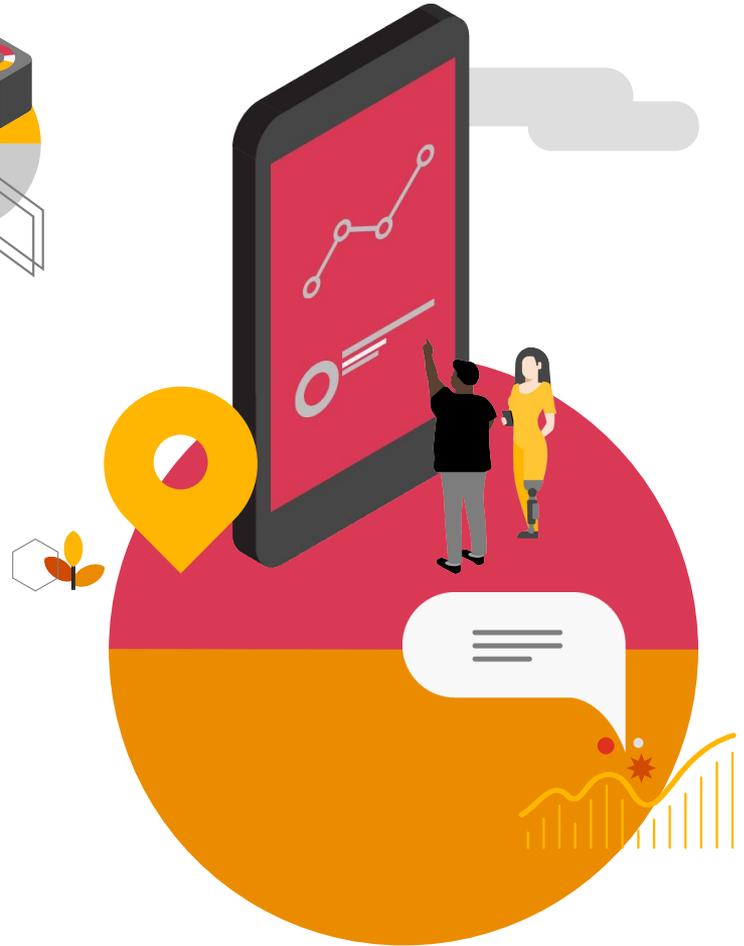


What Will It Take? –

A research paper by SVA and AEN, with analysis by PwC, about some possible solutions that may help rebuild career paths for young people

Creating better, more sustainable jobs for young people

October 2021



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Project background

Background

Understanding what can be done to rebuild career paths for young people.

The objective of this project is to gain a better understanding of what factors are shaping an employer's willingness to hire and train young workers, and what actions can be taken to substantially increase the availability of opportunities for young people to get work that uses and develops their skills.

The research is focused on the demand-side (employer) drivers, with the intention of identifying options on what it will take to enhance and strengthen skilled employment opportunities for young people to promote further discussion.

To inform this discussion, research for this report includes reviewing policies designed to increase employer provision of career paths for youth, with a focus on evidence from examples such as the Training Guarantee (Australia); the Apprenticeship Levy (UK); use of procurement (such as the Major Project Skills Guarantee) and evidence from pilot projects e.g. higher apprenticeship pilots.

Project objectives

In June 2021, PwC was engaged by Social Ventures Australia (SVA) and the Apprenticeship Employment Network (AEN) to provide analysis on:

- gaining an understanding of the factors shaping employers willingness to hire and train young people;
- building an understanding of the actions governments have taken, including internationally, to increase opportunities for young people to get into work and develop their skills; and
- identifying what action(s) can be taken to substantially increase the availability of those opportunities for young people in Australia.

Research of available literature was undertaken to inform the view on what are the current obstacles and what has been done elsewhere and/or in the past to try and address these. Upon completing the analysis of the literature review, survey and consults, a number of initiatives that may help increase opportunities were identified and their impact tested with participants at the roundtable. There was support for each of the five options presented (see page 25). And while no other options were identified during the discussion, the list should not be considered exhaustive. There has also not yet been any thorough validation of these options and we propose further testing, for example through pilots or more detailed design consultation with employers will be advisable in order to investigate the potential efficacy of them.

Methodology

The approach to provide analysis for this research project included the following:

- an in-depth literature review of over 70 documents;
- targeted employer survey (50 respondents);
- one-on-one consultations with employers, academics, youth advocate bodies and training bodies; and
- a roundtable focused on testing the impact of potential solutions.

Executive summary

Context

Over the last decade quality job opportunities for young people in Australia have appeared to decline. The Productivity Commission in 2020 reported that young people are experiencing an increase in underemployment*, a reduction in average working hours, and a decline in average income in real terms. The Productivity Commission found that young people are starting further down the career ladder and climbing it more slowly. It suggested that rather than predominantly focussing on unemployment, we need to start talking about the types of jobs young people are getting. Despite long term skills shortages across many parts of the labour market, there is a lack of employment pathways for young people that allow them to apply and develop their skills.

This is likely to worsen in response to COVID-19, as it has in response to past economic shocks. Uncertain economic times appear to make employers reluctant to make long term commitments to new recruits and tends to reduce their inclination to hire inexperienced workers. Training budgets are often the first to be cut.

It is clear that government action can make a difference. The Boosting Apprenticeship Commencements scheme has been effective in increasing hiring of apprentices and trainees, including amongst employers new to the apprenticeship system. Governments have successfully used major infrastructure projects to drive investment in construction skills. Individual employers, too, have developed innovative pathways for young people into and within their organisations, proactively engaging with low income and marginalised groups. These are great examples of what can be done. But too often these initiatives are temporary, fragmented or ad hoc.

They appear not to be working at the scale needed to address the immediate problem, let alone build the skills and prosperity we need for a future in which more skilled workers are required. A cultural and behavioural shift is needed across the labour market toward greater long term workforce planning and greater investment, by employers, in nurturing the long-term development of our young people. Employers are central to this change, but they cannot do it alone. Government policies and decision making are critical to creating incentives for change and ensuring that the wider ecosystem of employment and training supports employers in their efforts to create more job opportunities.

This project set out to take a closer look at what this would look like. We asked what it would take to shift employer behaviour at scale to create more, quality jobs for young people, and equip them for long term skills development. While the findings are relevant across the labour market, our specific focus was on non-university pathways, recognising the critical importance of 'middle skills' to income mobility and to future prosperity.

Key findings

While many employers identify cost as a significant barrier to investing in young people, wage subsidies are not always the most effective way of addressing cost barriers. On their own, they are not enough to address the challenges employers face.

Some employers have the knowledge, experience and scale to build employment pathways within their own organisations. They are reaching into schools and communities, working with VET providers, and creating support structures within their own organisations. But most employers lack this capacity and find themselves having to navigate a complex, and often costly, system. We found that they often find themselves in a vicious cycle in which their inability to find new skilled workers means that they keep experienced workers fully deployed 'on the tools', rather than using them to train future workers. As the workforce ages and the economy changes, these obstacles to developing our skills base will become more critical.

Employers told us that they want to see better-designed incentives, more coherent and comprehensive intermediary support and a quicker return on investment when they hire young people.

It is clear from this research that a combination of measures is needed to generate change. We identified five broad approaches, some combination of which should be considered:

- Financial levers including more tailored subsidies and consideration of schemes to promote training investment
- Stronger and more coherent intermediary support models for employers
- Collaborative pre-employment (training) models which are directly linked to employers
- Use of integrated work and learning, particularly in sectors without strong existing apprenticeship systems
- Use of Government procurement and contracting to drive skills development.

We have identified a number of possible next steps to test and refine these ideas. Importantly, we need to develop a more coherent response which recognises the need to address skills development and employment together, not as separate problems. The specific solutions will vary from sector to sector, reflecting different cultures and practices in relation to workforce development. Ultimately, however, reversing the declining prospects for young people requires economy wide action.

* The ABS underemployment framework classifies persons who are not fully employed according to whether they are looking for and/or available to start work with more hours.¹

Table of contents

No.	Item	Page
1	The problem	6-10
2	Why is this happening?	11-18
3	What has been tried to build career pathways in Australia	19-21
4	International evidence of what has been tried	22-23
5	Rebuilding career paths for young people	24-32
6	Next steps	33-34
7	References	35-37
8	Appendices	38-75





1

The problem

What is happening

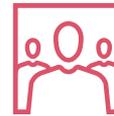
Australia continues to improve its employment ratio of young people (61%)². But many young people cannot secure jobs that enable them to develop skills that are in demand now or expected to be in demand in the future...



-1.6%

Young people in Australia have seen their average income decline by **-1.6%** in real terms from 2008 to 2018 (Productivity Commission)³. The Productivity Commission suggested that the decline was the result of a combination of increased underemployment and young people finding jobs further down the career ladder, meaning young people were “worse off by 2018 than in 2001”⁴ and face an increasingly difficult labour market.

Key facts about young people (aged 15 to 24 years old)



Young people are starting further down the career ladder, where wage rates and hours vary with market forces

In June 2020, the number of young people employed full time (and not studying) was 21%⁵. In 2019, young people made up 46% of all short-term casual employees⁶. * Additionally, by June 2021, 10.2% of youth experienced underemployment⁷.

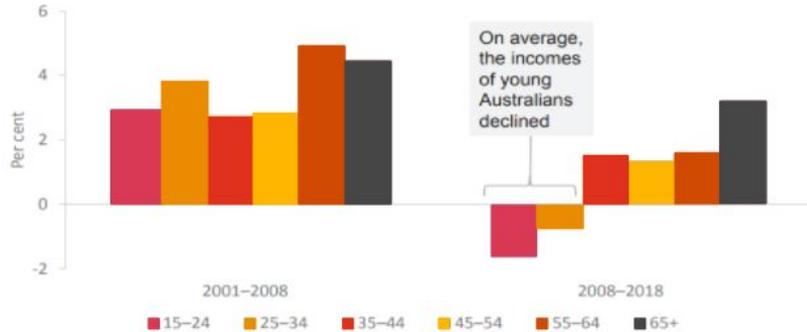
Young people face a weaker labour market

There has been a 50% reduction in the number of entry-level jobs since 2006.⁸ In addition, some middle-skill jobs that once provided a stepping stone to career progression have disappeared.



Employers are reducing investment into training, which impacts young people's ability to progress

It now takes, on average, 4.7 years for a young person to move into full time employment⁹. The slow climb up the ladder of employment and earnings is resulting in long-term societal and economical impacts, such as remaining on a low-scored job trajectory for longer¹⁰.



Source: Productivity Commission, Why did young people's incomes decline? July 2020

What is happening (cont'd)



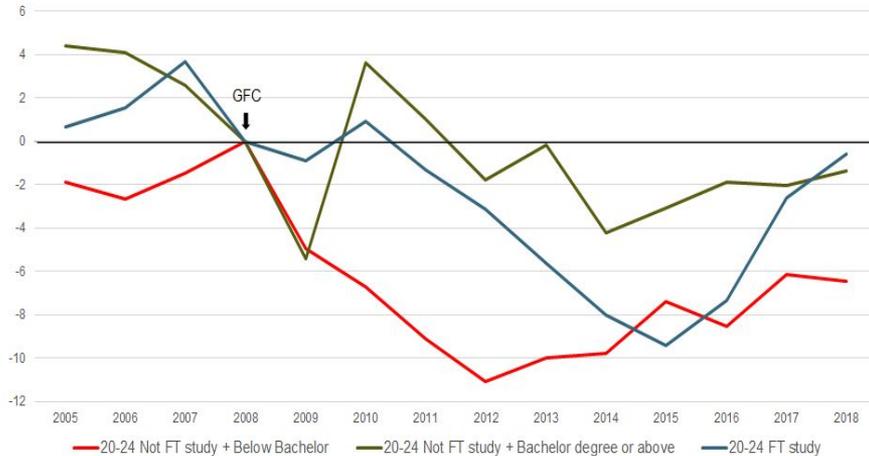
...and the hardest hit young people are those without degrees, who are more likely to struggle climbing the career ladder than their counterparts in previous generations.

According to the National Skills Commission, 53% of new jobs created in the next five years will require skill level 1 – equivalent to a university degree education¹¹.

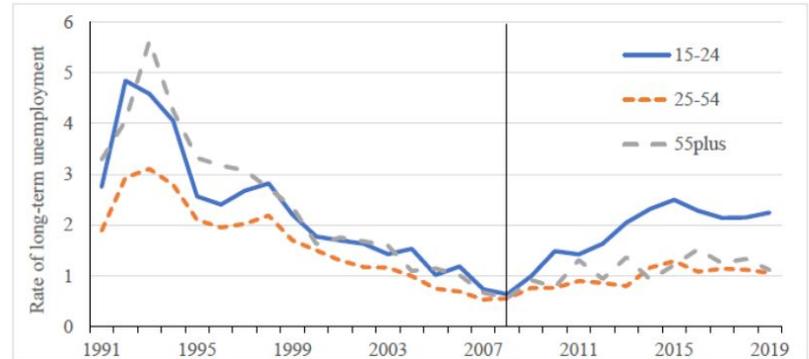
Young people not in full-time study and who do not have a bachelor's degree face a much lower likelihood of employment compared to their peers with bachelor degrees or above and those in full-time study¹²

Young people are 2.5 times more likely than the adult labour force to be long term unemployed¹³

Change in employment to population ratio - before & after GFC



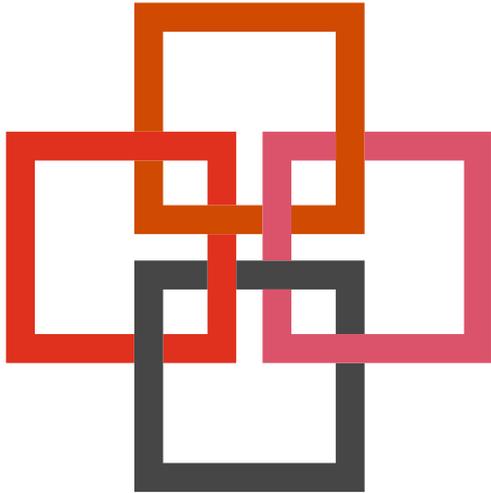
Rates of long-term unemployment, by age, persons, 1991 to 2019 (August)



Source: ABS, Labour Force Australia, Detailed – Electronic Delivery, catalogue no. 6291.0.55.001, UM3.

Themes* from literature review

To understand what is happening in more detail, PwC conducted a thorough analysis of literature that focuses on the employment of young persons and sourced evidence on what has been used to improve youth outcomes. Below are some of the key themes.

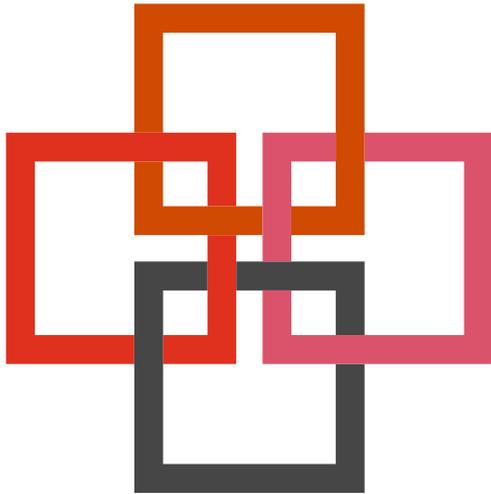


*These themes are drawn from the literature review on pages 38 to 75
**In this context, "quality jobs" is defined as full-time work that uses and/or develops the skills of a young person

- Theme 1: Over the last twenty years, there has been a reported reduction by the Productivity Commission in the range and availability of full-time entry-level quality job opportunities (including employer efforts to nurture and train) and young people have been disproportionately impacted.**
Traditional labour market entry points into quality jobs** for young people have been in decline (e.g. demonstrated by the decline in apprenticeship numbers). Declining investment in training and reduced employer commitment to maintaining their workforces over time signals a loosening of the bonds between employers and workers.
- Theme 2: While there are some differences between industries, employer contribution to training and education funding has been falling.**
Training staff and career pathway creation appears to not be top of mind for some employers; in some cases there is often only interest when a training guarantee/cash incentive is available. Further, past initiatives to address this issue have not remained in force long-term, leading to inconsistent employer contributions to training (e.g. the removal of the Training Guarantee saw a decrease in investment in training amongst some smaller employers).
- Theme 3: The problem may be being compounded by employer attitudes towards young employees. For example, many have long-standing misconceptions about hiring young people in Australia.**
Attitudes towards hiring young people vary between different industries, demographics and individuals' previous experiences. Some industries, for example mining and construction, are well-known for having a business culture that is highly favourable towards providing young people with meaningful career pathways. However, being employed in a quality job with a decent wage and commitment from the employer has proved elusive for young people, particularly those without university degrees (compared to previous generations). Some underlying attitudes may mean employers see young people as expendable.
- Theme 4: There is also the added impact of corporatisation, change in industry composition, increases in contracting arrangements and weakened industrial relations.**
The privatisation and corporatisation of public utilities that once employed large numbers of apprentices have resulted in work being devolved to sub-contractors who have less capacity and appetite to take apprentices¹⁴. Fragmented supply chains, use of more insecure forms of employment, and reduced investment in training have all made it much more difficult for young people to secure a foothold in the labour market and to develop skills in the workplace.

