

COVID-19 INSIGHTS

Towards just futures

Young people and vocational education and training (VET)

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December 2020

Key impacts

The economic and social fall-out of the COVID-19 pandemic for young people aged 15 to 24 has been disproportionately severe and will have long lasting effects.

- **Young people who were already experiencing educational marginalisation** associated with demographic and geographic characteristics **are most at risk** of the compounding impact of COVID-19 on their access to employment, education and training opportunities and outcomes.
- **The youth labour market will be slow to recover.** Young workers are concentrated in service industries and low-skill jobs that have been most affected by the social distancing measures and economic downturn. Young people are likely to experience slow labour market recovery due to a reliance on sectors with high rates of part-time work, low-skilled work and casualised or precarious work.
- **The digital divide is amplified.** The shift of education systems and employment services to digital and remote mass delivery is most difficult for those young people who cannot afford the latest technology or lack confidence using it.
- **The effects on employment and incomes could be long-lasting.** Young people who are just beginning their working lives are vulnerable to the long-term scarring effects of labour market exclusion.

Key solutions

To support youth employment both in the near term and in the long-term recovery from the impacts of COVID, there needs to be investment in collaborative, coordinated and sustained efforts.

- **Government investments in skills and training** announced in the latter half of 2020 are a welcome and important step for enabling access for young people to the type of training that is needed to secure sustainable work.
- **Sustained youth employment responses must enable young people to access work experience, skills and networks** required to gain employment and economic security in the near term and to be upwardly mobile in the future.
- **Job creation is required, as well as clear pathways to existing and emerging skill shortage areas.** Cross-sectoral collaborative efforts, grounded in local training and labour markets, are needed to build tailored pathways to high-demand occupations.
- **Opportunities to combine complementary work and learning must be expanded.** These should include a clear, achievable pathway to full qualifications, so that young people have options for career mobility and returning to further education and training.

Situation before COVID-19

There are more than **3.2 million young people** aged 15 to 24 in Australia. More than one in ten (13.6%) were living **in poverty even before COVID-19**. As the COVID-19 economic crisis developed, two trends of concern were that:

- the rates of youth unemployment and underemployment have remained high since the global financial crisis (GFC); and
- participation by young people in vocational education and training (VET) has stagnated and is misaligned with occupational demand.

Post-GFC high youth unemployment and underemployment

Young workers accounted for **15% of total employment** in Australia in 2019. **Youth unemployment rates had remained above pre-GFC levels for more than a decade**. While the median youth unemployment rate for labour market regions in February 2020 was 12.3% (above the peak GFC rate of 12%), in **nine labour market regions the pre-COVID youth unemployment rates were already above 20%**.

High unemployment rates are only one measure of labour market vulnerability for young people. ABS data indicates that prior to COVID-19 **almost one in five (18.2%) young people were underemployed** and wanted to work more hours.

Stagnated participation of young people in Vocational Education and Training (VET)

Access to, progression through and completion of education and training are all crucial to supporting young people's entry to the labour market. Before COVID-19, occupational training trends indicated that young Australians were already vulnerable to labour market contractions.

In 2019¹ one in five (19.6%) 15 to 19-year-olds and almost one in three (31.5%) 20 to 24-year-olds who were not in school were undertaking some form of vocational education.

Despite consistent government focus on boosting VET participation, between 2015 and 2019, the number of young people aged 15–19 in VET (not in school), declined by 3.9%. While the overall number of young

people aged 20–24 in VET increased by 5.6% from 2015 to 2019, the number of disadvantaged young people (lowest socioeconomic quintile) enrolling in VET declined during this time.

Participation in VET only tells part of the story for the role of training for young Australians. Evidence on completion and translation of training to a job outcome is concerning.

Overall **VET completion rates** in 2017 were only 51.7% for 15 to 19-year-olds and 49.4% for 20 to 24-year-olds. In spite of the proportions of 15 to 19-year-olds completing at least one unit of competency at AQF level II or above growing steadily after the GFC to a peak of 33.6% in 2014, **VET attainment rates for the age group have since declined to 27.9% in 2017**.

