing long-term unemployment; and
- Addressing labour market disadvantage for young people.

Under the current system, a young person must either not have finished year 12 or be registered as unemployed for six months before they become eligible for employment services. However, as discussed, early experiences of unemployment have lasting

consequences and increase the risk of disengagement from education and employment. A guarantee would ensure early intervention with no prerequisite requirements for access and all young people aged 15-24 would be eligible to receive support services.

The strength of a youth guarantee is that it connects the supply and demand sides of the labour market, as it involves both preparing young people for work and ensuring that there are enough jobs for young workers. As explored in this report, preparing young people for employment will only impact the level unemployment in conjunction with job creation measures. Tackling weak aggregate demand through direct investment in jobs and addressing the barriers young people face in taking up those jobs are key to the success of any youth employment strategy.

There is broad consensus among organisations that some form of youth guarantee would help address the youth unemployment crisis in Australia.⁸⁰ The development of a youth guarantee would entail Federal, state and territory level coordination and policy change. Implementing such a guarantee for young people would require overcoming youth employment barriers specific to the Australian context and incorporating lessons from best practice. The following youth guarantee recommendations are not intended to be exhaustive but to provide a basis for inquiry and implementation.

Demand-side elements of an Australian youth guarantee policy:

- **Implementing private sector job creation programs** such as wage subsidies aimed specifically at youth employment growth. Engagement with the private sector, particularly with regional and rural employers, would help to ensure job availability in areas where young people have limited options. This has the added benefit of supporting regional and rural economies and would assist with the development of skills based on local labour market shortages.
- **Expanding public sector graduate programs.**⁸¹ Federal, state and territory governments already offer entry-level positions across a range of departments, giving new graduates the opportunity to gain work experience, job skills and insight into career possibilities. These programs could be expanded to create more jobs for young people using existing policy infrastructure and increasing the locations and agencies involved.

Pitfalls and considerations:

- Job offers must reflect the preferences of young people, including the industries and sectors in which they want to work.

- The scheme must be voluntary, and young people should be protected against coercion to take up an undesirable job. Refusal of a job offer must not result in cuts to income payments.
- Job offers need to incorporate opportunities for skill development and ensure a pathway to permanent jobs.
- Financial support must be provided for relocation and the viability of commuting to and from work must be considered when job offers are presented.
- Co-ordination of educational systems so that they are flexible and responsive to the needs of the labour market.
- The guarantee of work experience provided through this scheme would help address the requirement of previous experience which young people commonly report as a barrier to employment.

Supply-side elements of an Australian youth guarantee policy:

- **De-privatising employment services and providing them with sufficient funding.** An inquiry into possible ways to de-privatise and properly fund employment services should be conducted by the Federal Government. A new funding system should:
 - Redirect funding to public and not-for profit providers of services;
 - Provide long-term funding that incentivises job service providers to place young people in good quality, long-term, secure employment; and
 - Account for the fact that successful programs for jobseekers with high levels of disadvantage are likely to be relatively expensive.⁸²
- **Personalising employment support.** Not all unemployed young people require the same level of support or the same types of intervention. Holistic assessment of needs and tailored case management must be a feature of the new system. Personalised support services should:
 - Prioritise the talents, abilities, and preferences of each individual—this would also involve making requirements flexible;
 - Put a limit on staff caseloads so that they can provide intensive support to young people from disadvantaged backgrounds;
 - Not be rushed—instead, it should be aimed at careful planning and consider finding sustainable careers in areas of labour market skill shortages;⁸³ and
 - Be youth specific services, not generalised unemployment support.
- **Ending financial penalties for compliance failures.** Currently, failure to meet mutual obligation requirements set out by employment services can result in cuts to income payments. This punitive approach to employment support in

many cases undermines the capacity of young people to find quality long-term employment and doesn't address many of the complex barriers to employment.

- **Decentralising services.** This would mean that local services have enough flexibility to adapt support to local labour market opportunities and skill shortages.⁸⁴
- **Engaging with local employers** to ensure demand-driven skill development, realistic workplace requirements and likelihood of recruitment.⁸⁵

2/ Adequate income support

Many young Australians rely on allowances like Youth Allowance and JobSeeker as their main form of income while they are looking for work or studying, or during periods when temporary illness that prevents them from working.⁸⁶ For decades the adequacy of these payments has been called into question, as the payments were not increased in material terms between 1994-2020.⁸⁷

With the threat of widespread unemployment due to lockdowns, the Federal Government temporarily expanded JobSeeker by adding the Coronavirus Supplement in March 2020. Since then, the government has reduced benefits back to a mere \$50 per fortnight above the pre-pandemic rate in April 2021.⁸⁸ This provides around \$44 per day for jobseekers and \$36 per day for youth allowance recipients. Even with the increase, payments are still far below Australia's benchmark Henderson poverty line, and Australian unemployment benefits rank second lowest out of all OECD countries, after Greece.⁸⁹

The income support system in Australia is not meeting its objective of ensuring a minimum, adequate income.⁹⁰ The insufficiency of income support not only forces many young people to forego necessities but can also undermine efforts to find work. Youth unemployment and underemployment rates will likely be impacted long into the future as a direct result of the crisis. The Federal Government's decision to suppress income support punishes individuals for entrenched structural factors influencing youth unemployment. Jobseeker and Youth Allowance should be doubled permanently to ensure the wellbeing of young people while they study and search for work.