Themes from literature review (Cont'd)

To understand what is happening in more detail, PwC conducted a thorough analysis of literature that focuses on the employment of young persons and sourced evidence on what has been used to improve youth outcomes. Below are some of the key themes.



- Theme 5: Rapid technological innovation and workforce transformation have increased employers' expectations of prospective employees and increased competition for entry-level positions typically sought by young people.** The adoption of increasingly agile and remote ways-of-working, and additional rules and regulations across industries that employ young people, have resulted in fewer entry-level jobs. Of the jobs that are left, employers often demand greater experience and qualifications for people entering the workforce. Many entry level jobs have been eliminated as a result of technologies introduced to do the same work – without the pay check. Employers are also making choices about how they structure the jobs and, therefore, how they select employees (e.g. using internships to replace paid entry-level jobs). Recent analysis of over 4 million job posts on LinkedIn showed that 35% of postings classified as 'entry-level' requested years of prior relevant experience, demonstrating that first entry jobs are becoming harder to get.¹⁵ In May 2019, Anglicare Australia reported only 10% of job vacancies were suitable for applicants with no qualifications or work experience¹⁶. A recent analysis of 'entry-level' software and IT Service jobs showed 60% required three or more years of experience.¹⁷
- Theme 6: There is goodwill amongst some employers and a desire to employ more young people, but limited capability, capacity and knowledge about how best to achieve this operationally, administratively and financially is leading to inaction.** there is a growing importance for companies to increase their focus on social responsibility to set themselves apart in the eyes of customers and investors. However, findings suggest there may be a lack of awareness among businesses of how to provide these opportunities¹⁸, especially amongst SMEs, and a lack of support needed to encourage action.
- Theme 7: Employer hiring and training processes can be improved to benefit employers and young people seeking employment.** Employer and external recruitment processes could benefit from career pathway mapping and better use of employment data. It is suggested that there is misalignment between the way Jobactive works and the goal of increasing the number of young people moving into quality careers, as Jobactive is being outperformed by other services (e.g. Transition to Work) to deliver sustainable placements for young people¹⁹.
- Theme 8: There appear to be barriers to employers engaging with reliable alternative training and employment models.** The ad hoc and stop-start nature of initiatives is limiting their take-up amongst employers. Evidence of what works therefore needs to be explored in greater depth to understand what is getting in the way of wider adoption of initiatives.



2

Why is this happening?

Drivers of employer demand

Over the last twenty years, there has been a reported reduction in the range and availability of full-time entry-level quality job opportunities, suggesting employer demand has shifted, with negative consequences for young people without degrees.



From an in depth literature review it was found that key drivers and trends that influence employer demand include the following:



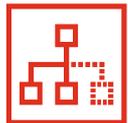
Labour market changes

Macro trends occurring in the labour market means young people are increasingly finding it challenging to secure a foothold on the career ladder in order to develop skills in the workplace compared to previous generations.



Credentials creep

Employment growth has occurred in sectors of the economy that are perceived as not having well-developed career structures or concentrated in areas with substantial levels of casual and part-time employment. (e.g. retail and hospitality). New jobs in more career-structured sectors (e.g. business) instead require higher skill levels as a prerequisite for entry. Young people with degrees are therefore likely to have "pushed those with vocational degrees further down the ladder" (Productivity Commission 2018).



Rise in insecure forms of employment

Casual, short term and irregular work is rarely connected to longer-term career paths with opportunities for further formal and transferable skill development for young people without degrees. Insecure work may fill the space between unemployment and full-time employment; but there is evidence that it may have long-term scarring effects on career trajectories and earnings for young people.

These key drivers suggest the following things are occurring with employers*:

1

Expectations

- Hybrid occupations (combining skill sets that didn't used to be found in the same job, such as marketing and statistical analysis) are among the fastest growing in the labour market due to technology, and remote ways of working, which require a diverse mix of skills. The Burning Glass report argues that in-demand jobs increasingly require a range of specialised and digital skills²⁰.
- As a result young people are subject to "upcredentialing," where employers' inflate the credentials required for advertised jobs. Entry-level administrative jobs, such as registration clerks are declining as businesses increasingly incorporate automated workflow technologies. This means that businesses expect new skills mixes in entry-level jobs that didn't previously exist.

2

Attitudes

- Employers that have had negative experiences in the past have reservations around the business etiquette, reliability and commitment of young people.
- There is also a perception that the cost of equipping first year apprentices and inexperienced employees with the required skills and knowledge is too expensive, relative to the work they produce. Many employers believe that it is unlikely to be profitable to hire young people new to work as resourcing required for work placements is often high and does not always make sense for employers to invest in, regardless of subsidies.

3

Behaviours

- Employers need to be able to recognise the benefits and opportunities associated with developing a long term employment relationship with young and entry level employees. Employing and committing to the skill development of young people is "an essential precondition for young people's positive transitions to work"²¹.
- Some employers find their ability to nurture the development of young workers has been diminished by a lack of supervisors with the skills and experience to provide training and support. Employers need knowledge and resources in navigating the challenges of employment of a young person to ensure employer behaviour matches intent.

What employers think – Survey results



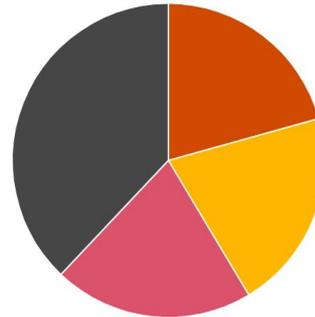
A targeted employer survey indicates that while the cost of training is a key consideration, wage subsidies alone are not deemed sufficient to ensure that there are enough workers available for future demand.

Key call-out

The survey results show a mixed picture on wage subsidies. For some employers, subsidies are critical, and for some they are not important at all. All employers we consulted noted the cost associated with nurturing young people's careers, and for some the transaction costs associated with securing individual wage subsidies and/or incentives were seen as too high to make them worth claiming (although the Boosting Apprenticeship Commencements scheme has helped encourage new employers into the system).

The insights from the survey, consultations and roundtable suggest that incentives may not currently be high enough (survey findings show that over 40% strongly agreed that they would take on more young people if incentives increased). There may be better ways of providing financial support that – in combination with other measures – are more likely to generate larger scale change and be more in-tune with what employers want. Employers recognise (and are concerned) that when hiring a young person, there is clearly a cost around training, mentoring and supervising. There was a sense that if there were better designed incentives that more readily offset all these costs in a simpler way, that might change the behaviour and attitudes of more employers.

“Importance of wage subsidies in encouraging your organisation to create career opportunities for young people entering the labour market”



- Very important
- Fairly important
- Slightly important
- Not at all important

Organisation capabilities



1 in 2

respondents agreed that managers need more skills to manage and support young people

Open positions



40%

of respondents said that their organisation frequently has difficulty filling roles

Open positions



3 in 4

respondents said their organisation would be willing to employ more young people if government incentives were increased

What employers think – Survey results



The survey results tell us that a lot of employers do see themselves as having a responsibility to develop young workers, but there is concern over the cost of training and the lack of time and skills of supervisors involved in managing and supporting young workers.

Additional survey results



77%

of survey respondents were likely to upskill or reskill existing staff when experiencing difficulties in filling skilled or semi-skilled roles



62%

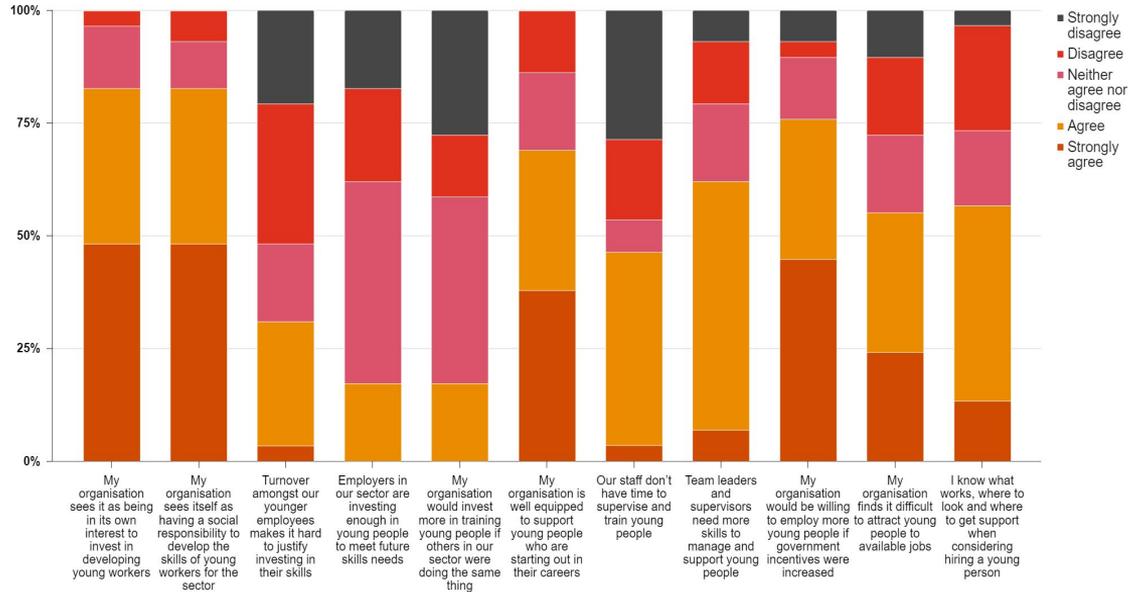
of survey respondents said that it was likely that their organisation will face difficulties in meeting its skills needs in the next 5 to 10 years



61%

of survey respondents said that the cost of training is “very important” or “fairly important” factor that has limited their organisation’s career opportunities for young people

How much you agree or disagree with the following statements?



What employers think – Consultations



Employers indicated in one to one interviews they want to hire young people, but this does not always align with the desire to have employees that can contribute on the job from day one.

Employers are seeking employees who are able to contribute on the job from day one

The majority of the employers consulted stated that one of their biggest concerns around hiring young, inexperienced workers is that they need employees who are able to make a meaningful contribution from their first day once they are on the work site. Many stated that they would be happy to make a commitment to employing young people full-time upfront – during training, before they are in a workplace – so as to lessen the risk of losing the investment after training is completed. This commitment may come in the form of a guaranteed interview for a position, a guaranteed internship which may lead to a position, or through full-time employment throughout the training process. One employer expressed their concern that some on the unskilled or semi-skilled roles in administration that they recruit young people into currently may not exist in the future, but they want to know what works elsewhere to continue to support non-university degree holders.

Young employees benefit from additional mentoring and support

Employers stressed that young people who are entering the workforce benefit from additional mentoring and support, above and beyond what would normally be provided to new hires. The type of mentoring and how the mentors were selected differed between the organisations we spoke with. However all stated that it was an important support for young new joiners, and the role is vital in ensuring the upfront investment in the young person (e.g. training) pays off. Some organisations stated the need for mentors and appropriately trained supervisors has impacted their decisions around hiring young people; the time and resources required can outweigh the immediate business need and commercial pressures.

One employer mentioned their social impact stream for disadvantaged youth requires so much specialised support, that it is difficult to meet this Government target when resources are constrained.

External incentives are often viewed as just a ‘cherry on top of the cake’. They do not tend to directly influence employer hiring decisions, particularly for large organisations.

Many of the organisations that we spoke to said that external incentives, such as wage subsidies, often do not materially impact on the number of employees they will seek to hire. One organisation said that chasing ‘poorly designed’ incentives in the past left them with workers who did not meet their needs, or it encouraged them to hire more workers than they needed in the long term which is unsustainable. While incentives no longer directly influence the hiring decisions for the organisations we talked to, many said that they do take advantage of incentives where they are available and they match the existing plans of the organisation. One employer explained “we do it because it is the right thing to do. Government incentives are not the driving factor”. They went on to say that in their view, Government procurement targets have done more good than bad, particularly in raising awareness.

Finding the right young people is critical

In our discussions, many of the organisations shared a commitment to hiring young people. However finding the right young person with the right attitude and goals was critical. One employer explained this is a challenge in such a tight labour market; they want more young people, but they need to be where the leadership and support is, in the ACT, where young people are not as keen to move to. There was also feedback that young people are successful in organisations where they are joining an industry that they have an interest in, and have prior training or on-the-job experience (e.g. work experience). Without this, employers found that the young person struggled to stay committed and would leave, which means a loss of investment for the employer. Employers explained that without the young people having more exposure to the industry ahead of trying to commit to a career, they struggle to find young people who have already had a chance to test their interests and therefore are at less risk of pulling out.

What change makers think – Consultations



In addition to employer interviews, we also conduct interviews with researchers, peak bodies and change makers in the youth employment sector. Below we have called out some of the key insights from these consultations.

Skills over qualifications

Employers are seeking skilled employees and many use qualifications as a prerequisite for roles because it allows them to easily identify the skills of an applicant. This is resulting in qualifications being used as a proxy requirement, even where they are not required for a role. A shift towards skills being recognised in other formats is critical for both employers and young people.



01

02

Employer engagement and commitment is needed from the beginning

Engagement from employers at the beginning of the career and learning journey for young people is critical. Programs where employers are engaging with young people from the beginning and where they are investing in the program are seeing success.



03

04



Job mobility is increasing

People have more jobs and individuals are less likely to stay with the same organisation for their entire career than they were in the past. As a result investment in upskilling individuals may need to be thought of at an industry level and not an individual organisation level.

There need to be alignment between employment and skills development

Programs and initiatives need to be aligned across the supply and demand side to integrate both employment and skills development. At the moment initiatives often target only one side which can lead to frustration as there is not a commitment on both sides. Initiatives that target skills in demand with a connection to an employer may lead to improved outcomes.



What all this tells us

We need to shift the emphasis to understand why employers are not developing young workers, even in the face of demand for higher skills, and what it might take to get them to do more.



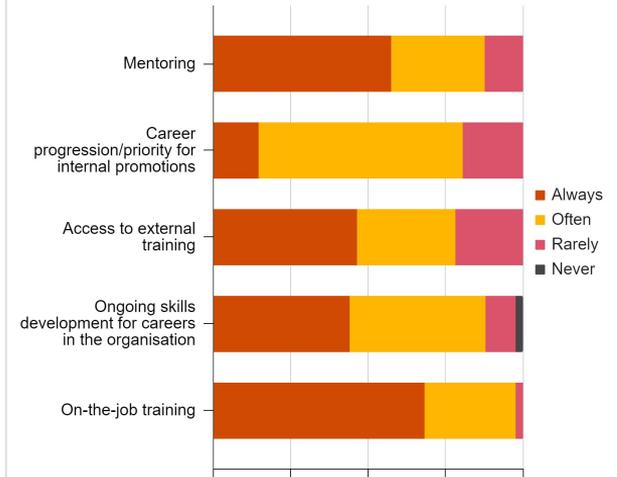
Drawing from the literature review, survey and consultations, our research shows that while government action is critical, it is not enough. The risk of inaction contributes to the long-term skills shortages and aging workforce issues many industries are experiencing, indicating that current settings are not addressing these issues. Something needs to change, and employers need to make a decision about their role in developing young workers as part of the change. Employers decide how they structure employment opportunities, how they reward those who bring their skills to the workplace, and how much they invest in the future skills of their employees; it is these decisions that determine the opportunities available to young people to build their careers and help address current skills and workforce issues.

Learning Creates' ²² research and policy paper refers to the growing issue that employers need to 'shape the production line' and currently face a critical choice on whether to 'drift and defend' or 'engage and invest' when it comes to hiring young people. This choice over what kind of 'voice' employers want whilst navigating the tension of doing the right thing by young people versus the challenging market conditions employers face means there is a need for everyone involved to play a renewed active role to invest early in building a future workforce.

There is an overarching assumption that, provided quality training is delivered, employers will respond to an increase in trained candidates by hiring young people. It is also assumed that wage subsidies and other incentives will be taken up by employers to reduce the direct cost of employing young people. In other words existing policy settings frame the 'problem' as a combination of (i) lack of adequate preparation of young people and (ii) employment costs. However our research suggests there are obstacles to hiring young people that are more complex and more difficult as outlined in the themes on pages 9 and 10. An incentive may only provide a temporary 'sugar hit' to overcome the obstacle, and to date on face value they haven't solved the problem of young people climbing the career ladder slower. If we are to improve the ability of young people to move into jobs with long-term career prospects, we need something more to better increase the willingness to hire and train young people, and what action can be taken to substantially increase availability of opportunities for young people to get work that uses and/or develops their skills.

While organisations who responded to our survey provide a number of benefits for their employees, they said career progression opportunities for current employees remain low in comparison to other benefits.

Which of the following benefits are provided to young people working for your organisation?



What employers need

Employers clearly articulate they have a number of needs that are not currently being met. The gaps are resulting in employers finding it more and more challenging to hire, train and retain young people, which in turn drives their hiring behaviours and attitudes.