It is not just whether young people are completing VET programs that is important to consider, but whether their learning enables access to meaningful, sustainable work. In 2019, **only 27.5% of all VET graduates were employed in the occupation associated with their qualification**.

Impacts of COVID-19

International evidence from the OECD and the International Labour Organization indicates that young people in transition from school to work are particularly vulnerable to the social and economic disruptions of the COVID-19 pandemic.

The **ABS reported in April** that in the three weeks after Australia recorded its 100th confirmed COVID-19 case, jobs decreased by 6%, and that 'the largest impact of net job losses, in percentage terms, was for people aged under 20, for whom jobs decreased by 9.9%'.¹

Throughout 2020, evidence has emerged that for those young people most severely impacted by the labour market contraction, the education and training system, particularly VET, has an important role to play in underpinning their access to secure work in both the near and the long term.

Youth employment

In the early stages of the pandemic-triggered economic shutdown, **the ABS labour force data for April indicated that the youth unemployment rate had increased to 13.8%**. The **ABS labour force data for June**

¹ VET program enrolments calculated by the authors' analysis of NCVET data.

showed youth unemployment had jumped further to 16.4%—the highest rate since October 1996.

In addition to rising youth unemployment, [ABS figures for April](#) were already pointing to the intensification of a pre-COVID trend of young people being increasingly underemployed and new signs of opting out of the labour force altogether.

The rates of unemployment and underemployment of young people are combined by the ABS to calculate a rate of underutilisation. [In January 2020](#), prior to the major economic disruption of COVID-19 the youth underutilisation rate was already 30.2%—higher than peak rates during the GFC.

[ABS data for June](#) showed that between March and June 2020 the total number of 15 to 24-year-olds in the labour market had dropped by more than 233,000. By May, the labour force participation rate had declined to a record low of 59.9%, before rebounding slightly to 63.5% in June—still 4.8 percentage points lower than February 2020.

[ABS data for October](#) indicates that the underutilisation rate for young people remains high at 33.5%, slightly down from the peak of 37.8% in May 2020.

Lessons from previous crises suggest youth unemployment will continue to rise, particularly among those young people not studying and with below bachelor degree level education. In the wake of the GFC, [youth unemployment across the OECD rose to 19%](#) and stayed high for up to two years. Previous economic crises also point to the likelihood of the post-COVID-19 youth labour market taking several years to recover.

The vulnerability of young people in the current economic crisis, and their labour market prospects during the post-COVID recovery, are associated with, among other things:

- their concentration in severely impacted occupations
- their existing patterns of low skills and educational attainment
- their existing employment precarity including high rates of part-time and casual work, low wage growth and low occupational mobility

- the concentration of disadvantage in geographic ‘hotspots’.

Concentration of young workers in vulnerable occupations

Analysis from the [Grattan Institute](#) early in the pandemic indicated that up to 42% of workers aged 15–19 and up to 30% of those aged 20–29 were likely to lose their jobs as a result of the economic crisis.

The [OECD](#) predicted that much of the 30–40% decline in total output for most OECD economies would be attributable to disruption to service sectors (e.g. tourism, retail, food and hospitality) impacted by shutdown and social distancing policies. The reality of that prediction has proved dire for Australia, where the [retail trade](#) and [accommodation and food service](#) sectors together account for 16.8% of the economy.

The collapse of the accommodation and food sector has been significant for young people, who are overrepresented in this sector. For example, the sector’s three largest occupations (waiters, kitchenhands, baristas/bar attendants) in the sector [account for 41% of all workers in the accommodation and food industry](#). The average age of workers in these occupations ranges from 22 for waiters, to 24 for baristas/bar attendants and 26 for kitchenhands.

Not only have young workers become increasingly vulnerable to labour market contractions in some of these worst impacted occupations and industries, but also [training participation trends \(VET\) for 15 to 24-year-olds](#) indicate that many young people are enrolled in training for sectors with rapidly declining labour demand, including food and hospitality, sport and recreation, and beauty. Reliance on these training pathways may seriously limit the occupational mobility of these 15 to 24-year-olds.