3/ Affordable tertiary education

Completion of higher education or Vocational Education and Training (VET) qualifications are increasingly a prerequisite for access to and successful participation in the labour market.⁹¹ The Department of Jobs and Small Business forecasts that over

90% of the 991,000 jobs expected to be created by 2025 will require a post-school qualification.⁹² The level of participation in tertiary education, and the question of who gets to study, are therefore major policy issues that require long-term planning and reform.

Government funding for public tertiary education has been declining relative to the economy over the last couple of decades. According to the latest OECD data, public spending on tertiary education is equivalent to only 0.65% of GDP in Australia, well below the OECD average of 0.94%.⁹³ As a result, the university and VET sectors have developed alternative funding structures that prioritise securing revenue for individual institutions, in large part through raising student contributions. Consequently, private spending on tertiary education in Australia, including the fees students pay to study, constitutes 1.23% of GDP, the fourth highest of all OECD countries.⁹⁴

Tertiary education plays an important role in training and retraining people as they make numerous career changes over their lifetimes and ensures workers have the skills to keep our economy operating. Shifting the cost of education towards the individual student undermines the affordability and accessibility of this crucial public good. Decisions by young people to participate in tertiary education are influenced by economic considerations—the trade-off between earnings foregone and the debt incurred by studying and the prospect of greater future earnings. The trade-off presents a greater barrier for some more than others. The most obvious example is low-income households, whose members may never have participated in tertiary education and are further put off by its rising cost.

The pandemic provides the opportunity for the innovative restructuring of the tertiary system. To ensure that the financial barriers to tertiary education are removed, fees should be means-tested and study places in priority skill areas should be offered free of charge. This would both incentivise student enrolment in skills areas needed in the economy and help to address generational economic mobility helping to break cycles of disadvantage.

4/ Protections for casuals

The ease with which employers have been able to employ then sack casual workers has been observed economy-wide during state and territory lockdowns in 2020 and 2021. The financial and health consequences of this type of insecure employment are borne by the workers. The instability of casual work has a disproportionate effect on young people as they make up more than one-third of all casual workers, and half of all young workers are employed casually.⁹⁵ While the recovery of casual employment post-lockdowns in Australia is likely, that recovery will not resolve the continued

vulnerability of workers in casual positions and the overexposure of certain groups to the resulting hardship.

Australia is unique among developed countries in providing a separate regulatory category for casual employment. This category provides no stable or assured hours of work, no entitlement to any type of paid leave, and no protections against being laid off.⁹⁶ While the flexibility of this kind of working arrangement can be desirable for some workers—for example, workers juggling caring or studying commitments—the prevalence of casual work is not reflective of its popularity. According to the OECD, Australia has one of the highest rates of non-standard work among all member countries.⁹⁷ The long-run expansion of casual employment is likely to continue in Australia, representing a threat to the security of work opportunities for young people and school to work transitions.

Improving protections for casual workers can be achieved through a range of reforms to labour market regulations. Such reforms should include limiting casual employment to situations that genuinely reflect ongoing fluctuations in work, along with providing basic protections like paid sick leave to all workers regardless of status.⁹⁸ Increasing the number of permanent jobs through a youth guarantee would also reduce young people's reliance on casual work and ensure they have access to other types of employment arrangements.

5/ Better targeted stimulus spending

Federal Government stimulus spending since the beginning of pandemic has been estimated at \$290 billion.⁹⁹ A large proportion of this spending was targeted directly at job protection and creation, including the JobKeeper wage subsidy (\$89 billion); tourism industry support, including \$2.7 billion to the aviation sector; spending on infrastructure (\$15.2 billion); the Homebuilder grants program (\$780 million); and JobMaker hiring credit (\$4 billion).¹⁰⁰ The Government has also cultivated a narrative of a “gas-led recovery” in Australia, dedicating \$2.9 billion towards fossil fuel exploration, job creation, infrastructure and production.¹⁰¹

There is little contention among economists that in times of rapid economic decline, expansionary fiscal policy is an effective way to boost growth and minimise the increase in unemployment. However, not all stimulus spending is created equal. Effective stimulus depends on the size, speed, and shape of the spending.¹⁰² To achieve the goal of low unemployment during a downturn, economic history and theory both endorse the need to target spending towards labour-intensive industries and to target the spending towards the workers hit hardest.¹⁰³ In practice this means

spending money on industries that have high direct employment effects per million dollars spent and on industries employing young people.