“Due to difficulty in recruiting and retaining young people that have a tertiary education, there has been a tendency to recruit older persons...as they are more likely to stay in more remote locations”

“we need other financial incentive models for employers that encourage planning and provision of additional supervision and coordination to identify and pay for key partner support agencies”

“ employers need to be able to invest in an approach so that they own it themselves”

“ the single most important factor is attitude...this is affected by how much exposure the young people has had to our industry/business and their interest in it. Someone keen with the right hard working attitude can still go a long way”

“Need for skilled workers has increased, cost of apprenticeships have also increased, but so has uncertainty about future work to support employing apprentices”



“The increased demands made on employers to cover the training cost, travel and accommodation cost for regional apprentices, the need to cover the costs of apprentices travel to and from work, increased workers compensation costs have added to the lowering of demand for apprentices”

“Government incentives are clearly important, but does the focus on them reveal an employer culture in Australia that may not increase their engagement with young people and education without more incentives...do we need to look abroad to employer cultures that are more engaged already (e.g. Switzerland) and work towards that future state”

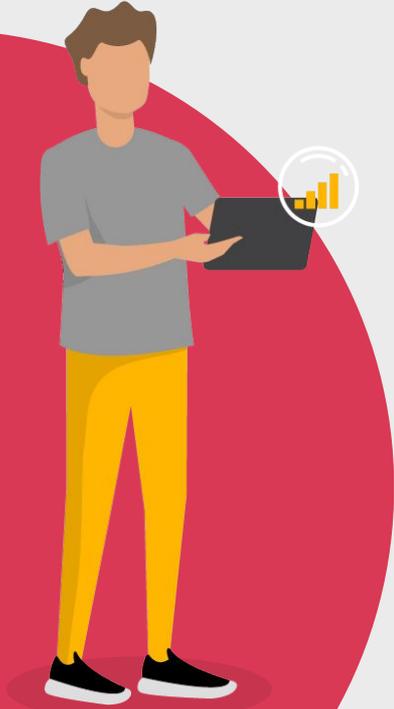
“Sustainable governance structures within local employment ecosystems are important to ensure opportunities for employer investment endures beyond programmatic delivery”

“Automation has been one factor (affecting hiring young people). Also challenges with retention around young people compared to older hires”



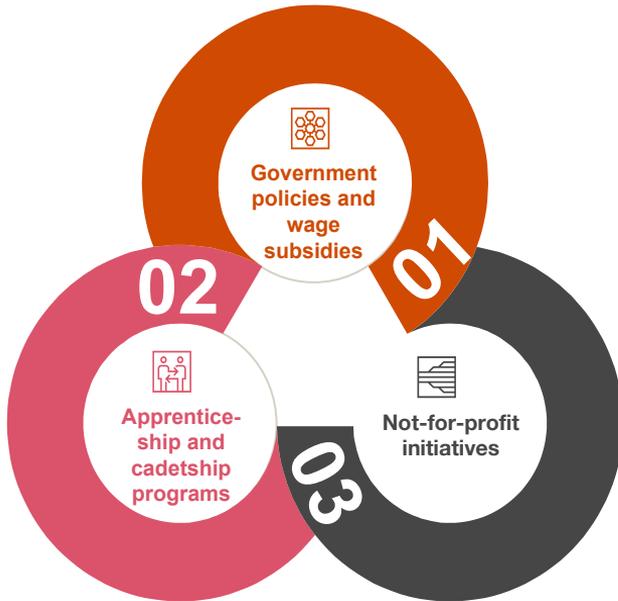
3

What has been tried to
build career pathways in
Australia



Local efforts – examples of what has been tried

A combination of policies, initiatives and programs is likely needed when considering options. Previous efforts have struggled to link these areas together and a response that improves the employment of young people will likely require a 'package' approach.



1. Government policies and wage subsidies

Over the years a number of government programs, policies and wage subsidies have been implemented and trialled at a State and Federal Government level. These programs may provide funding for employers to take on workers. Alternatively, government funded projects may implement targets for apprentices and trainees, or for a disadvantaged groups (e.g in NSW, construction contracts over \$10 million and up to \$100 million must embed an apprenticeship target of 20% of the trades workforce, which helped establish the Sydney Metro Apprentice and Trainee program). These programs often have a positive impact on employment, however it may only be short-term and not financially sustainable for employers if the subsidies are removed.

Examples:

- Australian Apprenticeship Incentives Program (AAIP)
- PaTH Industry Pilots
- Boosting Apprenticeship Commencements
- Training Guarantee Levy

2. Employer apprenticeship and cadetship programs

Apprenticeship programs combine education and on-the-job experience. A number of organisations are implementing or trialling apprenticeship-style programs in non-traditional fields. These programs allow individuals to enter organisations without a university degree, opening up the pool of applicants. Apprentices complete varied, challenging work, combined with a nationally recognised qualification or skill set, and are supervised and coached by existing workers in their organisation.

Examples:

- Higher Apprenticeship Program – PwC Australia
- Higher Apprenticeships Pilot Project – Workforce Innovation & Development Institute (WDI)
- 4.0 Higher Apprenticeships Program – AI Group

3. Not-for-profit initiatives

A number of initiatives have been created with the support of not-for-profits to improve skilled employment outcomes for young people.

Examples:

- National Skills Trial Pilot – Brotherhood of St Laurence
- Multi Industry School Based and Pre-Apprenticeship Support Project – AEN

The latter was run via GTOs who provide support for both employers and individuals by taking on the employer responsibilities for the quality and continuity of the apprentices' and trainees' employment and training, and manages the additional care and support necessary for successful completion of the training contract.

Case studies – What has been tried



There are many examples of programs and initiatives that already exist in Australia to support a young person's employment that ideas and lessons can be drawn from.

Multi Industry School Based and Pre-Apprenticeship Support Project (MIP)

AEN

The MIP pilot - aimed at supporting school based and unemployed youth - provided participants with the opportunity to have a "hands on" trial of 3-4 different industries during a course. The aim was to assist them to make an informed choice into further study or employment pathways in vocational (apprenticeship) industries. The fact 50% changed their mind shows the value of giving young people a safe space to test career aspirations. The project also supported host employers as it enabled them to engage with a number of young participants through the project to find the best possible "fit" for their business. The pilot also involved GTOs from Victoria, New South Wales and Tasmania who designed courses to provide participants with a range of experiences.

Projects completed between 2016-19 resulted in supporting over 2,586 youth, with over 37% participants with apprenticeship outcomes, and 50% found their career aspirations had changed

Futurefit Academy *BHP*

The BHP Futurefit Academy provides individuals with a job from day 1 while they work towards an accredited traineeship or apprenticeship. Futurefit hubs are currently located in Mackay and Perth. The program looked to re-work the model of traditional apprentices and targeted groups who are typically underrepresented in apprenticeships. Their first intake was approximately 80% female and 20% Indigenous Australians. The BHP investment in the Futurefit academy has opened up a labour market for BHP that would not have been possible without the new model.

Turnover rate reduced by 30% at the 2 year mark

Higher Apprenticeship Program *PwC Australia*

This program gives young people the opportunity to complete a fully-funded qualification in technology or business (e.g. Diploma of Information Technology) while working in professional services. Higher apprentices complete varied, challenging client work and/or internal projects, are coached by experts in their field, and are paid a competitive starting salary.

100% of employers agreed that the Higher Apprenticeship program addresses a gap in the training landscape

Youth Employment Scheme (YES) *State Government of Victoria*

The YES provides young people, aged 15 to 24, with an opportunity to work in the Victorian Public Service for 12 months while completing accredited training by registering with one of the GTOs involved. The program boosts the participation of young people in the workforce, while assisting communities to meet future skills and employment needs.

A focus on addressing barriers to employment

State based Industry Training Levies *Multiple*

State based Industry Training Levies replaced the Training Guarantee Levy (1990) and now exist in Queensland, Western Australia, South Australia, Tasmania and the ACT for the construction industry. These levies often apply to construction projects that are above a certain value.

All money is reinvested in training in the industry



4

International evidence of
what has been tried

International evidence

Inspiration can be taken from international experience. PwC's literature review considered programs and initiatives that have been trailed or implemented around the world. Below are some examples of successful programs.

United Kingdom Apprenticeship Levy²³

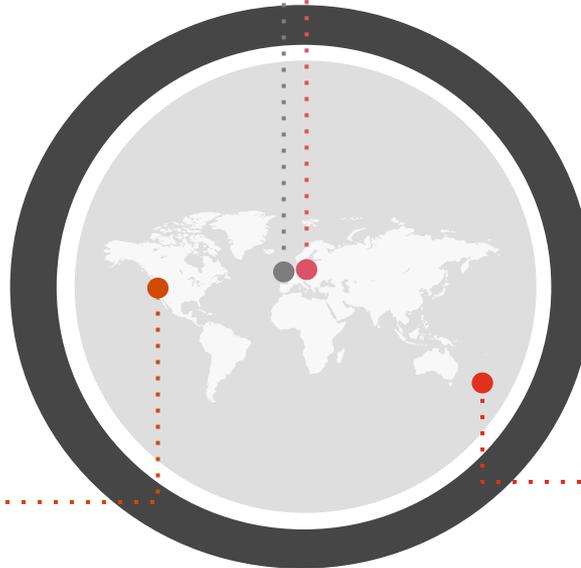
The Apprenticeship Levy (2017) is an amount paid at a rate of 0.5% of an employer's annual pay bill. Employers with an annual pay bill of more than £3 million pay the levy monthly. The UK Government also tops up the employer contribution to be used for accredited training by 10%. The levy has also undergone a few enhancements to make it more flexible, which allowed expansion into higher level apprenticeships (although attention must be paid to ensure this does not mean younger and lower level apprentices miss out).

Employers can only use the funding in their account (2 years expiry) to pay for training offered by one of the certified training providers. It can be used towards training any eligible learner, whether a school leaver or an existing employee. Any unspent levy funds are used to support existing apprentices to complete their training and to pay for apprenticeship training for smaller employers. The 'redistributive tax' model means small businesses only pay 5% of the cost (whilst the remaining 95% is paid by the government).

United States of America The Hire Opportunity Coalition (HOC)²⁴

The HOC is a national movement of employers, foundations, and community organisations that are committed to hiring and training young people. The HOC's mission is to " build the capacity of American companies to hire, retain, and upskill Opportunity Youth." The HOC's vision is that "every employer in America will demonstrate a meaningful commitment to hire and develop youth who face the greatest systemic barriers to employment." To achieve this, the HOC builds coalitions of aligned corporate members who commit to hiring, supporting, retaining and upskilling Opportunity Youth to advance equity in the workforce, utilise diverse talent, and connect future leaders with key stakeholders.

What Will It Take?



Germany Dual pathway²⁵

In Germany, more than half of each age-group graduate from dual training programs in which they simultaneously earn academic credentials along with gaining work experience, rather than attending classes alone, as in many other countries.

Approximately 68 percent enter the workforce in the company where they were trained immediately after completing their qualification.

New Zealand Otorohanga youth initiative²⁶

In response to high youth unemployment in the local government area, the Otorohanga community committed to eight projects to meet the needs of youth in the community. This initiative was driven by local community leaders and it focussed on connections with local leadership, training and pastoral care for young people in the area. Some of the programs included a youth drop in centre and holiday program, a new branch of a training institution being opened in the area and an annual celebration of the apprentices.

One of these projects provided local apprentices with a tutor. The support provided by this tutor included literacy and numeracy support, along with support with social issues.

As a result of the programs introduced in Otorohanga the apprenticeship completion rate rose to 90%, compared to 34% before the initiation of the programs.





5

Rebuilding career paths
for young people



Summary of some options* that may help address employer needs

Employers tell us that obstacles to hiring young people are becoming more complex and difficult. If we are to improve the ability of young people moving into careers, we need scalable options that may increase the willingness of employers to offer them



It is clear that the use of wage subsidies and support for training costs directed at employers have their place in solving the issue around creating employment opportunities for young people, especially amongst small and medium sized businesses. Subsidies are necessary, but they are not sufficient, and currently it appears on face value that they are not delivering intended outcomes.

There is a scaling problem, and more consideration needs to be given to 'what would employers need' other than money, to accelerate activity in a meaningful way. For example, stronger models helping young people move from secondary school into VET and then on to work are a critical part of the solution on the supply side; the Mitchell Institute reported collaborating with industry is vital to better prepare young people for future work and life, long before they leave school²⁴, but there appears to be a lack of industry interest to do this at scale.

Our research has identified some early adopters who have a sense of responsibility for providing quality jobs to young people. However, the positive action of individual employers hasn't been able to reverse the overall decline in investment in training or declining career mobility for young people. We need a more coherent, 'whole of economy' approach, and against the current backdrop of COVID-19 recovery and a lack of migrant labour, now is a perfect opportunity for a governments and employers to consider more innovative and targeted options.

1



Financial levers

Longer-term considerations could be given to levers that target the employer such as rebates and training levies, given track records have been largely positive.

2



Establish support models for employers

There is a need for support structures for employers to help navigate the system which many feel are currently lacking. Employers spoke of a desire for brokers and/or intermediary support aimed at addressing employer issues.

3



Collaborative pre-employment (training) models

Options range from intense boot camps to academies supported by a consortium of employers in the same industry. The main thrust is that there is employer skin in the game from the start, investing in different forms of training.

4



Use of the work & learning combination to suit industry needs

Most industries can borrow a lot of ideas of what works from the traditional work-integrated learning approach. For example advanced apprenticeships/skill sets/microcredentials can introduce young people to a sector and start the beginning of a genuine career pathway at a lower cost.

5



Procurement & contracting

Where large government contracts are concerned, there is an opportunity to utilise the procurement process to stipulate that employers establish opportunities for young people as well as disadvantaged groups through their supply chain management and directly, especially in emerging markets such as energy and IT.

Financial levers A: Incentives aimed at individual employers

Longer-term considerations could be given to financial levers, given track records have been largely positive. However what is currently available is too burdensome for some employers and therefore the need is for better designed levers.



Background

We heard from employers that money matters and cost matters. For small and medium sized businesses, the burden of funding an apprentice is enough to consider not even having an apprenticeship route. It is therefore vital that The Australian Government considers how best to directly incentivise employers, such as via wage subsidies. A recent example is the Boosting Apprenticeship Commencements scheme where employers of any size, location or industry are eligible for a Federal Government subsidy of 50% of the wages²⁷. However, we were told by employers that it can often be confusing for them to navigate some schemes, as the laws surrounding apprentices and trainees are extensive and vary from state to state. Employers explained that as a result, they find it difficult to navigate the system and in fact they need more intermediary-style support to help ensure they are set up in the way that uses the subsidy correctly and provides the young person with access to appropriate tools, equipment and supervision.

However, although wage subsidies are useful support mechanisms for employers and can help “put a floor under declining apprentice numbers as the economy stabilises”²⁸, the reliance on such programs could be a concern, especially as the high cost is likely to be unsustainable for any government to continue over a prolonged period of time. The Productivity Commission also pointed out that incentive payments “offset only a small share of the total costs to employers” and unless it is targeted, can create upturn in areas deemed to be low priority. Incentive programs can also often result in a ‘cliff edge’ in commencement numbers if the economic context is still unstable when the subsidy is stopped. For example, the tightening of incentives criteria in 2012 saw a significant drop in non-trade commencements, highlighting some level of dependence on subsidies²⁹. It suggests that rather than making a contribution to the cost, systems can become dependent almost entirely on the availability of government incentives. A further concern is that although wage subsidies may maintain some employment, it is most likely at the lower-scored end of the career ladder and often flow to shorter traineeships in sectors that do not guarantee longer-term job security. The Government therefore could consider designing financial levers that ensures the longevity and legacy of the overall goal to provide more quality, full-time job opportunities, even when the direct funding is no longer available.

Option to shift the dial

Financial levers can be effective when used in conjunction with other policy measures. However, what we hear from employers is that subsidies and financial incentives are often too burdensome administratively, and there is concern that subsidies are not targeted at the genuine problem areas (e.g. skills shortages), create over-reliance and are open to rorting. Evidence suggests that on face value, incentives are not delivering on the intended outcomes, which some employers suggest is due to the way they are designed. For future longer-term consideration (given the current economic shock from the pandemic may inhibit immediate financial action), governments should look at re-designing finance initiatives to increase impact with employers and introduce specific, targeted incentives for groups with less social capital, such as young people without degrees. The Government could use different means to help address economic and financial barriers affecting the involvement of businesses in training young people, including options such as grant schemes, loan schemes, social partnership training funds and legislative requirements to undertake a minimum level of expenditure on training young people. However, it is important that these schemes consider how to continue to support employers and encourage continuation of pathways for employing young people, especially when the subsidy ceases.

The need: Better designed incentives

- Employers we consulted with that have already embedded mature models to hire young people do not necessarily think wage subsidies are as important or act as the trigger to hire. But our survey results show they are quite important for small to medium sized businesses who perhaps have less experience and are less mature, or are starting the journey in creating meaningful pathways for young people.
- However, there was broad consensus that money matters and cost matters, and therefore incentives need to be better designed (including introducing ones that are different to wage subsidies) due to their administratively burdensome nature.

Roundtable views

Financial incentives are a great tool to help get a foot in the door with employers. However, they can often fracture relationships where participants are ineligible for subsidies or something happens where the employer is no longer entitled to a subsidy.

It should be more straightforward, streamlined and more accessible so that employers can understand the system.

Financial levers B: Collective employer contribution

The Government should consider providing additional support to employers directly, and employers also need to be encouraged to invest more to strengthen the bond with the young people they hire.