While competition for jobs is fierce for all age groups, with 8 unemployed or underemployed people for every job vacancy, [analysis from ACOSS and Jobs Australia](#) indicates as much as three times more competition for the entry-level jobs that young people rely on. And this is on top of the pre-COVID contraction in the proportion of entry-level jobs in the Australian labour market. Jobs at the lowest occupational levels, including those accessible to young people without skills or qualifications, [fell from 27.3% of all jobs in 2007 to 25.1% at the end of 2018](#).

Low skills and educational attainment

The OECD identified young people with below tertiary level educational attainment as at risk of increasing financial insecurity and falling into poverty because of the COVID-19 economic crisis. [Analysis of Australian unemployment data from November 2019](#) shows that unemployed people were more likely to have below Year 12 education (34%) than the labour force as a whole (14%).

In Australia, [young people \(15–24\) represent more than two-thirds of workers in many low-skill service sector occupations](#). The accommodation and food services and retail trade sectors have the [largest proportions of workers without post-school qualifications](#). In the face of redundancies, their ability to move to other occupations or industries is limited.

OECD analysis of previous economic crises finds that:

for disadvantaged youth lacking basic education, failure to find a first job or keep it for long can have negative long-term consequences on their career prospects that some experts refer to as ‘scarring’.

The [OECD’s 2019 Education at a Glance data](#) showed higher rates of unemployment among young people with below Year 12 completion. The labour market impact of not completing school can be long-lasting. Pre-COVID patterns indicate that Australians aged 25–34 with below upper secondary educational attainment are far less likely to be employed than those with upper secondary or post-school attainment (see Table 1).

Table 1: Employment, unemployment and inactivity rates of 25 to 34-year-olds, by educational attainment, 2018

Educational attainment	Employed	Unemployed	Inactive
Below upper secondary	57	15	31
Upper secondary/post-secondary non-tertiary	79	5	17
Tertiary	85	4	12

Source: [OECD 2019, Education at a glance](#)

The post-COVID labour market recovery for low-skilled young people will also be impacted by trend of the last 30 years towards [stronger employment growth in higher skilled occupations](#). Occupations with the highest skill level (bachelor degree or higher) accounted for 45.1% of total employment growth over that time, while occupations with the lowest skill level

(Certificate I or secondary education) accounted for only 9.4%.

Existing precarious work

Young people’s vulnerability to this economic crisis also relates to their employment conditions, which are typically part-time and insecure. At 25%, [Australia has the second highest share of casual jobs among OECD countries](#).

In many of the sectors dominated by young workers, including the accommodation and food sector, the vulnerability of young workers is compounded by part-time working conditions, [with only 21% full-time roles on average](#).

In the decade following the GFC, there has been an [overall decline in young people’s incomes](#); and increasing proportions of young people who enter the workforce from university and VET find themselves stuck in entry-level jobs with limited opportunities for career progression.

Geographic hotspots

Spikes in youth unemployment as a result of the economic crisis triggered by COVID-19 have varied by location, intensifying existing [youth unemployment hotspots](#). These include outer urban areas of capital cities and some rural and regional areas.

Existing geographic patterns of low educational attainment and participation have intensified labour market disadvantage among young people. This includes young adults living in regional Australia, who [are twice as likely \(28%\) to be early school leavers as young adults in metropolitan areas \(14%\)](#).

According to the [Productivity Commission](#), young people in regional areas may also face the compounding impact of declining agricultural and manufacturing industries and the reality that ‘technology-driven opportunities are more limited in regional Australia’.

Key government policy responses to rising unemployment

In response to the economic crisis triggered by the COVID-19 pandemic, the federal government announced a series of ‘job’ oriented measures, aimed at both immediate alleviation of job losses and near-term recovery in industries impacted by social distancing requirements.

JobKeeper, the first of the COVID-era measures announced in March, was a \$70 billion wage subsidy aimed at supporting employers to retain workers in the midst of declining income. However it failed to protect many young workers because it [excluded those in casual employment for less than 12 months](#).

