

Young people are faring badly in a ‘relaxed and comfortable’ Australia

By Tim Martyn

While the majority of us might be ‘relaxed and comfortable’ after more than a decade of economic growth, many young Australians have been left behind. While large numbers of well-educated and well-connected youths might be on their way to their first BMW, on the other side of the divide, a growing number of disadvantaged young Australians are facing a lifetime without work.

Almost forty percent of Australia’s unemployed are under 25 years old. The prime reason for this, as reported by the Dusseldorp Skills Foundation in *‘How young people are faring 2004,’* is that making the transition from school to work or study is harder now than it has been since the recession ‘we had to have’ in 1990.

The report found that almost a quarter of 18 to 24 year olds are not in full-time education or employment. This proportion has barely declined since the recession of the early 90’s.

Those most ‘at risk’ of failing to enter further education or employment are early school leavers.

Whereas in years past when early school leavers had little trouble finding work in blue-collar occupations, the decline of our industries has left those with few skills in a particularly precarious situation. The Business Council of Australia reports that seven years after leaving school, 21 percent of young men and 59 percent of young women who failed to complete Year 10 remained unemployed.

These young people are, to borrow from former Prime Minister Paul Keating, “in danger of becoming the ‘new poor’.”

The absence of vocational skills among many early school leavers acts as a permanent barrier to their movement from ‘welfare to work.’ Without an increased, short-term investment in their vocational education and training, the long-term costs of the welfare dependence of these ‘new poor’ – both in personal terms and to the public purse – will be both significant and ongoing.

Rather than in education and training, the Federal Government’s strategy has been to invest in welfare ‘mutual obligation.’ Yet ‘mutual obligation’ has done nothing to meet the country’s skills shortage or the needs of these disadvantaged youths because this policy persists in funnelling them into ‘work for the dole’ community projects that do little to improve their job prospects.

The results of this program have been telling: only fourteen percent of ‘work for the dole’ participants end up with full-time work.

Elsewhere, Denmark has tackled skills shortages and persistent unemployment through the application of another type of ‘mutual obligation’: one which requires the unemployed to enter education and training to equip them with the skills the economy needs – those that are likely to gain them full-time employment.

While this kind of ‘mutual obligation’ has been far more successful, it is also significantly more expensive. The OECD’s Employment Outlook 2004 reports that Denmark spent 0.94 per cent of its GDP on training the unemployed; in the same year, Australia spent only 0.02 per cent. Given that the Australian taxpayer currently spends \$7 billion a year on Newstart and Youth Allowance payments, however, it’s an expense that may well pay for itself in the long run.

The Federal Government acknowledges that individuals who participate in training have a higher probability of finding employment, though when one considers that the most recent Federal budget only directed \$17 million in new funding to training, it is uncertain whether there the political will to move beyond the blame game to make this investment.

In the lead up to the release of 2005-06 Budget, the Federal Government announced its intention to establish a Future Fund to cover the looming retirement costs of the baby boomer generation. To realise the plan, the Commonwealth committed the public to consigning 6 to 8 billion dollars every year for the next fifteen years to a lump sum. By saving for the future, we were told the eventual Fund would reduce the burden of Australia’s ageing population. Yet how about investing for the future?

Dr Mike Keating, ANU Economics Fellow and former Secretary for the Department of Employment and Industrial Relations has identified that the Australian labour market presently excludes some 37.5 million hours in unused labour – equivalent to 11 percent of the total labour market – from the economy each year. This lost total doesn’t come from single mothers or the disabled sitting on the sidelines, but from low skill Australians unable to find full-time work.

If we were to redirect some of the billions from the Future Fund towards training low-skill Australians to meet the employment needs of the labour market – just as Denmark has done – Australia will be able to meet the future challenge of the demographic crunch. Meanwhile, such a scheme would give hope to the hundreds of thousands of youths currently facing a lifetime without work. After all, our young people are the future.