Background

There are examples, both domestically and internationally, of financial levers to increase employers' investment in quality job opportunities for young people. For example, the Training Guarantee Levy (TGL), introduced in Australia in 1990, required all employers above a set payroll threshold to spend a minimum percentage each financial year on eligible training³⁰. The TGL provided a useful opportunity for businesses to focus attention on the quality and appropriateness of their training strategies and devise more cost-effective approaches. Analysis of the TGL by the NCVER shows that over half the eligible employers believed it had been instrumental in increasing their training expenditure, particularly medium-sized businesses where it contributed to a growth of 60% in average expenditure per employee. Although the TGL was introduced to reduce employer cost-cutting training spending as a result of the pressures induced by the recession, the fact that it appeared to have generated at least \$20 of new industry investment in training for every Commonwealth dollar spent on it³¹ suggests that there is still merit in considering a modernised version of this model in the future – especially in the current post-pandemic climate when employers may be looking at cutting training investment. For example, a training guarantee could be leveraged by the Government to address specific impediments, like skills shortages (much like the Construction Industry Training Fund levy in South Australia). Research suggests the TGL could be re-worked and re-introduced to provide a boost to businesses' organisational capacity to encourage higher skills at all levels of the workforce, with more attention paid to other forms of learning, as opposed to an exclusive focus on structured training³². Additionally, a TGL could be implemented in a single financial transaction. This would likely be attractive to employers as they would not be burdened with individual exchanges.

Another example is a tax initiative to encourage particular types of behaviour. Use of allowances, credits, reliefs or deferrals have proven valuable in parts of Europe³³. Governments have introduced tax credits or rebates to encourage investment in lifelong learning and boost the availability of the financial means for such investment, as well as serving as a mechanism for sharing financial responsibilities among different actors. Currently in Australia, there are Payroll Tax Rebates for trainees and apprentices available in most states (for example, in Queensland, employers can claim a rebate on 50% of all wages paid to trainees and apprentices³⁴).

Option to shift the dial

There is an opportunity in the longer-term, once Australia is well on its way to recovering from the pandemic, to consider options that increase the employer commitment to employees (e.g. the UK's Apprenticeship Levy has proven to have generated an impact on employer behaviour in relation to the type and level of apprentice they take on). Qualitative research of the TGL points out that a "critical factor determining whether a firm develops a training culture is not the amount of formal training it conducts, but its organisational capacity"³⁵. The Government could consider a levy/rebate that targets a particular industry or specific issue (e.g. employing young people); focuses on changing the behaviour of an industry or region (e.g. energy); provides incentive to boost organisational capacity (e.g. funding intermediaries), and supports different forms of learning, such as microcredentials. Creation of a better designed employer-focused financial levers will also need to be less burdensome (e.g. collective larger financial hits) and take into account the predominance of small businesses in Australia.

Roundtable views

A majority of employers said financial incentives would make a difference to their industry, as financial incentives are a great tool to help get a foot in the door with employers.

"We don't take anyone on because of incentives...at times I wish they did not exist as the admin burden is significant"
(quote from roundtable)



Establish and strengthen support models for employers

Support structures for employers are needed to help navigate the system and ensure the young person and employer are both set up for success. Employers spoke of a desire for brokers and/or additional intermediary support.



The need: genuine support and a way to navigate the system

- Employers told us they want someone to be the 'glue' that coordinates all the parts of the system on their behalf so that it is less time consuming for the employer
- Employers stressed the need to have personalised support aimed at mentors and supervisors, but there is a gap in terms of training available for supervisors and capacity for staff to play these roles.

Background

Our research suggests employers need support and guidance when it comes to hiring a young person and setting them on a path of training and career development. Many people spoke enthusiastically about the role of Group Training (GTOs) in providing a simple, low-risk solution to hiring and managing apprentices and trainees, allowing the host employer to focus on the day-to-day work and on-the-job training. Others also highlighted the support provided by the Australian Apprenticeship Employment Network (AASNs) in navigating the contracting system and enabling employers to tap into national and local incentives and subsidies that the employer and employee could be eligible for. Some employers we spoke to welcomed the idea of a broker/intermediary who can act as a "go-between" with the employer and Registered Training Organisations (RTOs) – negotiating the best training solution for the employer's individual needs – and the supply side (e.g. recruiters, schools). Additional learning and development for their young employees, such as 'managing their finances' and 'drug and alcohol' would also be a welcome addition in conjunction with nationally recognised training.

Complementary to this, employers also seek support in scaling their institutional capacity when it comes to nurturing young employees. Many employers highlighted in the survey and consultations that the pressure to provide mentoring and supervisory responsibilities when hiring a young person is almost too burdensome, and can act as a barrier to hiring a young person over someone who would not require these additional support services.

Option to shift the dial

The Government could look to fund an intermediary/broker via a pilot to test an approach to helping businesses establish alternative pathways for young people into the workforce (e.g. higher apprenticeship routes). Funding could also be made available for a support and guidance body that employers could tap into to source mentors and supervisors specifically for increasing business capacity. Alternatively, or in addition, the support body could provide training for existing staff on how best to mentor and supervise a young person who joins through a work-learning programme. This could be executed using existing bodies:

- 1) GTOs – share the risk of employment, are able to aggregate demand across employers, provide flexibility for rotations to different employers, and offer mentoring (reducing the cost burden on the employer)
- 2) AASNs – administer the system responsible for the contract of training and can help navigate the system by advising on incentives and suitable training.

In addition, an intermediary (the 'glue') could be funded to directly support and work on behalf of the employer, tasked with negotiating the appropriate delivery of a pathways program for their organisation, including additional learning and development beyond the nationally recognised qualification. There is also an imminent opportunity for the Government to consider what role the new Industry Cluster bodies might play in providing a support model for employers.



75%

of survey respondents said that the cost of support is a factor that may be limiting the career opportunities they provide young people

Roundtable views

There is often an issue about multi generational unemployment or barriers to employment. Employers, especially small employers, feel that they can't be expected to fix all of these issues, no matter how much money is given to them. From their perspective, things are more complicated than they used to be.

Government investing in intermediaries, that are skilled in the education system AND industry, are key to making connections for students and employees as neither industry nor schools are able (or willing) to do this work.

Collaborative pre-employment (training) models



Possible options range from intense boot camps to academies that are set up by a consortium of employers in the same industry. The main thrust is that there is employer skin in the game from the start by investing in different forms of training.

Background

Some employers we spoke to shared their own experiences and initiatives that have worked in the context of their industry and organisation which establishes both pre-employment and ongoing training models to sustain career building aspirations beyond entry into the business. For example, BHP has established academies that provide an innovative approach to training that also ensures participants work on site from the earliest possible opportunity and have the guaranteed commitment from BHP as they are hired from day 1, before training is complete. This results in a mutual commitment and tightening of the employer-employee bond. Another employer spoke of the merits of intense boot camps as another route to unlock the value of the individual a lot earlier than the traditional 'train first, work when completed' model and/or a university degree. In both these examples, employers welcome the fact that they can assign participants to work after some (not all) training has been complete, and thus see a quicker return on investment. This addresses the employer attitude that the cost of equipping first year apprentices with the required skills and knowledge is 'too expensive, relative to the work they produce'³⁶.

Option to shift the dial

It is indisputable that employees have more opportunities for employer-sponsored training when they are employed by large enterprises, and for many of the small-to-medium sized employers, there is the added concern that all the up front training doesn't stop the young person from leaving once completed. Further, government funding for pre-employment training appears inconsistent. To counter this risk, pre-employment models could be boosted, for example strengthening VET in schools to better act as a link between post-education and the labour market and bring consistency to school-based models (Germany's dual apprenticeship is fundamental in helping create synergy between vocational learning in schools and training occupations available to young people).

An employer-led pre-employment model could include smaller businesses coming together to pool resources into a shared boot camp or academy (on their own, a small business may struggle to set up a boot camp, but a consortium of SMEs could). This would raise quality across an industry (not just concentrate efforts in one business) and provide employers with a sense of shared responsibility, as well as influence, from the start. From the boot camp, the employers could draw on the staff they identify as having the specific skills they need at that time and employ them. Another layer is the role of a GTO who could be embedded in the boot camp and reduce the risk to the employer and young person by ensuring the young person's interests are protected, whilst helping strengthen ties to the business.

There is evidence of this model successfully creating pathways and career advancements for young people. For example, 42 Adelaide³⁷ is a 4-week intensive coding camp to upskill individuals without qualifications. The program is 100% free tuition and, so far, has created 140 jobs and further training pathways. It is funded by employers (such as Lockheed Martin, Fleet Technologies and LoftusIT) who are also hiring partners. Thus, there is an opportunity for those industries facing specific skills shortages to come together and collectively embed different training models to ensure there is a pool of skilled young people prepared to address future need.

The need: Innovative pre-employment training, mutual commitment with the young person, and a quicker return on investment

- Employers told us they want more input into and flexibility of pre-employment training in order to see an earlier return on investment.
- Employers spoke of the risk of losing young people after investing in training and many felt a mutual commitment needs to be established to help avoid this happening.

Roundtable views

'Bootcamps' and 'academies' would garner greater attraction, as long as there is long-term mobility for young people. There is also the option of SME networks in skills development that could assist with setting up skills eco-systems together (as they won't have capacity at an individual level to get scale they need for a bootcamp). There is also merit in embedding industry intermediaries that can help build capability and capacity on behalf of businesses to drive and coordinate this work in local employment ecosystems.

Use of the work and learning combination to suit industry needs

Industries could borrow ideas of what works from the traditional work-integrated learning apprenticeship model, and combine them with different approaches to training, such as stackable skill sets and micro credentials.



The need: Increase exposure early on and reduce the risks of losing investment

- Employers say they want young people to have earlier exposure to, and experience of the industry and job, before committing to a full training program so as to reduce the risk of the young person dropping out after investing in their training.
- Employers want more innovative, flexible models that combine work and learning to suit their workforce needs (e.g. fulfil critical entry-level roles in Aged Care). They want young people who are passionate about what they do, and therefore want a sound way to test this.

“We employ apprentices so we start people from scratch. (The) issue is finding people interested in certain careers. That is the challenge.” (quote from a survey respondent)

Roundtable views

Alternative apprenticeship models and pathways into organisations are supported by both industry and young people. However the pathways need to be flexible enough to allow entry for a variety of young people. In addition, support is needed for employers to introduce the models into the workplace and relevant training needs to be available. For example, subsidies should be able to be applied to different pathways (e.g. for skill sets).

Background

There have been a number of examples of businesses that have adjusted the traditional apprenticeship model to suit industry needs, providing successful outcomes for both the learners and the employers. One example of using a work and learning combination and applying this approach to suit an industry need is the Human Skills Services Organisation partnership with the Brotherhood of St Laurence to launch a Skilled Pathway Pilot, which trialled a Skill Set as a pathway to entry-level jobs in aged and disability care sectors for young people³⁸. The pilot engaged RTOs, transition-to-work organisations and employers, and it targeted young learners from disadvantaged backgrounds, who undertook an entry to care skill set. Findings from this pilot demonstrated that employers look more favorably upon young people who have demonstrated an initial commitment to an industry and appreciate the option for the young person to get a flavour for the work earlier on. Employers also highlighted that fact that the young person could apply their learning in a workplace to meaningfully contribute to the business as early as possible. The pilot demonstrated that early engagement of employers, learners and training organisations leads to better employment opportunities, as early connections between learners and employers are built and young people obtain full-time job offers off the back of completing short, sharp work-tailored skilling. There is the potential to scale up the pilot approach through increasing the involvement of employers and training providers, providing Government support, and by rolling out the skilled pathways approach in more locations around the country. Employers involved in the pilot said it would require an intermediary to coordinate all the stakeholders and help guide the process. Another example of adjusting the existing apprenticeship approach to industry needs is the PwC Higher Apprenticeship program. As outlined on page 15, this model allows individuals to enter job roles that have historically required a university degree as a minimum requirement. The current PwC Higher Apprenticeship program allows participants to first undertake a Certificate IV in Information Technology, which is then followed by a Diploma in Information Technology. This provides an opportunity for the participants to upskill in a staged process.

Finally, this model is proposed to be piloted in the Commonwealth Digital Skills Cadetship Trial³⁹. The trial will be supported by industry to design and deliver tailored training according to employer requirements. The formal training may be a combination of units within an existing VET qualification that could later be used as credit towards a full VET qualification and higher education units packaged into micro-credentials and/or formal training augmented with other accredited training (e.g. training by global technology companies).

Option to shift the dial

Adjusting the apprenticeship model to suit a variety of industries and employment types could provide more options and pathways for both young people and employers, similar to international examples where apprenticeship style models have been applied to a wide range of occupations and sectors outside of traditional areas. Support for qualifications and short courses in industries that offer careers for young people would allow more provision of relevant training and support for learners to meet business needs.

Procurement and contracting

For large government contracts, there may be an opportunity to utilise the procurement process to stipulate that employers provide quality job opportunities for young people.



Background

There are many existing local examples of targets or requirements for the employment of certain underrepresented groups in large government procurement, particularly in the construction industry. These requirements may target a certain number of trainees or apprentices on a job, or they may target disadvantaged groups, including women in construction, people with a disability or Indigenous Australians.

Current examples in the Australian construction industry include:

- the Level Crossing Removal Project in Victoria where the Level Crossing Removal Authority has established a range of requirements, including a target that 3% of the total contract spend will go to social enterprises, Aboriginal businesses, and direct employment of disadvantaged job seekers in the supply chain⁴⁰
- the Local Jobs First – Major Project Skills Guarantee (MPSG) in Victoria which requires all construction projects valued at or over \$20 million to use Victorian apprentices, trainees or cadets for at least 10 percent of the total estimated labour hours⁴¹
- the Infrastructure Skills Legacy Program in NSW which has committed to minimum training and diversity targets for apprentices and trainees, women, Aboriginal and Torres Strait Islanders, young people and people from the local community⁴²
- the Barangaroo Skills Exchange revolutionised how workers engage with training and how employers' workforce development needs are met. Lendlease teamed up with the NSW Government, subcontractors and construction workers to offer on-site skilling and training in the areas of: literacy and numeracy support; construction trades and skill sets; safety leadership; basic digital literacy; apprentice mentoring; skills assessment and gap training for mature aged workers⁴³.

Option to shift the dial

While procurement targets are already used extensively in government construction projects, there may be an opportunity to do more. There is a pathway for the Government to leverage its substantial purchasing power to increase opportunities for young people, including people from disadvantaged backgrounds, across a variety of industries. This would have a particular effect where the Government is undertaking projects in emerging industries, such as IT, as it would provide additional pathways for individuals to enter and contribute to these industries. It would also prove useful in sectors that rely on government funding, such as aged care.

The need: Mutual commitment with the young person

- Employers said they understand the need to establish a mutual commitment between themselves and the young person, but it does 'require enticement' in order to really shift the dial for that to happen at scale.

Roundtable views

This is really important to stimulate employers to establish opportunities for young people. But it is easier for large employers to fulfil this commitment so we need to look at how smaller enterprises, and social enterprises, can capitalise on these options. It's also important that this is combined with other options, for example, resources for middle managers in supervising and mentoring the young people engaged.





6

Next steps



Next steps

By way of next steps, a coordinated combination of the options raised in this report could help create a significant difference for employers.

Where to next?

The Commonwealth is currently leading a process to transform the skills system. This will only achieve its potential if employers also act to create more employment opportunities which allow young people to apply and grow their skills. We can't fix the skills problem if we don't address the lack of access to career pathways for Australian youth.

There is an opportunity, and a need, for joint action between governments, employers, educators and communities to rebuild career pathways for youth. Some individual employers are showing what can be done. But we need change at a systemic level if we are to build back careers for today's youth.

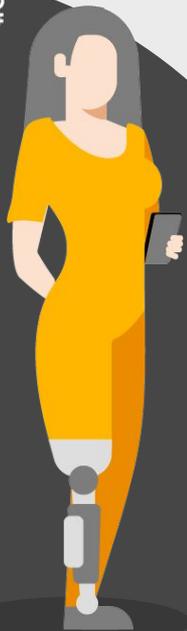
The success of the current Boosting Apprenticeships Commencement scheme demonstrates the importance of financial levers – particularly in sectors with well established VET pathways. But employers have told us that more significant change requires a combination of **financial levers; strengthening of support models for employers; collaborative pre-employment (training) models; use of work and learning combinations; and changes to government procurement.**

Many elements of a solution are there, but employers still find it hard to get the system to work. We need a concerted effort to address the gaps that employers have identified and to create additional momentum for change.

What we could do next:

- Using this paper as a starting point for co-design of a strategy to integrate current Skills Organisation pilots with support for employers who are willing to create additional entry points for young people, particularly those facing disadvantage.
- Trialling a combination of procurement targets in large IT contracts, new training/work integrated learning models and enhanced intermediary support to accelerate creation of job pathways into the IT sector.
- Piloting the use of an enhanced Group Training Model, with funds to deliver pre-employment and other support, to bring together employers and create better supported pathways for young people in SMEs.





7

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8

Appendices

Appendix A: One-on-one interview guiding questions

Topics of interest

Guiding questions

1

Attitudes and experiences

- What are your views and experiences of hiring and training young workers? What have been the benefits / challenges?
- What percentage of your total workforce are young people? Has the number of young people your organisation employs changed in the past 10 years? Why?
- What do you think are going to be the two or three most important factors defining the way employers engage with and hire young people over the next few years?