In July, the government announced [JobTrainer, including \\$1.5 billion in wage subsidies](#) to retain already employed apprentices and trainees. While the government appears to be placing emphasis on the role of apprenticeships and traineeships in enabling labour market recovery for young people, fewer than one in 10 (9.1%) of all Australian 15 to 19-year-olds are employed as apprentices or trainees, and an even smaller proportion (7.1%) of 20 to 24-year-olds.

The government focus on apprenticeships and traineeships potentially reinforces the existing disproportionate labour market marginalisation of young women. The proportion of young men (15–24) enrolled as apprentices and trainees (11.7%) is significantly higher than of young women (4.2%). Analysis of [NCVER data on apprenticeships and traineeships](#) and [ABS wage data](#) indicates that the post-completion average weekly wages for the top four occupations for young women in apprenticeships and traineeships are all below the national median wage for women.

The second part of the JobTrainer program provides \$500 million for VET courses, to be matched by contributions from state and territory governments.

JobTrainer came on the back of several state governments announcing free and/or heavily subsidised TAFE courses, including Skill Sets and microcredentials, to support those who would need to upskill or transition to new occupations as a result of the economic crisis.

It is clear from these announcements from both federal and state and territory governments that policymakers are placing faith, and significant investments, in the Australian VET system to form the backbone to the post-pandemic economic and labour market recovery.

While there are several serious questions about how any of Australia's education and training systems—particularly VET—will respond to the challenge of supporting labour market recovery for a diverse population of prospective learners, perhaps the most

pressing is whether VET can lead the economic recovery of young people seeking to re-skill, upskill and find their first job, during this economic crisis.

Can education and training lead the recovery of young people's economic security?

Young people looking to enter the labour market for the first time are likely to be most disadvantaged by the COVID-19 triggered recession because their lack of experience will compound their low skills or qualifications. Young people who struggle to get a foothold in the current labour market will likely face longer term challenges in finding secure work.

The VET sector has an important role in enabling both near-term labour market recovery and long-term employment mobility for these young people. However, the sector's capacity and effectiveness are shaped by how well young people, training providers and employers can tackle the long-term need to strengthen the alignment of education and training pathways with the demands of an economy in recovery.

Structural challenges that will impact the effectiveness of VET as a backbone to young people's post-COVID labour market recovery include:

- the limitations of remote learning that has been required by social distancing rules and may continue to be periodically needed
- low completion rates and misalignment between training patterns and labour market opportunities
- the marketised regime in VET that has undermined community trust.

A training system ill-suited to wide-scale remote learning

In response to social distancing measures, many education systems have turned to remote and online delivery to sustain teaching and learning. Experiences in schools and universities have been well publicised, but the mass transition to online delivery has also been a rapid and complicated shift for VET institutions and learners.

The practical demonstration of competencies and skills, often in workplace settings, is the bedrock of VET. Not all parts of the sector went into remote delivery equally experienced or prepared for the shift. In 2017 online provision of VET in Victoria constituted

only 2% of government-funded training units, compared to 33% in New South Wales (and 13% across Australia, 2017).

It is too early to know the long-term impact of COVID-19 disruptions to training, including remote delivery, on VET retention and completion rates.

What is known is that a significant number of young Australians are affected, with those aged 15 to 24 years making up almost half (49.2%) of all VET enrolments. Spread across a range of locations and occupations, current learners in the VET sector may face three discouraging scenarios:

- part-way through training and without access to workplace training to complete of their hours, and potentially a weak labour market once they graduate
- nearly or recently completed training and facing difficulty accessing work due to economic collapse in their target industry
- recently unemployed and turning to training to shift occupations/industries.

The rapid transition to online delivery may also be further excluding vulnerable learners and those at risk of disengaging from learning, including those with limited access to internet-enabled devices or sufficient data.

Low completion rates and training patterns misaligned with labour demand

While many young people can be expected to turn to the VET sector for the skills necessary to participate in an increasingly competitive job market, it is concerning that completion rates for many occupational areas remain low and there is evidence of a misalignment between current training patterns and labour demand.

When comparing the [VET participation trends of young people](#) with [labour market occupational projections](#), there is a misalignment between the skills young people are developing and skills demands in growth industries and occupations.

