



30 May 2012

Members  
Transport and Industrial Relations Committee

### **Inquiry into the barriers to young people entering employment across New Zealand workplaces and how these can be addressed**

The Transport and Industrial Relations Committee has been asked to conduct an inquiry into: "what are the barriers to young people entering employment across New Zealand workplaces and how can these be addressed?" This paper has been prepared to assist the Committee with its examination. The paper identifies issues and provides possible lines of inquiry for the Committee to consider. The Committee may also wish to raise these matters with the witnesses who have been asked to appear before the Committee to give evidence on this inquiry.

#### ***Background***

Young peoples' employment opportunities are affected more severely by adverse economic conditions than other groups. Research indicates that young people are the first to lose their jobs and the last to regain employment. Missing opportunities to (re)train, lack of experience/skills and weak labour-market information and services are some of the factors that affect young peoples' employment. At the same time, getting young people work experience is critical for their longer term employment outcomes.

Evidence suggest that unemployment among young people can lead to negative social and health outcomes, including criminal behaviours, drug/alcohol abuse and increased risk of future unemployment. Young people who first enter benefit at an early age are at greater risk of long-term benefit receipt.

Currently a number of young people are choosing to continue in education rather than seeking employment. However there are also a number of young people that are leaving school early. The barriers to gain employment differ significantly between young people.

#### ***What are the barriers to young people entering employment across New Zealand workplaces?***

Young people who leave education without qualifications or less training are at risk of not moving onto meaningful training, study or employment. Those who are seeking employment, rather than further education, are unlikely to have qualifications, skills or much work experience, contributing to high unemployment levels. This affects Maori, Pacific and learners from low socio-economic backgrounds in particular.

Adverse economic conditions impact disproportionately on young people. Prolonged unemployment and spells of inactivity may permanently lower young people's employability, particularly for low-skilled and inexperienced youth. Unemployment for young people is generally higher than that of the rest of the population. In the year to December 2012, the unemployment rate for young people was 17.1 per cent compared to 6.8 per cent for all people. This is 6.7 percentage points higher than it was five years ago, but down -0.3 percentage points from a year ago.

Employment among young people also varies across regions. While there are high levels of employment in Southland; there are very low levels in Northland. For Maori youth in the North unemployment is now at 29 per cent<sup>1</sup>.

For young people aged 15-19, 8.8 per cent of males and 9.5 per cent of females were not in employment, education or training (NEET)<sup>2</sup> in the year to December 2012, which is down from 10.4 per cent for males but up from 6.6 per cent for females from December 2010. The NEET rate among 15-24 year olds was 23.1 per cent of Maori young people, 18.9 per cent of Pacific young people and 11.7 per cent for European young people.

Young people are more likely to be in part time and temporary employment (meaning more periods of job search and unemployment during recessions) and be concentrated in industries that experience disproportionate job losses during recessions (hospitality, retail trade, communication services and construction). The majority of industries that employ young people are low-skilled and have a higher rate of part-time workers.

Graduates during a recession also face substantial and unequal costs. Finding jobs that offer significant opportunities for promotion and training are more difficult, particularly for those less skilled and for those without any work experience. Initial earning can amount to nine per cent less of annual earnings in the initial stages of employment and it can take up to 10 years to disappear.<sup>3</sup>

Employer attitudes can also be a barrier<sup>4</sup>. Young people have less work history for employers to rely on, and are seen as a higher risk than experienced older employees. Other barriers to employing younger workers, as perceived by employers, are:

- a lack of work ethic
- a lack of work experience
- a lack of maturity
- a need for extra supervision when training
- legal restrictions such as being unable to serve alcohol or having a restricted driver's license.

### ***How these barriers can be addressed***

There are barriers and risks to looking at or using policies and programmes from other countries with different institutional, historical and political contexts. The risk of unobserved differences (i.e. cultural) can limit how much these can be applied to the New Zealand context.

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<sup>1</sup> [http://www.newscentre.co.nz/m.aspx?v=PRINT\\_AANNZ20130320ED1NNW001-1063857595\\_91691\\_t\\_2371](http://www.newscentre.co.nz/m.aspx?v=PRINT_AANNZ20130320ED1NNW001-1063857595_91691_t_2371)

<sup>2</sup> NEET young people do not fit into traditional measures of youth unemployment rate, youth employment rate and youth labour force participation rate. For more information see [http://www.stats.govt.nz/browse\\_for\\_stats/income-and-work/employment\\_and\\_unemployment/young-people-employment-education-training.aspx](http://www.stats.govt.nz/browse_for_stats/income-and-work/employment_and_unemployment/young-people-employment-education-training.aspx)