2

Employment, training and career progression

- How does your organisation handle employment of young people (e.g do you have apprenticeship/graduate positions in your organisation)? What are the sorts of jobs that you'd be bringing young people into your organisation for?
- How do you make decisions about different forms of employment contracts (permanent / temporary / independent contractor)? How are (these) arrangements considered from a future workforce view and implications for young people's' opportunities?
- Do you place value on different qualifications / different types of training (e.g. employability skills) or institutions (e.g. TAFE / School / University)? What is the relative weight of experience and education; and on-the-job training vs. off-the-job training?
- Do you see a role / duty for your organisation to establish career pathways and quality jobs for young people in your industry more broadly and why / what drives that?
- What is your view on the current career progression opportunities for young people at your organisation? In your industry/more broadly?
- What factors affect your consideration of supporting career progression of existing workers?

3

External influences

- How do external influences, particularly government policies, impact your hiring decisions and influencers (e.g. incentives and employment service providers)?
- What would it take for you to consider creating more apprenticeships or traineeships or other entry points for young people into your organisation/?
- If you had the chance to get one or two major policy changes through that would make it easier for employers to offer quality jobs to young people, what would they be?

Appendix A: One to one consults

Organisation/ individual
Lendlease Group
Beacon Foundation
Centacare Disability Support
BHP
Fairbrother PTY Ltd
Professor John Buchanan
Professor Jeff Borland
42 Adelaide
Learning Creates
Atlassian
John Holland Group
Department of Infrastructure, Transport, Regional Development and Communications

Appendix B: Survey questions (1 of 6)

1. Name:
Free text response
2. Contact Details (in case we need to follow up to clarify any information):
Free text response
3. Company/organisation:
Free text response
4. What industry sector is your organisation in? (select most appropriate)
 - Health Care and Social Assistance
 - Education and Training
 - Construction
 - Manufacturing
 - Professional, Scientific and Technical Services
 - Financial and Insurance Services
 - Retail Trade
 - Wholesale Trade
 - Mining
 - Agriculture, Forestry and Fishing
 - Accommodation and Food Services
 - Arts and Recreation Services
 - Transport, Postal and Warehousing
 - Electricity, Gas, Water and Waste Services
 - Administrative and Support Services
 - Public Administration and Safety
 - Information Media and Telecommunications
 - Rental, Hiring and Real Estate Services
 - Other
5. Approximately how many people does your organisation employ?
 - Less than 20 people
 - Between 20 and 199 people
 - 200 or more people
6. Leaving aside any immediate effects of COVID 19, over the last 15 years has the number of people employed by your organisation (if unsure, please estimate as best as possible)...
 - Increased a lot
 - Increased somewhat
 - Stayed about the same
 - Decreased somewhat
 - Decreased a lot
7. Approximately what percentage of your total workforce are young people (aged 15 to 24)?
 - Less than 5%
 - 5-10%
 - 10-25%
 - 26-50%
 - Over 50%
 - Don't know
8. Approximately what percentage of your total workforce are over 50 years old?
 - Less than 5%
 - 5-10%
 - 10-25%
 - 26-50%
 - Over 50%
 - Don't know

Appendix B: Survey questions (2 of 6)

9. Over the last 15 years, the proportion of young people employed by your organisation has:

- Increased a lot
- Increased somewhat
- Stayed about the same
- Decreased somewhat
- Decreased a lot

10. What forms of employment is your organisation most likely to use to engage young people (select up to 3 of the following options)?

- Ongoing employment
- Apprenticeships and/or traineeships (direct employment)
- Apprenticeship and/or traineeship (Group training organisation)
- Graduate program
- Short term contract
- Casual
- Via subcontractors/labour hire
- Other (specify)

11. Over the last 15 years, have there been any changes in the way young people tend to be employed by your organisation? (E.g. reduced apprenticeship intake, increased use of labour hire)? Please explain, including any reasons.

Free text

11. Over the last 15 years, have there been any changes in the way young people tend to be employed by your organisation? (E.g. reduced apprenticeship intake, increased use of labour hire)? Please explain, including any reasons.

Free text

12A. Over the last 15 years, how much have the number of roles available to recent school leavers, or young people without post-school qualifications, increased/decreased in your organisation?

- Increased a lot
- Increased somewhat
- Stayed about the same
- Decreased somewhat
- Decreased a lot

12B. Please tell us a bit about why this has changed.

Free text

13. Which of the following benefits are provided to young people working for your organisation?

Benefit	Extent to which benefit is provided by your organisation			
	Always	Often	Rarely	Never
On-the-job training				
Ongoing skills development for careers in the organisation				
Access to external training				
Career progression/priority for internal promotions				
Mentoring				

Appendix B: Survey questions (3 of 6)

14A. Over the last 15 years, your organisation's spending on workforce training has:

- Increased a lot
- Increased somewhats
- Stayed about the same
- Decreased somewhat
- Decreased a lot

14B. Please provide an explanation for this change in spending on training.

15A. Are there any positions that your organisation frequently has difficulty filling?

- Yes, less than 25% of positions
- 25 to 50% of positions
- 50 to 75% of positions
- Over 75% of positions

15B. What are these?

Free text

16A. When your organisation experiences difficulties in filling skilled or semi-skilled roles, how likely are you to do the following?

Approach	How likely			
	Very likely	Likely	Not likely	Never
Upskill or reskill existing staff				
Leave roles vacant until new staff with relevant experience/qualification can be found				
Hire new staff who have entry-level or no experience and train them up				
Look for international talent (i.e. skilled migration)				
Increase use of outsourcing/subcontracting				
Use labour hire				
Explore new sources of recruits (e.g. considering more disadvantaged job seekers)				
Seek to 'poach' trained workers already working in your sector				

Appendix B: Survey questions (4 of 6)

16B. Can you tell us a bit about what influences your approach?

Free text

17. How likely do you think it is that your organisation will face difficulties in meeting its skills needs in the next 5 to 10 years?

- Not at all likely
- Unlikely
- Likely
- Very likely

18. If any, please tell us what strategies you have in place to address your future skills needs in the next 5 to 10 years:

Free text

19A. How important have the following factors been in limiting your organisation's career opportunities for young people entering the labour market (with a focus on those without degrees)?

Factors	Importance			
	Very Important	Fairly important	Slightly important	Not at all important
Lack of availability of skilled supervisors				
Cost of wages				
Cost of training				
Safety concerns				
Competitive pressure				
Lack of candidates with required level of English language skills				
Lack of candidates with required level of literacy/numeracy				
Lack of reliability of young workers (e.g. punctuality)				
Risk of young person leaving				
Lack of roles for people without experience				
Lack of availability of training that would meet our needs				
Cost of support (where using intermediary like GTO or mentoring service)				
Other (specify)				

Appendix B: Survey questions (5 of 6)

19B. Is there anything else that prevents your organisation from creating more opportunities for young people?

Free text

20A. How important have the following factors been in encouraging your organisation to create career opportunities for young people entering the labour market (with a focus on those without degrees)?

Factors	Importance			
	Very Important	Fairly important	Slightly important	Not at all important
Wage subsidies				
Apprenticeship/traineeship incentives				
Obligations under government contracts (eg social procurement targets)				
Availability of pre-employment programs				
Availability of specialist organisations to assist in supporting young people in employment (eg Group Training Organisations, job providers)				
Availability of training that meets the needs of our workers				
Leadership/board commitment to increase youth employment				
Other (specify)				

20B. Are there any other initiatives or factors that have increased the number of career opportunities your organisation has created for young people?

Free text

21. Rank the top 3 most effective initiatives that are likely to create a positive change in the number of career opportunities in your sector for young people (with a focus on those without university degrees) [1 being the most effective].

- Wage subsidies (50% or greater of wage cost)
- Wage subsidies (under 50% wage cost)
- Training or apprenticeship levy (requires employer investment in training and/or apprentices)
- Pre-employment programs to equip people for the sector
- Access to assistance from intermediaries to recruit and support young workers (e.g. GTOs, mentoring programs)
- Obligations to hire and train young workers under government contracts
- Access to expert advice on how to develop better pathways for youth
- Other

Appendix B: Survey questions (6 of 6)

22. How much you agree or disagree with the following statements:

Statement	Scale					
	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
My organisation sees it as being in its own interest to invest in developing young workers						
My organisation sees itself as having a social responsibility to develop the skills of young workers for the sector						
Turnover amongst our younger employees makes it hard to justify investing in their skills						
Employers in our sector are investing enough in young people to meet future skills needs						
My organisation would invest more in training young people if others in our sector were doing the same thing						
My organisation is well equipped to support young people who are starting out in their careers						
Our staff don't have time to supervise and train young people						
Team leaders and supervisors need more skills to manage and support young people						
My organisation would be willing to employ more young people if government incentives were increased						
My organisation finds it difficult to attract young people to available jobs						
I know what works, where to look and where to get support when considering hiring a young person						

Appendix C: Literature review

Pages 47 - 75

Many young people cannot secure jobs that enable them to develop skills that are in demand now or expected to be in demand in the future...

As at April 2021, the employment ratio of young people was 61% (and 69% participation rate)

However, only 17% of young people make up the overall full-time workforce, whereas 46% make up all short-term casual employees (2019)

There is also a 50% reduction in the number of entry-level jobs since 2006, leading to 10.2% youth underemployment (June 2021)

Key figures:

1. On average, young people's real incomes from 2008 to 2018 have declined by

-1.6%

3. Young people are more likely than that of the adult labour force to be unemployed by

2.5 x

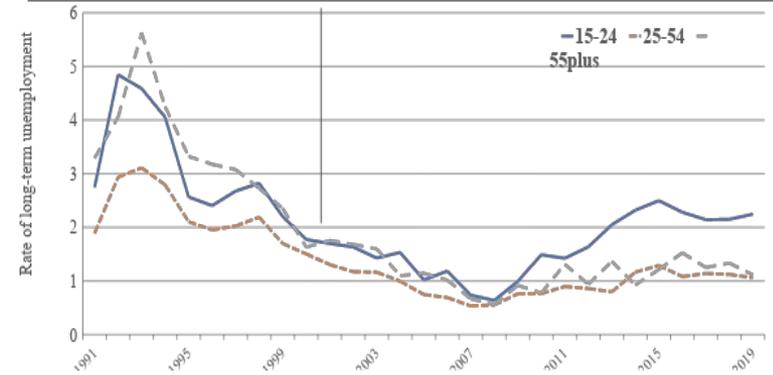
2. The average length it is taking a young person to move into full-time work is

4.7 years

4. Number of young people in employment in 2020 with a VET qualification dropped by

17.5%

More likely to be long-term unemployed: Rates of long-term unemployment, by age, persons, 1991 to 2019 (August)



Key Facts and Figures about young people (15-24 years):

- Incomes have continued to decline;
- Those without degrees tend to be hardest hit compared to previous generation;
- Are ascending career ladders more slowly than the broader population and are therefore taking more time to secure full time employment - resulting in societal and economical impacts (scarring);
- Weaker labour market (middle-skill jobs that once provided a stepping stone to career progression have disappeared), meaning young workers are obtaining jobs that were further down the jobs ladder and moving up more slowly;
- Young people who enter weaker labour markets often experience long-term 'scarring' effects;
- Employers are reducing investment into training, which impacts young people's ability to compete in the market;
- Holding a job that does not fully use a young person's skills can raise the probability of unemployment and reduce future wage rate growth.

Theme 1: Over the last twenty years, there has been a reported reduction in the range and availability of full-time entry-level quality job opportunities (including employer efforts to nurture and train) and young people have been disproportionately impacted

Traditional labour market entry points into quality jobs for young people have been in decline (e.g. demonstrated by the decline in apprenticeship numbers). Declining investment in training, and reduced employer commitment to maintaining their workforces over time signals a loosening of the bonds between employers and workers.

Key Findings

- Young people today are more educated than those in previous generations. However, entry-level job opportunities that offer career progression have declined;
- OECD found that, despite uninterrupted economic growth in Australia during the global financial crisis, labour market outcomes for young Australians had not improved since then (OECD 2016);
- Poor labour market outcomes for young people have manifested as slow wage rate growth rather than as an increase in unemployment. This wages stagnation has meant financial rewards have become less certain for individuals who have time spent acquiring skills on or off the job;
- Many young people end up in work that doesn't make use of their skills. At the same time there are skills shortages in many parts of Australia, many employers argue that young people seeking employment are not adequately prepared for 'the world of work';
- Entry points offering stewardship and training for young people directly from school into full time employment (e.g. apprenticeships) and from higher education (e.g. graduate recruitment) have declined. The loss of mentorship and pastoral care that these schemes may have provided has particularly weakened the ability of employers and young employees to develop long standing relationships;
- Training a person on the job in any sort of a formal or structured way is seen as expensive for employers. "... you're unlikely to want to make that expense unless you expect the person to stay with you for quite a while so that you get the benefit of their training. Employers seem to want to be able to hire and fire and to not make implicit or explicit commitments to keep on their staff for a long time" (Sue R).
- "Over the last twenty years there has been a reduction in the range and availability of full-time entry-level job opportunities and young people have been disproportionately impacted by this".
- There is a suggested 'left behind' thesis which suggests the changing trends related to the nature of work, the economy, the nature of capitalism and role of government policy might be driving some employees to feel "diminished and distant", weakening collective bonds and changing the relationship between the employee and employer (and therefore the role and duty of the latter).

Relevant Literature*

- Smith Family: Young people's successful transition to work: What are the pre-conditions?
- Sue Richardson - Transcript of conversation from ABC News
- SVA: Fair Future report
- Productivity Commission reports: Climbing the jobs ladder slower: Young people in a weak labour market; Upskilling and retraining, and Why did young people's incomes decline?
- OECD: Give Youth a Chance
- Disrupted: Where to from Here?

*This is not exhaustive

Relevance to report: Employers historically played a strong role in developing novice workers into longer term employees through opportunities such as the apprenticeship model; however in the last two decades this has changed. The report will seek answers to 'why' from employers.

Theme 2: While there are some differences between industries, employer contribution to training and education funding has been falling.

Training staff and career pathway creation appears to not be top of mind for some employers; in some cases there is often only interest when a training guarantee/cash incentive is available. However, past initiatives have not left a long-lasting legacy, due to lack of 'stickability' amongst employers.

Key Findings

- Employers have “gotten lazy.” When faced with what they see as a skill shortage, what they could do (and what they once did), was to take that person on and train them, or change the nature of the job so that it fits that person. Nowadays they've got used to not needing to do that;
- While employers demand higher skill levels and experience from prospective employees, many appear to be doing less of the ‘heavy lifting’ regarding skills development themselves;
- Employers value what they pay for; where employers invest heavily in the skills of their workers, they have strong incentives to ensure the productive deployment of those skilled employees and have a greater chance of retaining them in their organisation;
- The experience of the Training Guarantee revealed that it did succeed in stimulating employer expenditure, it did result in more genuine training and it did encourage managers to take training and skills development more seriously. But the Levy was not as effective as hoped due to a “fixation with the supply-side issues”; a preoccupation with training inputs; and an enterprise orientation;
- Restoring some balance will require the major participants — employers, educators, workforce intermediaries, and policymakers — to address four major inefficiencies in the current system. These are:
 - Fragmented coordination and communication;
 - Lack of a common language and transparency: this is a classic supply-and-demand mismatch. Employers who demand skills and educators and workforce intermediaries who supply skills seldom share a common language or work in collaboration looking at one set of data;
 - Unclear, unstructured career paths: aspiring workers are not fully aware of the implications of the choices they make when they invest time and money in seeking education beyond Grade 12 or pursuing a certification in a discipline;
 - Misaligned incentives: individual actors in the system are encouraged to optimize their own performance without sufficient reference to the impact on the broader system;
- Employers are finding it “harder to find time and resources to take a long-term, integrated and strategic approach to improving employment transitions for young people.” There is a trade off between doing the right thing vs challenging market conditions that hold employers hostage, meaning what is possible, what is necessary and what is realistic can be very different things.

Relevant Literature

- You Value What you Pay For
- Bridge the gap: Rebuilding America's Middle Skills
- Shifting the Dial: 5 year productivity review
- Disrupted: Where to from Here?

Relevance to report: Report will look at evidence of decrease in employer contribution to training over the years and identify where the uptick has been a result of a policy and why it didn't ‘stick.’

Theme 3: *The problem may be being partly compounded by employer attitudes, for example many have long-standing misconceptions about hiring young people in Australia.*

Attitudes towards hiring young people vary between different industries, demographics and individuals' previous experiences. Some industries are well-known for having a business culture that is highly favourable towards providing young people with meaningful career pathways. However, being employed in a quality job with a decent wage and commitment from the employer has proved to be more difficult for young people, particularly without university degrees (compared to previous generations). Some driving attitudes may mean employers see young people as expendable.

Key Findings

- Employers that have had negative experiences in the past have reservations around the business etiquette, reliability and commitment of young people;
- There is a perception that the cost of equipping first year apprentices with the required skills and knowledge is too expensive, relative to the work they produce. Many employers believe that they are unlikely to be profitable by hiring apprentices;
- Employers require environments that have adequate supervision and support for young employees, which may not be available within their resource constraints or at all (e.g. businesses need funding to train mentors/coaches);
- Some employers have been drawn towards more casual and/or short-term employment models (e.g. casuals, gig, labour hire and overseas skilled migration) over employing young people (however, it is noted that this is not to be generalised across all industries, particularly those that are built on an apprenticeship model such as construction). This may provide an explanation to the lack of employer willingness to invest in training;
- Intergenerational workplace interactions can be challenging if employers and employees do not understand solid techniques for interacting or the benefits of positive interactions. Depending on the organisation, the possibility of intergenerational cultural differences may dis-incentivise employers from hiring young people;
- Employers are concerned that many young Australians are failing to pick up proficiencies and dispositions required in the workplace, including reliability, a positive attitude, willingness to try and readiness to learn.