Table 5 shows that the disparity between the lowest and highest employment intensity by industries is stark. Education, accommodation and hospitality, and health care are estimated to provide between 9-13 jobs per \$1 million invested. At the other end of the spectrum, a \$1 million investment in the mining industry, including the gas sector, creates less than one job (0.58). Stimulus spending targeted towards higher employment intensity industries would be more effective at achieving the goal of reducing unemployment during a recession.

Targeting spending towards groups hit hardest by job losses also has the effect of tackling the impact of recession in the economy. It has been well documented in this report that young people suffered the most job losses during lockdowns in Australia. Table 5 below shows that young workers are concentrated in labour-intensive industries; directing stimulus spending towards job-intensive industries therefore also has the double dividend of helping protect the jobs of vulnerable groups.

A bigger proportion of young people are employed in both the education, and accommodation and food services industries (10.3% and 45.9%) than in the mining sector (7.6%).¹⁰⁴ Given the higher intensity of young people employed in these industries, investment in them also gives the biggest direct employment impact for people aged 15-24. For every \$1 million invested in these industries, an estimated 1.4 young people are employed in education, and 4.48 young people are employed in accommodation and food services. A \$1 million investment in mining only creates an estimated 0.04 jobs for young people.

Although the Federal Government's JobMaker scheme was designed to create jobs for young people during the pandemic, the heavily restricted eligibility criteria meant that it has not been effective. The Treasury predicted that the scheme would create 100,000 jobs by March 2021 and 450,000 by the end of 2021.¹⁰⁵ However, the scheme has drastically underdelivered with just 609 people in receipt of the subsidy in March 2021.¹⁰⁶

Stimulus spending during a downturn is more likely to help reduce job losses if it is better targeted towards high employment industries and hardest hit demographics. Further, it is well established young workers are particularly impacted by economic shocks, and spending on job protection and creation should therefore account for the vulnerability of young people.

Table 5: Employment multipliers for people aged 15-24 per \$1 million of investment, by industry, 2020

	Direct employment per \$1m	Aged 15-24 intensity (%)	Aged 15-24 employment per \$1m
Agriculture, Forestry and Fishing	4.84	7.95	0.39
Mining	0.58	7.60	0.04
Manufacturing	2.00	11.52	0.23
Electricity, Gas, Water and Waste Services	0.84	4.85	0.04
Construction	2.62	14.93	0.39
Wholesale Trade	0.99	9.41	0.09
Retail Trade	2.87	30.39	0.87
Accommodation and Food Services	9.72	45.91	4.46
Transport, Postal and Warehousing	3.50	9.54	0.33
Information Media and Telecommunications	1.80	10.90	0.20
Rental, Hiring and Real Estate Services	2.84	6.63	0.19
Professional, Scientific and Technical Services	4.39	8.88	0.39
Administrative and Support Services	8.71	10.27	0.89
Public Administration and Safety	7.65	4.73	0.36
Education and Training	13.55	10.34	1.40
Health Care and Social Assistance	9.50	9.61	0.91
Arts and Recreation Services	5.76	27.45	1.58
Other Services	7.07	14.73	1.04

Source: Calculations based on ABS (2021) 8155.0 Australian Industry, 2019-2020; ABS (2021) 6291.0.55.001 Labour Force, Australia, Detailed, June 2020

Conclusion

The COVID-19 pandemic has exposed and exacerbated the key labour market problems for young Australians. Young workers lost jobs at unprecedented rates during lockdowns and early career opportunities have been missed. For a huge number of young people, the transition from education to work has been invested with additional uncertainty.

Young people have long suffered from disproportionately high unemployment rates, low pay, high turnover rates, low skills, high incidence of non-standard employment and non-career path positions. These features tend to be accumulative and mutually reinforcing, making it difficult for many young people in the labour market to escape from a cycle of unemployment and insecurity. The pandemic has exacerbated these trends and the quality of jobs regained post-lockdowns have not resolved these issues.

Although economic indicators may be showing signs of recovery, past downturns have shown that young people will bear the burdens of this crisis for years to come. History shows that the damage to career prospects, earning potential and wellbeing is often long-term and even permanent.

However, the fallout from the pandemic and the disadvantage of young workers are not inevitable. The Federal Government has an opportunity to take a more active role in providing young people with good jobs, giving them the opportunity to develop skills for the future economy and reducing the risk of unnecessary hardship.

This report has presented an aggregate view of labour market outcomes for young people before and during the pandemic. But it must be acknowledged that not all young people were equally impacted during the crisis. Young people overexposed to labour market disadvantage before the pandemic were predisposed to worse outcomes. An important dimension to youth labour market inequality in Australia is geography. This report will be followed by a supplementary analysis focusing on youth unemployment in NSW and policy reforms that the NSW Government can make to tackle this issue.

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