<sup>3</sup> For more information, see <http://www.nber.org/digest/nov06/w12159.html>

<sup>4</sup> [http://www.newscentre.co.nz/m.aspx?v=PRINT\\_AAWAT20130406ED1WKTC04-1063995587\\_91690\\_t\\_3155](http://www.newscentre.co.nz/m.aspx?v=PRINT_AAWAT20130406ED1WKTC04-1063995587_91690_t_3155)

## *Education*

Success in education is essential to building a productive and competitive economy and help young people develop skills needed to reach their full potential. Better Public Services aim to 'increase the proportion of 18-year-olds with NCEA Level 2 or equivalent.' School is the best place to achieve the foundation and soft skills that are necessary for success in later years. The percentage of 18 year olds who have achieved NCEA Level 2 or equivalent has increased from 59 per cent in 2006 to 74 per cent in 2011. Early school leaving together with low levels of educational attainment, increase the risk of poor labour market prospects in both the short and the long term.

For young people that leave school early, services such as Youth Services NEET have recently been introduced to make it easier for young people to step into education or training. The Youth Guarantee provides foundation education to achieve NCEA Level 2 or equivalent to enable young people to transition to further education and participate in the workforce. Youth Guarantee initiatives<sup>5</sup> aim to create more effective education programmes through integration and coordination between schools, tertiary providers, businesses and communities.

New Vocational Pathways have been launched this year. They are an important tool which will help students to identify key industry groups within which they may want to work and the kinds of learning required for those industries. Vocational Pathways will help teachers plan coherent learning programmes and students make good learning choices in school and in tertiary provision.

A focus on young peoples' education and skills can help address barriers that employers perceive when considering employing young people and long-term employment outcomes. Better training can include formal qualifications, job-specific skills and soft skills such as having the right attitude, work ethic and being a good communicator and a team player. Employers often perceive that young people lack soft skills such as these, and may be more reluctant to employ them.

While there is an increasing focus on young peoples' education and training, there is a need to ensure that these are happening in areas that are forecast to grow. Ensuring young people are encouraged to focus on higher-skilled occupations, business and computing professionals as well as agriculture related occupations and employment associated with the expanding aged care industry will be important.

Likely areas of growth as identified by the Ministry of Business, Innovation and Employment are in the retail trade, hospitality and business services industries<sup>6</sup>. The Christchurch recovery also provides an opportunity for youth employment as well.

## *Training and skills*

Training subsidies allow employers to put resources into training employees themselves and provide an incentive to employing young people. Some subsidies funded by the Government include:

- the Gateway programme which offers training subsidies to employers who are willing to take on high-school students. The programme provides a structured workplace

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<sup>5</sup> Including Vocational Pathways, Secondary-Tertiary Programmes, Trades Academies and Services Academies. For more information see: <http://www.minedu.govt.nz/theMinistry/EducationInitiatives/YouthGuarantee/AboutYouthGuarantee.aspx>

<sup>6</sup> For more information, see [http://www.dol.govt.nz/publications/research/growth-employment-opportunities/growth-employment-opportunities\\_06.asp](http://www.dol.govt.nz/publications/research/growth-employment-opportunities/growth-employment-opportunities_06.asp)

based learning experience, giving selected students the chance to build their skills while still at school

- Flexi-wage subsidy is eligible to businesses to take on a young person on benefit as an employee and assist with their training costs.

Training subsidies which do not have a strong development component work best. If poorly designed, they can lead employers to create poorly paid positions which have high-turnover, lack career focus and lock participants into poor labour outcomes.

In Australia, further training options can include school-industry programmes that offer students in their last year of school opportunity to take part in workplace learning that is assessed as part of their schoolwork: for example, Training in Retail and Commerce. The benefits of such programmes are an increase in students' confidence and motivation, their personal and practical skills and their time management skills. However participation in these types of programmes tends to be low and some are not recognised as formal qualifications which can lead employers to regard them as ineffective. These programmes can be useful in consolidating the soft skills employers often say are lacking in young people.

Many training programmes targeted to the most disadvantaged have had modest results and, when not properly implemented, are criticised for being part of a "training treadmill" of short term, low quality, generic training programmes. Research has found that for these programmes to be successful they need to:

- be intensive, which is expensive, and recognise that the participants of such programmes have had negative experiences from traditional forms of education and/or training
- link with mainstream education so that young people can catch up on qualifications and further develop skills and abilities for future employment
- train 'real' skills that are in demand in the current local labour market
- support participants through social services so that they may make the most of training opportunities on offer.

For young people of indigenous and ethnic minority groups training programmes should be sensitive to the adverse labour market experiences that these groups may have and to the need for involvement from their own communities for the programme to be effective.