Relevant Literature

- Australian Bureau of Statistics, 2016 Census of Population and Housing based on place of work
- The attitude gap challenge: A South Auckland Employment and Skills Challenge, 2012
- The Parliament of the Commonwealth of Australia - Youth employment: a working solution
- Disrupted: Where to from Here?

Relevance to report: Report will examine the experiences and attitudes of employers (e.g. through one-to-one interviews) that influence hiring behaviours towards and career creation for young people.

Theme 4: *There is also the added impact of corporatisation, change in industry composition, increase in contracting out and weakened industrial relations*

Fragmented supply chains, use of more insecure forms of employment, and reduced investment in training have all made it much more difficult for young people to secure a foothold in the labour market and to develop skills in the workplace.

Key Findings

- The shift away from the traditional primary industry and manufacturing sectors towards the service sector and new industries has “precipitated a collapse in the labour market of full time jobs for young people”;
- Employment growth has occurred in sectors of the economy which commentators argue do not have well-developed career structures spanning entry level through to higher level roles. New jobs in sectors (e.g. business) usually require higher skill levels, attract higher wages and require greater levels of professional and managerial experience as a prerequisite for entry (getting ‘pushed off the ladder’);
- Employment growth has occurred in sectors characterised by insecure forms of employment (retail, hospitality, personal services and cleaning). Employment is often casual, short term, irregular (e.g. seasonal) and the work itself is not generally connected to more permanent or longer term career paths - which offers limited opportunities for further formal and transferable skill development; truncated options for career development through promotion; and little assurance of ongoing employment when consumer demand declines;
- The consequences of restructuring large workplaces and of increasingly precarious employment can be seen in declining skills investment and chronic shortages in key occupations. It is reported that too many employers expect other employers or educators to provide young people with technical and employability skills, or rely on availability of skilled labour from other countries;
- Employers have a choice to either lean in or back away as a result of the shifting expectations and assumptions regarding their role (partly triggered by macro trends). There is a different weighting at play between wider economic and social obligations vs actual role for employers;
- The availability of an apprenticeship model is not the only reason for continuing commitment to creating skilled pathways for youth in this sector. Procurement and unionisation have also been powerful drivers. However, contracting chains do seem to push responsibility down the line.

Relevant Literature

- Smith Family: Young people’s successful transition to work: What are the pre-conditions?
- Sue Richardson - Transcript of conversation from ABC News
- SVA: Fair Future report
- Productivity Commission reports. Climbing the jobs ladder slower: Young people in a weak labour market; Upskilling and retraining, and Why did young people’s incomes decline?

Relevance to report: Report will provide brief commentary on macro level observations relating to this theme and implications to solutions (e.g. nature of capitalism, loss of large public sector players). Consider if macro trends is resulting in no one taking responsibility.

Theme 5: Rapid technological innovation and workforce transformation have increased employers' expectations of prospective employees and increased competition for entry-level positions typically sought after by younger people.

The adoption of increasingly agile and remote ways of working, and increasing rules and regulations across industries that employ young people, has resulted in employers demanding greater experience and qualifications for people entering the workforce. They are also making choices about how they structure the jobs, and therefore how they select. In May, 2019, only 10 percent of job vacancies were suitable for applicants with no qualifications or work experience, which young people (particularly from low socioeconomic status backgrounds) have struggled to deal with.

Key Findings

- According to the Vacancy Report Headline Figures for June 2021, employers are actively seeking individuals with bachelor-level degrees or higher, more than any other level of qualification. This was supported by the dominance of job advertisements for highly skilled jobs, including managers (increase of 105.4% job advertisements over past year) and professionals (increase of 89.7% job advertisements over past year). As employers' actively seek higher level qualifications, younger people without university degrees are likely to face greater barriers to enter the workforce in a full-time quality job;
- Entry-level administrative jobs, such as bank workers, filing and registration clerks, and data entry operators are declining as businesses increasingly incorporate automated workflow technologies. This means that businesses are increasingly unable to offer young people work in areas where they may have done so in the past;
- An increasing rise in remote ways of working may mean that employers are less willing to hire inexperienced young people, who they believe cannot be remotely trained and/or face risk of underperforming;
- A report by Anglicare showed that, as at May 2019, only ten percent of all available jobs were best suited to people looking for entry-level work, which are typically young people;
- Young people are being subject to "upcredentialing," where employers' inflate the credentials required for advertised jobs. Many employers now claim that they require bachelor's degrees for jobs that have historically been dominated by employees without university qualifications. According to a report by Burning Glass Technologies (2021), 65 percent of postings for Executive Secretaries and/or Executive Assistants advertised that they require bachelor's degrees, despite work experience being of greater value in these occupations;
- Technology reduces the need for workers to complete routine, manual tasks, which means that workers are needing to spend more time focusing on people, solving more strategic problems and thinking creatively. By 2030, today's young people will need to work with a more entrepreneurial and independent mindset, which will likely increase competition for entry-level positions and increase the need for "high-level skills" among young people.

Relevant Literature

- What do recruiters think about today's young people?
- Vacancy Report Headline Figures, June 2021
- Jobs Availability Snapshot, 2019 - Anglicare Australia
- Moving the Goalposts: How Demand for a Bachelor's Degree Is Reshaping the Workforce, 2021
- Disrupted: Where to from Here?

Relevance to report: Report will explore impact of technology and workforce transformation on employers behaviours to providing young people access to quality entry-level jobs.

Theme 6: *There is goodwill amongst some employers and a desire to employ more young people, but limited capability, capacity and knowledge about how best to achieve this operationally, administratively and financially is leading to inaction. There is also an aspiration vs pragmatism contest for employers.*

Employers need to take action, but there is a level of support needed to ensure they can execute their 'duty' (if they see one) to nurture young people. They need to decide what kind of 'voice' and position they want, as so far the employer role and contribution to discussion regarding young people in the labour market has been inconsistent. They can 'resist and defend' or 'engage and invest'.

Key Findings

- Many commentators argue that employers should be re-evaluating the role that importing skills has in our economy and in our society (especially now with the lack of migrant skilled labour) and think how to cultivate skills amongst our own population. Employers need to be able to recognise the benefits and opportunities associated with developing a long term employment relationship with young and entry level employees. Employing and committing to the skill development of young people is “an essential precondition for young people’s positive transitions to work”;
- However, some employers may find their ability to nurture the development of young workers has been diminished by a lack of supervisors with the skills and experience to provide training and support;
- Therefore, employers need support or a ‘go to’ person when things don’t go as planned. They need knowledge and resources in navigating the challenges of employment of a young person;
- Some initiatives have worked, but there are others that do not support employers to guarantee the quality of their offer. For example, assistance through jobactive is focused on moving people into work, regardless of the quality of the work or whether it allows for the development or use of skills. This can be unhelpful to the young person as the assumption that poor quality jobs (e.g. jobs with poor pay, underemployment and limited access to skills-based progression) will be a stepping stone to better work is not well supported by available evidence. It is also not necessarily helpful to the employer as evidenced by the lack of engagement by employers in jobactive. In 2007 18% of employers were using the system - in 2018 it was 4%;
- According to a survey by Stewart-Weeks, M., the cost of developing skills in young people can be burdensome for employers. Further, resourcing required for work placements is often high and does not always make sense to invest in. Many survey respondents emphasised a significant administrative burden and lack of a coordinated approach to work placements across sectors and within their own organisations;
- “A CEO of a national employment services organisation highlights that there is immense goodwill amongst employers and a desire to employ more young people, but limited knowledge about how best to achieve this operationally, administratively and in human resource terms”;
- The benefits of helping young people progress in quality jobs are well known; however despite knowing the puzzle pieces, they come together in a “fragmented and disconnected way” (e.g. too reliant on schools/university to do the piecing together for the labour market);

Relevant Literature

- Smith Family: Young people’s successful transition to work: What are the pre-conditions?
- Sue Richardson - Transcript of conversation from ABC News
- SVA: Future Fair report
- OECD Give Youth a Chance
- Productivity Commission reports
- I want to work
- Disrupted: Where to from Here?

Relevance to report: While government action is critical, it is employers who must decide how they structure employment opportunities, how they reward those who bring their skills to the workplace, and how much they invest in the future skills of their employees. The report will seek to gather views on ‘how’ employers perceive this duty when it comes to young people and what kind of support is needed.

Theme 7: Employer hiring and training processes can be improved to benefit employers and young people seeking employment.

Recruitment processes could benefit from career pathway mapping and better use of employment data, including stronger engagement with employers. It is suggested that there is misalignment between the way jobactive works and the goal of increasing the number of young people moving into quality careers.

Key Findings

- Creating connections between employers and young people positively affects employer hiring practices (e.g. through school engagement programs, work experience);
- The employment of young people can be improved if data is used by policymakers to identify skills gaps and employment pathways, and allocate training resources strategically based on long term outcomes. This will ensure that employers have sufficient access to talent to fill competitive and important jobs when considering recruitment of new employees;
- Some argue that the effectiveness of current active labour market programmes (ALMPs) on disadvantaged groups is marginal, particularly as it aims to place people in work regardless of fit to existing skills and lacks measurement of income effects. However, it is suggested by some that ALMPs could be improved if they were expanded to consider employer engagement and career development; latest evidence suggests that stronger outcomes are achieved by programs that are focused on work as well as human capital accumulation;
- Unclear and unstructured career paths results in aspiring workers not being fully aware of the implications of the choices that they make when they invest time and money in seeking education;
- Resources should be directed to those areas that make the market for middle-skills talent more efficient, such as:
 - creating better real-time data;
 - encouraging cooperation among employers;
 - focusing on small and medium enterprises;
 - supporting and replicating successful not-for-profit models;
 - removing barriers to employers and educational institutions adopting innovative initiatives; and
 - integrating performance metrics around the theme of jobs;
- The sources of effectiveness of sectoral employment programs include upfront screening of applicants on basic skills and motivation, training in occupational skills and career readiness, wraparound support services, and strong connections to employers. Examples of successful sector-focused training programs include Year Up, Per Scholas, WRTP and Project Quest;
- There is a need to make employee-employer relationships more purposeful, including during recruitment, training, support, mentoring and giving young worker stretch opportunities to add value and contribute.

Relevant Literature

- The Demand Side of Hiring: Employers in the Labor Market
- More than a match? Assessing the HRM challenge of engaging employers to support retention and progression
- Promoting Equity and Inclusion and Connection to Good Fit Jobs for Young Adults
- Bridge the gap: Rebuilding America's Middle Skills
- When is a job just a job - and when can it launch a career?
- Why do sectoral employment programs work? Lessons from Workadvance, 2020
- What Works? A Meta Analysis of Recent Active Labour Market Program Evaluations

Relevance to report: Report will evaluate different methods for improving recruitment processes/Report will examine the use of career employment data for improving outcomes and directing programs and policy.

Theme 8: *There appears to be barriers to employers engaging with reliable alternative training and employment models; not just at scale, but the ad hoc and stop-start nature of these initiatives which is limiting their take-up. Therefore, evidence of what works needs to be explored in greater depth to understand what is getting in the way of wider adoption of initiatives.*

While employers benefit from a number of alternative training and employment pathways, including non-trade apprenticeships, there are some reported difficulties that may lead to employers shunning these opportunities; their response does not correspond with the longevity of the problem.

Key Findings

- While wage subsidies help employers retain employees during economic shock, they can also slow much-needed adjustments of the shock results in lasting structural change that required significant labour force reallocation. In this way, their design is critical;
- Employers report better results where they are able to be involved in steering the design and delivery of training;
- Employers who participated in a pilot program in Australia agreed that the Higher Apprenticeship model addresses a gap in the training landscape; however, other research indicates that higher apprenticeships can be complex and difficult to operate across some industries;
- Multidisciplinary pathways and flexible training arrangements are more successful in the employment landscape;
- There needs to be a major reset of the relationship between employers and young people, and for solutions to be implemented in a predictable and systematic way;
- Employers should take a long-term look at strategic workforce plans and invest earlier in building a future workforce ('shape the production line' if what is coming out of education isn't fit for purpose). There is a consequence to the employer choice regarding level of involvement;
- Governments can use their purchasing power to increase availability of training pathways (Sydney Metro);
- Employers could establish both direct engagement and pathways throughout their supplier and other networks (e.g. Microsoft Traineeship Program);
- Models like Talent Rewire's Rewire Lab may be useful in bringing employers together to develop initiatives in their organisations;
- Alternative training and employment pathways, such as using 'stackable' skill sets that build towards attaining full qualifications and securing entry-level jobs, are being increasingly sought after by employers (e.g. in the aged and disability care industry).

Relevant Literature

- OECD Engaging Employers and Developing Skills at the Local Level in Australia
- Infrastructure Skills Legacy Pilot Program
- Final report and evaluation: Alternative delivery pilots: higher apprenticeships and traineeships
- SVA: Future Fair report
- Using wage subsidies to support growth, 2020
- Beyond mentoring: social support structures for young Australian carpentry apprentices, 2016
- Disrupted: Where to from Here?

Relevance to report: Report will examine alternative delivery pathways and policy support in relation to young Australians. This may include case studies.

Local efforts to build non-university career pathways for young people

The following policies, initiatives and programs have been implemented and proposed in Australia to help creating better, more sustainable jobs for young people. The following table is intended to summarise some example initiatives and programs, and will be supplemented with additional examples, following consultation with key stakeholders.

Stakeholder type	Example initiatives	Details	Benefits	Considerations
Government	Australian Apprenticeship Incentives Program (AAIP)	The AAIP supports the development of a skilled and relevant workforce that supports economic sustainability and competitiveness. This is achieved by encouraging opportunities for skills-based training and development of employees and people to enter skills-based training through apprenticeships. Examples of incentives relevant for employers of young people include the Australian School-based Apprenticeship Commencement Incentive and the Australian School-based Apprenticeship Retention Incentive. From 1 July 2020, the AAIP was scheduled to be replaced with a new, simplified and streamlined incentives program for employers of apprentices and trainees, the Incentives for Australian Apprenticeships (IAA). However, this has been delayed due to the ongoing impact of the COVID-19 pandemic on employers. The IAA will now commence from 1 October 2021.	<ul style="list-style-type: none"> Reduces the financial burden of hiring young people who require additional training needs; Employers have the ability to employ an Australian apprentice on a part-time or full-time basis, or while they are enrolled at school; Employers can apply for different incentives to fit their business needs, such as: <ul style="list-style-type: none"> Boosting Apprenticeship Commencements wage subsidy (which has been successfully extended 12 months from its date of commencement from 1 October 21 to 31 March 2022); Australian Apprentice Wage Subsidy. Offers young people the opportunity to study and earn an income while undertaking a qualification; Young people can use their qualification to work anywhere in Australia and around the world. 	<ul style="list-style-type: none"> The AAIP is intended to transition to the IAA by 1 October 2021; however, this may be further delayed by the COVID-19 pandemic; Employer incentives are subject to eligibility criteria, waiting periods and time limits; Employers may utilise the Australian Apprenticeship Support Network to get advice and assistance with recruiting, training and retaining Australian apprentices; Employers must consider whether their business can offer the full range of skills that an apprentice needs to work in a given industry, or the amount of work they are required to complete during training. If they cannot meet these requirements, they may consider using a GTO.
	Training (e.g. NSW JobTrainer)	Through JobTrainer, the Government is offering training to people who are out of work or aged 16 to 24, and providing support for businesses to retain their apprentices and trainees.	<ul style="list-style-type: none"> Young people are offered fee-free and low-fee training options to boost skills with full and part qualification course options, as well as personalised support to assist with navigating skills and training opportunities; Addresses skills gaps of young people who are at risk of unemployment and/or may require training to secure ongoing employment. 	<ul style="list-style-type: none"> Example of a lack of an integrated approach to addressing training and employment resulting in a risk that the JobTrainer investment in training is entirely wasted; Eligible learners must be living in a specific state (e.g. NSW, for this example), be an Australian or New Zealand citizen, permanent resident or humanitarian visa-holder.