For example, among the occupations showing the greatest decline in VET program enrolments² of young people (15–19) in recent years were several that

government labour analysis has projected to have stable or increasing demand over the next few years:

- fitness instructors: 21,000 jobs in the next five years, program enrolments declined by 75.9% from 2015 to 2018
- carers in aged & disability sectors: 179,000 jobs in the next five years, program enrolments declined by 74.9%
- storepersons: 96,000 job openings over the next five years, program enrolments declined by 55.0%.

A failure of the marketised training system

As governments, communities, employers and jobseekers turn to the VET sector to enable labour market recovery, more attention must be paid to the failures of a decade of marketisation policy in Australia's training system. If the VET sector is to fulfil its vital role, the community, particularly learners and employers, must trust the quality and equity of the system.

To achieve this, the VET sector must be regarded not solely as a field of competition, but as a vital community asset. An overemphasis on competition by policy makers and the adoption of a marketised funding regime has led to waste and reduced quality, and the erosion of public trust.

In the post-pandemic economic recovery, a key must be to build stronger relations between VET providers, the student population and the broader community. Strong links between VET and the community are central to streamlining processes of updating existing qualifications and ensuring the training available suits the diverse needs of local industries and employers.

Ways forward

There must be a collective effort from governments, industry, the training system and community stakeholders to achieve a youth employment system that includes:

- 1 Improved alignment between the training pathways available to young people and the skills in demand from employers.**

² VET program enrolments calculated by the authors' analysis of NCVET data.

The COVID-19 crisis has amplified the existing misalignment between youth VET participation trends and labour market needs. As youth unemployment has increased during the pandemic, it has highlighted existing problematic demographic patterns, including a concentration of low-achieving and low socioeconomic young people in training programs that provide limited paths into sustainable and skilled employment.

Reviewing and updating skill sets and qualifications is a slow and cumbersome process, often undertaken centrally and isolated from the diverse needs of local industries and employers.

The post-COVID recovery will require an agile VET sector that supports young people to move rapidly into a changing labour market. Cross-sectoral collaborative efforts, grounded in local training and labour markets, are needed to build tailored pathways to growth occupations and industries.

Governments should invest in approaches to youth employment that harness local effort to drive social and economic development. This involves connecting local communities, industries, employers, local governments, schools and universities, to enable skilled pathways to work and actively engage in the co-creation of new job opportunities for young people.

2 Training pathways involving a line of sight to long-term employment security and mobility, not just short-lived job access.

Targeted investment and resources are required to promote and enable deep engagement between VET providers, local industry and social partners to co-create high quality courses relevant to the local labour market, and to student aspirations.

It is this type of cross-sectoral and collaborative place-based work that will provide young people with the work experience, skills and networks required to not only gain employment but be secure and upwardly mobile in the future.

Within this collaborative effort, there exists a significant role for the VET sector, as the backbone to skills and training for work. More focus needs to be given to the role of VET institutions in enabling intentional, experiential and diverse career education, advice and development to support young people

building their capabilities and awareness of careers in different sectors.

3 Expanded opportunities to combine work and training

In the post-COVID recovery period, the focus of governments will be squarely on lowering the youth unemployment rate. However, as outlined above, a myopic focus on jobs at the expense of building skills and qualifications leaves young people vulnerable to future economic shocks and long-term exclusion from sustainable and sustaining work.

In the current crisis, many young people do not have the financial security to delay access to work and commit time to complete training. Uptake of apprenticeships and traineeships remains low and concentrated in a small number of occupations. There is an urgent need to rapidly expand employment-based training opportunities into sectors with skilled workforce shortages, to enable young people to work and train at the same time.

In principle these expanded opportunities for combining complementary work and learning should include a clear and achievable pathway to full qualifications, so that young people retain options for both horizontal and vertical mobility within their chosen industries, and back to further education and training.

Other resources

[Research evidence](#) from the National Youth Employment Body and the Transition to Work National Community of Practice shows what can be achieved by bringing together business, education and training providers, government, community and young people themselves.

Published in December 2020 by
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