Internationally, apprenticeship systems that are institutionalised as a pathway from school into employments (such as Germany, Austria, Switzerland and Denmark) have a good track record of keeping youth unemployment at low levels and quickly integrating a high proportion of new school leavers into jobs.

From April this year the Modern Apprenticeship scheme which targets 16-21 year olds will change. The educational content of apprenticeships will be boosted and Industry Training Organisations will be held to clear role and performance expectations. From January 2014 Modern Apprenticeships will be combined with other apprenticeship-type training to become the New Zealand Apprenticeships expanding supports and subsidies to all apprentices.

Apprenticeships require good on-going relationships between schools and industry and rely heavily on employers being willing to hire young people with minimal experience. A strong school-industry relationship will help employers gain a good understanding of qualifications and how they relate to their own employment needs rather than rely on work-experience as an indicator of employability.

## *Employment*

Mentoring can be used to support young people by providing timely one-on-one teaching to shorten the learning curve, reinforce positive work ethics and provide role models. There are a number of benefits for young people being mentored in terms of developing skills and abilities and completing training. However there is a risk that mentoring programmes can become too formalised and structured, leaving young employees with a sense of being governed and under surveillance.

Trial periods are an initiative that is preferred by employers who see them as reducing the risk of hiring younger, less-experienced staff. Trial periods can last up to 90 days and allow employers time to see how a new person performs on the job and whether the applicant is the right fit for the business. The employee still has the right to protections against discrimination, sexual and racial harassment, duress, or unjustified action by the employer that may disadvantage the employee. Employees can still access mediation, and the principle of good faith still applies to the relationship.

## *Minimum wages*

The starting out wage aims to help young people enter employment and encourage employers to take on a young person. The starting out wage replaces the new entrants' minimum wage. The new entrants' minimum wage, introduced in 2008 was not commonly used by businesses and most 16-17 year old workers were moved onto the adult minimum wage at the time of its introduction. This effectively led to a 28.2 per cent increase in the wages of those 16-17 year olds when combined with the 75 cent increase in the adult minimum wage that occurred at the same time. However, the new entrants' minimum wage led to a fall of approximately 20-40 per cent in the proportion of 16-17 year olds in employment by 2010.

The starting out wage is available to young people aged 16 and 17, 18 and 19 year olds who have been on benefit for six months or more, and 16-19 year olds who are training for at least 40 credits a year with an approved provider. Under the starting out wage, employers are able to offer young people employment at a reduced wage of no less than 80 per cent of the adult minimum wage for six months of continuous employment.

One argument against youth minimum wages is that some employers are not willing to pay young employees less than other employees saying that paying a youth minimum wage is not fair, and means higher quality applicants do not apply. They also state that the criteria for applying youth minimum wages is not worth the saving they will make. The starting out wage has been designed to respond to this by extending the period an employer can pay this minimum wage from three months to six months and simplifying other criteria.

## **Report to the House**

The Committee is required to report its findings on this inquiry to the House. The purpose of your report is first to inform the House and stimulate debate. In doing so your report should reflect both the oral and written evidence the Committee received, the issues the Committee considered in-depth, and the views of the members. From these the Committee should develop conclusions and recommendations to the Government.

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Youth Parliament 2013  
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### **Members may wish to ask:**

- What can be done to increase the relationship between schools and industries so that more young people leave school with a clear career path in mind?
- How can we develop a more formal transition infrastructure or formal links to the local labour market to assist efficient “matching” of job seekers to jobs?
- What more can be done to increase the educational achievement of early school leavers and increase their short and long term labour market prospects? Should we look at changing parts of Youth Guarantee or Youth Services?
- Should be we encouraging early school leavers to return to school or should we offer more alternative education pathways?
- How can we ensure that young people with higher needs are getting the case management, support and mentoring they need rather than just being moved into the labour market?
- How can we ensure that young people are entering meaningful employment in growth areas?
- To what extent should we be importing policies and programmes from other countries? How can we ensure that when we do, our own policies and programmes are sensitive enough to the New Zealand situation?
- How can we ensure buy in and cooperation from Government/policy, employers, schools and trainers, and young people to ensure that a coordinated response to youth employment is being taken?
- How can we ensure that the starting out wage is targeted at young people that need it the most?
- Should more funding be put into tertiary level training

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## Further Reading

Suggested keywords and phrases for internet search engines:

- Youth Guarantee, NZ, UK
- Youth minimum wage
- NEET rate
- Youth unemployment, regional differences, ethnic differences, gender differences
- Active labour market policies and youth
- Better Public Services