Local efforts to build non-university career pathways for young people (con't)

Stakeholder type	Example initiatives	Details	Benefits	Considerations
	<p>Wage Subsidy (e.g. JobMaker Hiring Credit scheme)</p>	<p>This is an incentive for businesses to employ additional job seekers aged 16 to 35 years. Eligible employers can access the incentive for each eligible additional employee they hire between 7 October 2020 and 6 October 2021, provided that hiring the employee increases the business' headcount and payroll. Employers can make claims every three months for up to twelve months from the date that a new eligible employee starts work.</p>	<ul style="list-style-type: none"> • Employers who hire young people receive financial incentives; • Young people are increasingly hired by employers. 	<ul style="list-style-type: none"> • Eligible employers cannot claim JobKeeper and the JobMaker Hiring Credit payment at the same time; • Employees under this incentive must meet criteria as outlined here (e.g. needing to be aged between 16 and 35 years when starting employment); • Claiming the JobMaker Hiring Credit payment can affect an employer's eligibility for other government support payments; • Despite the financial benefits of wage subsidies, the take-up by employers remains low.
<p>Government</p>	<p>Industry-led employment pathways (e.g. Youth PaTH Industry Pilots)</p>	<p>The PaTH Industry Pilots are industry-led employment pathways to help young people into work using elements of Youth Jobs PaTH, employment services and other support. The Pilots respond to calls from industry for greater input in selecting, training, matching and supporting young job seekers into work. Nine organisations, including employers, GTOs, industry peak bodies and other employer representatives will deliver the Pilots in regional and metropolitan areas around Australia, including in:</p> <ul style="list-style-type: none"> • Aged, disability and community care; accommodation; • Food services and tourism; • Business; • Engineering and electrotechnology; • Retail; • Transport and logistics; • ICT; and • Agribusiness. 	<ul style="list-style-type: none"> • Tests if and how industry-led approaches can increase employer take-up and more effective uses of employment services; • Aligns pre-employment pathways with the needs of employers with significant workforce demand, and in growing industries; • Informs the development of future employment services, including the design of future pre-employment and work experience programs. 	<ul style="list-style-type: none"> • Young job seekers from jobactive, Transition to Work, New Employment Services Trial (NEST) regions and Disability Employment Services are eligible to participate in the Industry Pilots; • It is too early to tell what differences industry-led employment pathways are making, including the types of jobs being created and whether they are sustainable.

Local efforts to build non-university career pathways for young people (con't)

Stakeholder type	Example initiatives	Details	Benefits	Considerations
Government	Training Guarantee Levy	<p>The Training Guarantee (introduced in 1990) required all employers above the payroll threshold to spend a minimum percentage of payroll in each financial year on eligible training. The minimum expenditure was set at 1%, rising to 1.5% from 1992-93 onwards. The payroll threshold was set initially at \$200,000, indexed to annual movements of average weekly earnings. This was equivalent to roughly 8-10 employees.</p> <p>The definition of eligible expenditure was broad and included not only staff training but customer training, development of training strategies, acquisition or construction of training facilities, and donations to educational establishments. The cost of wages paid to attendees was also included. To be eligible, training had to be employment-related, "structured" (i.e. have defined aims and outcomes) and approved or developed by a person with specified minimum qualifications.</p>	<ul style="list-style-type: none"> • Provided a useful opportunity for businesses to focus attention on the quality and appropriateness of their training strategies and devise more cost-effective approaches; • Over half the eligible employers believed it had been instrumental in increasing their training expenditure. It was particularly influential with medium-sized businesses among whom it contributed to a growth of 60% in average expenditure per employee; • It protected the existing training activities of businesses at the time from cost-cutting pressures induced by the recession. This meant training activity actually continued to grow right through the 1990-93 recession; • From the Commonwealth's point of view it was a highly cost-effective program; it appeared to have generated somewhere between \$20 and \$100 of new industry investment in training for every Commonwealth dollar spent on it. 	<ul style="list-style-type: none"> • The Training Guarantee had been expected to show most benefit in problem areas such as those where there was no tradition of training (e.g. retail). In practice, it proved least effective in such cases; • Small businesses struggled, especially those that were too small to be covered by the Training Guarantee, so training activity fell over the three years from 1990 for this group; • The Training Guarantee was also ineffective (at least in the aggregate) in improving access to training for disadvantaged groups in the workforce; • Some argue it was too generic in nature and needed to focus on target areas/industries; • It was also too focused on changing behaviour of individual firms - it needed to focus on incentivising at an industry or regional level rather than intervening directly in an attempt to change the behaviour of individual firms in isolation from their context; • Commentators suggest there needed to be a greater emphasis on recurrent training of the currently employed workforce; a focus on the industry or region rather than the individual employer; further government action to overcome the information problems faced by employers (especially small businesses) who are new to training; giving primacy to changes in organisational culture; creating market-driven incentives for enterprises to develop their skills base; and strategies to encourage lifelong learning.

Local efforts to build non-university career pathways for young people (con't)

Stakeholder type	Example initiatives	Details	Benefits	Considerations
Employers	<p>Higher Apprenticeship Program</p> <p>(PwC Australia)</p>	<p>This program gives young people the opportunity to complete a fully-funded qualification in technology (e.g. <i>Diploma of Information Technology</i>) while working in professional services. Higher apprentices complete varied, challenging client work and/or internal projects, are coached by experts in their field, and are paid a competitive starting salary.</p>	<ul style="list-style-type: none"> • Paid employment at a reputable professional services firm, often with the opportunity for further employment as a graduate; • Attain a professional qualification in information technology (IT) without any student debt; • Ability to take paid study leave to meet training requirements; • Work experience across diverse industries; • Employer gets direct access to a group of skilled candidates; • Program is exclusively available to learners who are not completing/have not completed a university degree, removing competition from university graduates. 	<ul style="list-style-type: none"> • Program relies on successful marketing campaigns (e.g. school careers counsellors circulating guidance to students); • Applicants must have obtained a high school certificate (e.g. HSC, VCE, VCAL or equivalent) by the time the program commences; • Applicants must be Australian or New Zealand citizens, or Australian permanent residents.
	<p>Microsoft Traineeship Program</p> <p>(Microsoft Australia)</p>	<p>The program combines education and on-the-job experience to build towards an IT career. Upon successful completion of the program, trainees will receive a <i>Certificate IV in Information Technology</i> and some of the latest cloud computing Microsoft certifications, delivered by Prodigy Learning. Trainees are employed by leading group training provider, MEGT, who recruit, screen, employ and support trainees.</p>	<ul style="list-style-type: none"> • Opportunities for host partners to grow a diverse, talented team from the ground up, aligned with business needs; • Support from MEGT, a non-profit organisation that specialises in supporting traineeships; • Paid, on-the-job experience for participants; • Attain nationally accredited IT qualifications, globally-recognised Microsoft certifications and training support; • Employers get direct access to a group of skilled candidates. 	<p>In addition to the above:</p> <ul style="list-style-type: none"> • Individuals with a prior Certificate IV or above qualification, including Diplomas and University studies from Australia or overseas, are ineligible to undertake this traineeship; • Job placements are subject to the needs of the business.

Local efforts to build non-university career pathways for young people (con't)

Stakeholder type	Example initiatives	Details	Benefits	Considerations
Government social procurement	<p>Level Crossing Removal Project</p> <p>(State Government of Victoria)</p>	<p>This project has been undertaking social procurement through each of its project packages. The Authority has established a range of requirements, including a target that 3% of the total contract spend will go to social enterprises, Aboriginal businesses, and direct employment of disadvantaged job seekers in the supply chain.</p>	<ul style="list-style-type: none"> • Major new expenditure, creating growth and driving opportunities for social enterprises and Aboriginal businesses throughout the project supply chains; • Organisations such as Social Traders and Social Ventures Australia are working with buyers and social enterprises (particularly those providing employment for people with disability or from disadvantaged backgrounds) to build capacity to respond to the new opportunities; • New employment outcomes for disadvantaged communities working directly for private sector providers across the supply chain. 	<ul style="list-style-type: none"> • Local governments must have budget and demand to fund large infrastructure projects; • Local employers must be willing to hire young people for local projects; • A sufficient supply of young people must exist to meet employer demands; • Workers must be able to work in light of local rules and regulations (e.g. COVID-19 lockdown rules).
Government Major Projects Skills Guarantee	<p>Local Jobs First</p> <p>(State Government of Victoria)</p>	<p>The <i>Local Jobs First</i> - Major Project Skills Guarantee (MPSG) policy helped create opportunities for Victorian apprentices, trainees and cadets to work on some of Victoria's largest building and infrastructure projects.</p>	<ul style="list-style-type: none"> • Fosters growth of skills among young people and helps build in-demand infrastructure in Victoria; • Stakeholders are encouraged to employ local apprentices, trainees and/or cadets from groups that are underrepresented and/or face barriers to vocational training or the workforce, including women, indigenous apprentices, trainees, cadets and/or people with disabilities. 	<ul style="list-style-type: none"> • As above.
Government youth employment programs	<p>Youth Employment Scheme (YES)</p> <p>(State Government of Victoria)</p>	<p>The YES provides young people, aged 15 to 24, with an opportunity to work in the Victorian Public Service for 12 months while completing accredited training. The program boosts the participation of young people in the workforce, while assisting communities to meet future skills and employment needs.</p>	<ul style="list-style-type: none"> • Offers 12-month entry-level traineeship provisions in the Victorian Public Service; • Provides accredited training to young people, thereby increasing employability, skills and knowledge; • Assists young people in securing paid work experience, qualifications and training that lead to sustainable employment. 	<ul style="list-style-type: none"> • Eligibility for the program is limited to applicants who are aged 15 to 24 at the commencement of their traineeship; • Applicants must be unemployed or not working for more than 15 hours per week; • Applicants must not be currently undertaking tertiary education; • Applicants must be without a post-school qualification, excluding Certificate I-IV courses).

Local efforts to build non-university career pathways for young people (con't)

Stakeholder type	Example initiatives	Details	Benefits	Considerations
<p>Group Training Options (GTO) model</p>	<p>GTO Recruitment Program and Apprenticeship Completion Incentive Program</p> <p><i>(Training Services NSW)</i></p>	<p>A GTO is an organisation that employs apprentices and trainees, and then places them with a host employer who they work for whilst receiving on-the-job training for their apprenticeship or traineeship. This example initiative provides funding to GTOs to recruit, screen, induct and refer individuals to Partner Providers to undertake pre-apprenticeship training. The overall aim is for participants to enter into a Training Contract on completion of the pre-apprenticeship training.</p>	<p>GTOs provide:</p> <ul style="list-style-type: none"> • Employment opportunities for apprenticeships and traineeships that otherwise might not have existed; • Stable employment opportunities for young people; • Opportunities for employers who cannot support an apprentice or trainee for the full term of an apprenticeship or traineeship, or think it is too administratively cumbersome, to still take on an apprentice or trainee. 	<ul style="list-style-type: none"> • GTOs are legal employers of apprentices and/or trainees and therefore, are responsible for meeting all obligations as an employer under required legislation, rules and regulations, recruiting apprentices / trainees and ensuring they are suitable for placement with host employers, and paying apprentices/trainees; • Participants are often required to be below a specific age and have left school; • Participants must meet specific criteria (e.g. in this example initiative, participants must meet the Smart and Skilled student eligibility criteria to participate in the training); • GTO programs are dependent on host employers' willingness to participate in the program.
<p>Training levies</p>	<p>Building and Construction Industry Training Fund</p> <p><i>(Government of Western Australia)</i></p>	<p>State based Industry Training Levies replaced the Training Guarantee Levy (1990) and now exist in Western Australia, South Australia, Tasmania and the ACT.</p> <p>An example: The Construction Industry Training Fund (CITF) levy is collected on building and construction activity in South Australia. CITB collects a levy of 0.25% on the value of building and construction projects valued over \$40,000.</p> <p>The CITF levy is distributed across the housing, commercial and civil sectors of the construction industry.</p>	<p>Training levies:</p> <ul style="list-style-type: none"> • Support training for young people working in a given industry; • Contribute to the improved productivity and stability of a specific industry (e.g. construction); • Improve the diversity and quality of individuals' skills; • Provide employers with greater flexibility to counteract cyclical shortages; • Provide funding for in-demand, industry-specific training. 	<ul style="list-style-type: none"> • The primary argument by industry against any type of levy is that levies are essentially another form of taxation; • Some opposers feel that the governance of training levies does not ensure that industries making contributions have a direct voice and role in the provision of strategic training advice and policy development.

Local efforts to build non-university career pathways for young people (con't)

Stakeholder type	Example initiatives	Details	Benefits	Considerations
Not-for-profit	<p>National skills trial pilot (<i>Brotherhood of St Laurence</i>)</p>	<p>The National Youth Employment Body and the Transition to Work National Community of Practice are supporting communities to design and implement a skills pathway for young people to enter the aged care and disability workforce, using the <i>Entry into Care Roles Skill Set</i>, developed by the Human Services Skills Organisation. The Skill Set is currently being evaluated by PwC Australia, within the context of the Pilot.</p> <p>The trial is being implemented in the following regions:</p> <ul style="list-style-type: none"> • Adelaide North, SA • Darwin, NT • Gold Coast, QLD • Logan-Beaudesert, QLD • Penrith, NSW • Shoalhaven, NSW • South East Tasmania, TAS. 	<ul style="list-style-type: none"> • National skills trial pilots offer a range of stakeholders to invest in upskilling young people to attain employment across in-demand sectors (e.g. in aged and disability care); • Completion of the Skill Set gives young people greater confidence to complete in-demand qualifications (e.g. <i>Certificate III in Individual Support</i>, which is an expected qualification for many aged care employers in Australia); • National skills trial pilots offer government organisations (e.g. the Human Services Skills Organisation) to evaluate the effectiveness of trialled training products and assess them for further investment opportunities. • Seeks to address the issues within the industry regarding ageing workforce and providing a clear career pathway to young people who are considering a care-related role. 	<ul style="list-style-type: none"> • Stakeholders involved in national skills trial pilots (e.g. transition-to-work providers), may have separately aligned objectives that are focused on placing participants into jobs that are not necessarily linked to the Skill Set, and as such, may encourage participants to accept employment, irrespective of its relevance to training; • Pilot programs require strong support measures to be implemented by all key stakeholders, including transition-to-work providers, employers, registered training organisations and learning counsellors, especially for disadvantaged young people; • Pilot programs have operational risk without strong governance and accountability.

Local efforts to build non-university career pathways for young people (con't)

Stakeholder type	Example initiatives	Details	Benefits	Considerations
Not-for-profit	<p>Higher Apprenticeships Pilot Project</p> <p><i>(Workforce Innovation & Development Institute (WDI))</i></p>	<p>The Higher Apprenticeships program will provide an on-the-job up-skilling and credentialing pathway for team leaders and supervisors to become managers. The pilot is targeted at individuals working in the social service sector, and will use the nationally accredited RMIT Advanced Diploma in Community Sector Management as the base qualification to support this up-skilling pathway.</p>	<ul style="list-style-type: none"> • The Pilot is fully funded by the Victorian Government, meaning participants do not pay course fees; • Equips individuals with skills and knowledge in Victoria's largest and fastest growing industry (i.e. the social services sector); • Supports the development of innovative qualifications in the social assistance sector, new learning pathways and career opportunities for a rapidly growing industry sector. 	<ul style="list-style-type: none"> • Limited online information is available on this program.
Government	<p>Digital Skills Cadetship Trial</p> <p><i>(Department of Education, Skills and Employment (DESE))</i></p>	<p>The Digital Skills Cadetship Trial aims to support innovative approaches to create cadetships for digital career paths. The Trial will be driven by employer demand for skills in digital fields such as cybersecurity, advanced manufacturing, data analytics, game design and animation. Each cadetship is expected to take between 4 to 6 months and comprise formal training, on-the-job learning through an employer-sponsored work placement and mentoring arrangements.</p> <p>The formal training may be a combination of units within an existing VET qualification that could later be used as credit towards a full qualification, VET and higher education units packaged into new forms of micro-credentials, and/or formal training augmented with industry accredited training (e.g. training offered by global technology companies).</p>	<ul style="list-style-type: none"> • The Trial will help develop in-demand and emerging digital skills needs; • Employers will be increasingly involved in engaging with digital training (e.g. for young people); • The Trial is likely to generate valuable insights into approaches to strengthen connections between employers, the educational system and training providers. 	<ul style="list-style-type: none"> • The Government is still finalising the Trial's delivery approach and plans to secure industry involvement during 2021, and cadetships to commence during 2022 (this is subject to change); • Detailed eligibility criteria for the Trial has not yet been articulated; therefore, it is unclear whether the Trial will be targeted to young people and/or another age group.

Local efforts to build non-university career pathways for young people (con't)

Stakeholder type	Example initiatives	Details	Benefits	Considerations
Not-for-profit	<p><u>New Youth Employment Consortium</u> (NYEC)</p> <p><i>(Jobfind)</i></p>	<p>Jobfind has created a consortium of employers, educators and not-for-profit organisations that are committed to get 5,000 unemployed young people into jobs. The Consortium will deliver training, support, apprenticeships, and real job opportunities to young, unemployed Australians.</p> <p>Current partners of the Consortium, include: Australian Retailers Association, Angus Knight Institute, Future Minds Network, Ladder, MAS National, MEGT, Mission Engage, Programmed, Real Futures, Squad, TAFE Directors Australia, WPC Group, Youth Development Foundation and Youth Junction Inc.</p>	<ul style="list-style-type: none"> • Reduces youth unemployment (ideally by 5,000 young people) through a diverse consortium; • Young people have the opportunity to engage with a diverse range of stakeholders (see list on left). 	<ul style="list-style-type: none"> • The program is still in the process of gathering employers, job seekers and organising events; • <u>Jobfind's</u> initiatives extend beyond the NYEC, including offering a range of services to job seekers, parents of young people and employers.

International efforts to build non-university career pathways for young people

The following policies, initiatives and programs have been internationally implemented to help creating better, more sustainable jobs for young people. The following table summarises some example initiatives and programs, and may be supplemented with additional examples, following consultation with key stakeholders.

Country	Example initiatives	Details	Benefits	Considerations
Switzerland	Apprenticeship model	Apprenticeships are well integrated in the Swiss economy, where nearly 2/3 of Swiss youth aged 16 to 18 combine school and work through vocational and education training, learning on the job with employers, contributing to production, and learning in the classroom from a curriculum aligned with employers' needs. Employers heavily invest in apprentices' training to ensure classroom instruction matches workplace needs. The Swiss model has often been labelled the "golden standard" for the world, given Switzerland's low youth unemployment and return on investing in apprentices.	<ul style="list-style-type: none"> • The system is strongly driven by employers industry stakeholders; • School and work-based learning are well integrated and transferable across different companies; • Switzerland's apprenticeship-based VET programmes pay for themselves, whereby the benefits to most employers reportedly outweigh the costs; • Participants are offered career counselling to help guide key learning outcomes. 	<ul style="list-style-type: none"> • Funding of national apprenticeship programs can be materially affected by global recessions; • Participants face competition from university-educated graduates; • The program relies on employers participating in the program.
United States of America (USA)	National Youth Employment Coalition (NYEC)	The NYEC connects young people to employment opportunities, and builds career pathways and talent pipelines that prepare and connect young people to employers with high-demand jobs.	<p>The NYEC have written recommendations for the US Congress, which advocate for young people, aged 16 to 24, who are unemployed and/or not in school. These recommendations aim to:</p> <ul style="list-style-type: none"> • Promote race and gender equality; • Expand opportunities for unemployed young people; • Invest in capacity-building and local decision-making; • Co-design solutions with young people; • Prepare the next generation of skilled leaders. 	<ul style="list-style-type: none"> • Projects (e.g. "Young Adults in Economic Recovery Legislation" and the "Learn and Earn to Achieve Potential (LEAP) Fellowship Program") require investment from larger government, which can sometimes be limited.

International efforts to build non-university career pathways for young people (cont)

Country	Example initiatives	Details	Benefits	Considerations
Europe	Tax initiatives	<p>Tax credits or rebates are used to reduce company taxes for businesses that contribute funding to their employees' education and training.</p> <p>Examples of such arrangements: <u>In the Czech Republic</u>, social partners and public authorities have discussed a system for financing continuing education, splitting the financial burden between the employer, employee and State;</p> <p><u>In Estonia</u>, there are plans to increase tax allowances for enterprises, so they may also deduct the costs of formal VET for their employees: currently, only costs for short job-oriented training courses can be deducted.</p> <p><u>In Greece</u>, the Hellenic Federation of Enterprises issued a proposal to the government in 2006 on tax incentives for enterprises and individuals to encourage investment in training and competence development activities;</p> <p><u>In Ireland</u>, the Irish Business and Employers Confederation, called on the government to introduce an employer's tax credit on the costs incurred through education and training.</p> <p><i>Source: European Centre for the Development of Vocational Training, 2009</i></p>	<ul style="list-style-type: none"> • Improves employers' financial incentives to invest in their employees' skills needs; • Employers' are more likely to hire young people, given that they usually require and/or seek additional training initiatives; • Low administrative costs for the government and employers. 	<ul style="list-style-type: none"> • Tax incentives may not persuade large employers to invest in additional training, given that they can carry out training without tax incentives; • Tax incentives are usually not targeted at specific groups in the workforce and therefore, may end up further training already highly-qualified employees; • Research suggests that there is minimal evidence of the effectiveness of tax incentives on education and training; • Tax incentives on their own are insufficient, and require employers to carry out successful education and training initiatives to utilise the financial benefit.

International efforts to build non-university career pathways for young people (cont)

Country	Example initiatives	Details	Benefits	Considerations
United Kingdom	Apprenticeship levy	<p>Apprenticeship Levy (2017) is an amount paid at a rate of 0.5% of an employer's annual pay bill. As an employer, you have to pay Apprenticeship Levy each month if you have an annual pay bill of more than £3 million. The government also tops up the employer contribution to be used for accredited training by 10%.</p> <p>Employers can only use the funding in their account (2 years expiry) to pay for training offered by one of the apprenticeship training providers certified by the government. It can be used towards training any eligible learner, whether a school leaver or an existing employee.</p>	<ul style="list-style-type: none"> • The levy funds apprenticeship training for all employers; • Any unspent levy funds are used to support existing apprentices to complete their training and to pay for apprenticeship training for smaller employers; • The 'redistributive tax' model means small businesses can pay 5% of the cost of the apprenticeship to access 95% of the remaining cost'; • Government has recently announced changes to the way in which apprenticeships are managed and funded so that apprentices can work with multiple employers and in sectors with more flexible working patterns (flexi-job apprentices). 	<ul style="list-style-type: none"> • Levy funds can only be used for approved training which can create some issues for businesses, including that it does not cover the ancillary costs associated with apprenticeships and the fact that at least 20% of an apprentice's time must be spent out of the business on training; • It has been reported that UK employers have lost £2bn over the past two years in apprenticeship levy funds that they have been unable to spend; • The number of people starting apprenticeships has dropped; the proportion of apprenticeships going to young people has fallen sharply; and employers' overall investment in training has also declined. While many employers simply wrote off their levy funds as a tax, others found ways to spend the money on training that did not match the policy's original intention.
Germany	Dual pathway	<p>In Germany, more than half of each age-group graduate from dual training programs in which they simultaneously earn academic credentials along with gaining work experience, rather than attending classes alone like in many other countries. Approximately 68 percent enter the workforce in the company where they were trained immediately after training.</p>	<ul style="list-style-type: none"> • This style of training brings future job applicants in closer contact with the job market and generates more reliability when it comes to qualification standards; • It also offers a long period in which employers can get to know young employees, offering managers a relatively reliable insight into trainees' skills and potential for development. This limits employers' risks when taking on young workers; • The system offers qualifications in a broad spectrum of professions and flexibly adapts to the changing needs of the labour market. 	<ul style="list-style-type: none"> • This model of success would likely be difficult to export. Since training programs are expensive for companies, those headquartered in countries with weak job market regulation will have little reason to introduce such programs on a large scale. However, in countries that have tight labor laws, the initial costs of setting up such a system act as a major obstacle to creating a country-wide network of training options. • Some students leave compulsory school with weak core academic skills. Their VET system is not currently organised to ascertain whether this is in fact a problem or, if so, to address it.

International efforts to build non-university career pathways for young people (cont)

Country	Example initiatives	Details	Benefits	Considerations
USA	The Hire Opportunity Coalition (HOC)	<p>The HOC is a national movement of employers, foundations, and community organisations that are committed to hiring and training young people. The HOC's mission is to "To build the capacity of American companies to hire, retain, and upskill Opportunity Youth." The HOC's vision is that "Every employer in America will demonstrate a meaningful commitment to hire and develop youth who face the greatest systemic barriers to employment."</p> <p>To achieve this, the HOC builds coalitions of aligned corporate members who commit to hiring, supporting, retaining and upskilling opportunity youth to advance equity in the workforce, utilise diverse talent, and connect future leaders with key stakeholders.</p>	<ul style="list-style-type: none"> • HOC assist "opportunity youth" (i.e. young people who are predominantly people of color and/or from low-income communities with intergenerational poverty and disconnection from the mainstream economy); • HOC connect key stakeholders, including charter members (e.g. Hyatt, Starbucks and Verizon), legacy members (e.g. Sweetgreen and Tableau) and supporting organisations (e.g. Hilton) to encourage youth employment; • Stakeholders can access the Opportunity Navigator, which helps member companies create customised road maps for achieving business and social impact through their employment of opportunity youth; • The HOC has key research tools, reports and research into youth unemployment, which is publicly available on their website. 	<ul style="list-style-type: none"> • The HOC relies on employers, transition-to-work providers and other key stakeholders' willingness to participate in their programs to help empower young people; • The HOC's agenda is targeted at opportunity youth and may not be appropriate for more advantaged young people; • The HOC's main communities are in Dallas, Atlanta, Los Angeles, Chicago and Phoenix in the USA; • The HOC's goal is for one million opportunity youth to be hired by 2025.

Possible hypotheses concluded from the literature review

There are a number of emerging hypotheses regarding what may be driving the attitudes and behaviours of employers when it comes to considering establishing career pathways for young people

Draft hypothesis

Evidence of hypothesis



Statement 1

Employers are not offering enough quality jobs to young people compared to previous years, despite reporting skills shortages.



Evidence

NSC Skills Priority List - still critical skilled worker shortages (a lot can be satisfied by vocational pathways) but over 10% underemployment amongst young people. Underemployment rose with the rise of part-time work, suggesting that many workers wanted more (possibly full-time) work. Some young workers were pushed out of employment completely; long-term unemployed as a share of all under 25s more than doubled by 2018.



Statement 2

Employers historically played a strong role in developing young people into longer term employees. However, in the last two decades, employers have come to see employees as commodities of fixed value not worth investing in which harms career opportunities for young people.



Evidence

Creation of new apprenticeship and traineeship opportunities has fallen behind overall employment growth. Productivity Commission reports that after 2008, young people obtained work in lower-scored occupations than did comparably-skilled young people before 2008; worse off by 2018 than in 2001



Statement 3

Employers face a trade off between what is possible, what is necessary and what is realistic when it comes to providing quality jobs for young people. This influences the decisions they make and can deter from 'shaping the production line'.



Evidence

Businesses complain that unfriendly business ecosystems of regulation and taxation stifle their ability to invest in younger employees.



Statement 4

The reported skills and labour shortages suggest that there are structural problems and attitudes in the labour market which are having an affect on youth employment. However, supply-side (govt) measures may have little impact on young people's ability to secure good quality work if employers do not create opportunities.



Evidence

OECD reports those who do manage to find work after being unemployed will earn around 8% less and suffer weaker career progression across their whole working lives than peers who enter the workforce directly

Questions to be considered...

1. **Test theory that employers expect other employers or educators to provide young people with technical and employability skills, or rely on availability of skilled labour from other countries**
2. **Test whether an issue is that there is no real sense of what works ('pieces of the puzzle have come together in a fragmented and disconnected way' - Martin) and therefore no shared evidence base from which to draw from**

Reports included in Literature Review (1 of 5)

#	Report	Organisation/ Author	Year of release
1	A hands-on approach to youth unemployment	McKinsey & Company	2016
2	AFL Sports Ready - Traineeships guide	AFL SportsReady	2021
3	AI Group - Research into employer hiring behaviours	N/A	2021
4	An introduction to employer engagement in the field of HRM. Blending social policy and HRM research in promoting vulnerable groups' labour market participation.	van Berkel, R., Ingold, J., McGurk, P., Boselie, P., and Bredgaard, T.	2017
5	Artsready education and employment	AFL SportsReady	2021
6	Attitudes and behaviour of employers to recruiting persons with disabilities	Burke, J., Bezyak, J., Fraser, R., Pete, J., Ditchman, N. and Chan, F.	2013
7	Australian Bureau of Statistics, 2011 Census of Population and Housing based on place of work	Australian Bureau of Statistics	2011
8	Australian employers offer advice to young job seekers	Australian Government	2021
9	Australian jobs 2019	Australian Government, Department of Jobs and Small Business	2019
10	Barriers to youth work opportunities	University of Birmingham	2016
11	Beyond the fragments	Australian Centre for Industrial Relations, Research and Training	1999
12	Bridge the gap: Rebuilding America's Middle Skills	Accenture, Burning Glass Technologies and Harvard Business School	2014
13	Coming of age in a crisis: young workers, COVID-19, and the youth guarantee	Per Capita	2020
14	Creating markets or decent jobs? Group training and the future of work	Buchanan, J. & Evesson, J.	2004

Reports included in Literature Review (2 of 5)

#	Report	Organisation/Author	Year of release
15	Denmark: More focus on job rotation	Preisler, M.	2013
16	Employer engagement in active labour market policies in the UK and Denmark: a survey of employers	Centre for Employment Relations, Innovation and Change, Leeds University Business School	2015
17	Enabling renewal: further education and building better citizenship, occupations and business communities in wales	Buchanan, J., Froud, J., Lang, M., Lloyd, C., Smith, B., & Williams, K.	2020
18	Engaging Employers and Developing Skills at the Local Level in Australia	Organisation for Economic Co-operation and Development	2019
19	Factors affecting apprenticeships and traineeships	Fair Work Commission	2017
20	Final report and evaluation: Alternative delivery pilots: higher apprenticeships and traineeships	PwC Australia	2019
21	Fundamental principles of youth employment	Social Ventures Australia	2016
22	Improving the employment prospects of young Australians	Australian Government, Department of Employment	2013/14
23	Infrastructure Skills Legacy Pilot Program	Sydney Metro	2020
24	Jobs Availability Snapshot 2019	Anglicare Australia	2019
25	KPMG Microsoft traineeship program survey - Summary evaluation report	KPMG	2020
26	Labour market policy after COVID-19 - The scramble for jobs: who will be employed when the music stops?	Committee for Economic Development of Australia	2020
27	Library Fellowship Paper	N/A	2020
28	Mechanisms for increasing employer contributions to training: An international comparison	National Centre for Vocational Education Research	2004

Reports included in Literature Review (3 of 5)

#	Report	Organisation/ Author	Year of release
29	More than a match? Assessing the HRM challenge of engaging employers to support retention and progression	Sissons, P. and Green, A.	2017
30	Engaging Employers and Developing Skills at the Local Level in Australia	Organisation for Economic Co-operation and Development	2019
31	Give Youth a Chance	Organisation for Economic Co-operation and Development	2013
32	Preparing tomorrow's workforce for the Fourth Industrial Revolution For business: A framework for action	Deloitte	2018
33	Interim Report – National Agreement on Skills and Workforce Development Review	Productivity Commission	2020
34	Climbing the jobs ladder slower: Young people in a weak labour market	Productivity Commission	2020
35	Why Did Young People's Incomes Decline?	Productivity Commission	2020
36	Promoting Equity and Inclusion and Connection to Good Fit Jobs for Young Adults	Ranita Jain and Amy Blair	2021
37	RBA: Using wage subsidies to support growth	Reserve Bank of Australia	2020
38	Recruitment Insights report June 2021	National Skills Commission	2021
39	Responsible business: attitudes soften to hiring young workers	Financial Times, UK	2014
40	Revitalising Tasmanian workforce development	Tasmanian Workforce Development Think Tank	2014
41	Smith Family: Young people's successful transition to work: What are the pre-conditions?	The Smith Family	2014
42	Sue Richardson - Transcript of conversation from ABC News	N/A	2020

Reports included in Literature Review (4 of 5)

#	Report	Organisation/Author	Year of release
43	Survey of employers recruitment	N/A	2021
44	Survey of Employers' Recruitment Experiences	N/A	2018
45	SVA: Future Fair Report	Social Ventures Australia	2019
46	The attitude gap challenge: A South Auckland Employment and Skills Challenge	Auckland Co-design Lab & Auckland Council	2012
47	The Demand Side of Hiring: Employers in the Labor Market	DB Bills	2017
48	The futures of work: what education can and can't do	Buchanan, J., Allais, S., Anderson, M., Calvo, R. A., Peter, S. & Pietsch, T.	2020
49	The labour market outlook for the young in Australia – and how policy can help	Borland, J.	2021
50	The Parliament of the Commonwealth of Australia - Youth employment: a working solution	House of Representatives	1997
51	What do recruiters think about today's young people?	Education & Employers Organisation	2015
52	When is a job just a job - and when can it launch a career?	Lamback, S., Gerwin, C., & Restuccia, D.	2018
53	Why businesses should recruit young people	Hasluck Employment Research	2012
54	Why Do Sectoral Employment Programs Work?	Harvard University, National Bureau of Economic Research, Microsoft & MDRC	2020
55	Women's work The impact of the COVID crisis on Australian women	Grattan Institute	2021
56	Working Paper Series Is it 'dog days' for the young in the Australian labour market?	Jeff Borland & Michael Coelli	2021

Reports included in Literature Review (5 of 5)

#	Report	Organisation/Author	Year of release
57	You value what you pay for – Enhancing employers' contribution to skill formation and use	Hall, R., Buchanan, J. & Considine, G.	2002
58	Young people are not after an easy ride, just job security	Woodman, D., The Conversation	2016
59	Youth Employment Index 2018	PwC UK	2019
60	I Want To Work	Employment Services	2020
61	Moving the Goalposts: How Demand for a Bachelor's Degree Is Reshaping the Workforce	Burning Glass Technologies	2021
62	Labour Market Outcomes for Younger People	Reserve Bank of Australia	2018
63	Shifting the Dial: 5 year productivity review	Australian Government Productivity Commission	2017
64	Beyond mentoring: social support structures for young Australian carpentry apprentices	Buchanan, J., Raffaele, C., Glozier, N., & Kanagaratnam, A.	2016
65	Completion rates for group training organisations and direct employers: how do they compare?	O'Dwyer, L. & Korbel, P.	2019
66	What Works? A Meta Analysis of Recent Active Labour Market Program Evaluations	Curd, D., Kluve, J., & Weber A.	2018
67	Disrupted: Where to from here?	Stewart-Weeks, M.	2021
68	Higher apprenticeships in Australia: what are we talking about?	National Centre for Vocational Education Research	2019
69	Boosting Apprenticeship Commencements	Department of Education, Skills and Employment	2021

Thank you

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