



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

## Recommendation

The Transport and Industrial Relations Committee makes the following recommendations to the Government:

- that secondary schools inform students of the career and training options available to them beyond those offered by universities.
- that young people living in rural areas be exempt from current driver licensing laws regarding age if necessary to access employment.
- that Gateway programmes in secondary schools be expanded to offer a more diverse range of study options.
- that education regarding the employment sector be initiated at an earlier stage of secondary schooling.

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## Introduction

The intention of this report is to summarise our consideration of the inquiry into how we can address the issue of barriers to young people entering employment in New Zealand workplaces.

## Background

There are a number of barriers to young people entering employment in New Zealand. They include economic conditions, educational attainment, lack of experience and soft skills, competition with older workers, wage rates, and employer attitudes.

### **Economic conditions**

Recessions affect young peoples' employment prospects more than other groups, as youth tend to be employed in industries most adversely affected by recession. In the year to March 2013, the unemployment rate for younger people was 17 percent compared to approximately 8 percent for all people. The youth unemployment rate is 7 percentage points higher than the rate of 5 years ago. Coupled with the difficulty of finding a job in a recession, new workers are often forced to accept positions with low earnings and fewer opportunities for advancement.

### **Education and training**

Lack of sufficient education and training can be a barrier to entering the labour market. Young people who leave education before they have attained NCEA Level 2 or equivalent can struggle to find employment as they lack the knowledge and skills required by employers. Ensuring young people are encouraged to focus on training for occupations where growth is forecast is also important so that they have the skills the employment market demands.

Education and training can be provided by organisations beyond the traditional education system. Employers, industry training organisations, and communities can offer alternative training programmes. The Gateway programme is a good example of offering high school students effective training in preparation for the workplace.

Young people need to be informed about the education and training options available to them. This should be the responsibility of the schools, whānau and industry bodies. The ability of young people to access the education and training that they want and need is also important. Barriers to education and training can then create barriers to employment.

### **Employer attitudes**

Some employers see young people as a higher risk than experienced older employees. This can be due to concerns about young people's work ethic and motivation, lack of work experience, maturity, and potential need for more intensive training. Soft skills, which include motivation and attitude, are not always easy to teach or measure, but are highly valued by employers. Our adviser told us that there is little known about the impact of employer's attitudes on the hiring of young people, or the selection criteria they may use.

### **Submitters**

We heard submissions from three organisations each with particular knowledge and expertise regarding employment and the labour market.

### **Ministry of Business, Innovation and Employment**

We heard from the Ministry's Deputy Chief Executive—Science, Skills and Innovation that a key barrier to young people finding employment is a lack of basic education. He recommended a number of initiatives to combat this issue. They included places in Youth Guarantee, which is a zero-fee scheme for 16- and 17-year-olds without NCEA Level 2 or equivalent qualifications, and school provision of trade academies. He also discussed the Ministry's three main areas of concern which were education, entry into the labour market and ongoing engagement in the market.

## **Careers NZ**

We heard from the Chief Executive of Careers NZ that one of the barriers to employment confronting youth is the complexity of the education and training system, which can be confusing. One of his suggestions was to make training or education more relevant to individual young people's chosen careers. He also suggested that the transition from school to tertiary education could be made smoother. He was concerned that school communities do not take enough responsibility for offering relevant careers guidance.

## **Employers & Manufacturers Association (Northern) Inc.**

The association's Advisory Services Manager shared employers' views on youth employment. He questioned why schools are training young people only for employment by someone else, rather than to work for themselves. He also suggested that business-focused education be expanded at secondary school level. Regarding employment trial periods, he argued that there is little risk of young employees being let go at the conclusion of trial periods, as good employers would not want to waste the time and resources they had spent on training the new employee.

## **Consideration**

We discussed what we felt was a university-focused culture dominating secondary schools. We are concerned that teachers and parents put too much emphasis on university as the next step after high school, regardless of individual students' strengths and interests. We are concerned that the focus on university study results in too many secondary students studying subjects with entrance requirements in mind rather than their passions. However, we recognise that students need to balance their interests with labour market demands. A number of us believe schools do not inform students about the variety of career options available beyond those that require university study. We encourage the provision of business-focused education to help encourage students to consider self-employment. Students who are not given constructive guidance as to career options are more likely to make poor choices in this area. Career guidance also needs to include discussion of the job market and growth areas.

We considered the option of having specialist schools offering specialist training for different trades and interests, but we decided that this would not be feasible, especially for rural areas with only one secondary school. We also felt that creating specialist schools could have unintended negative impacts in terms of segregation and ghettoization.

We talked about trial periods and whether they were an effective tool to encourage employers to take a chance on inexperienced young workers. We discussed the possibility of trial periods in combination with decreased wages.

We discussed the option of lowering the starting-out wage rate. Some of us thought this would be a good incentive for employers to hire young workers, as it would decrease the cost of production for firms, thus leaving employers with more money with which to employ more workers. However, some of us have reservations, fearing that the starting-out wage leads to exploitation of young people in the workforce. We encourage young people to accept jobs which offer the starting-out wage for the purpose of gaining necessary work experience and soft skills.

We also considered that instead of a starting-out wage based on an employee's age, employers could be given the flexibility to base new employees' wages on their experience and skills, as well as the demands of the job.

Transport difficulties are a particular issue for young people in rural areas. We discussed this as a barrier to employment. Lack of infrastructure and public transport also create challenges.

## Appendix

### Committee procedure

The committee met on 16 and 17 July 2013 to consider the inquiry. The committee received seven submissions. Evidence was heard from the Ministry of Business, Innovation and Employment, Careers NZ and the Employers and Manufacturers Association. Advice was received from the Ministry of Social Development.

### Committee members

Henry Thompson (Chairperson)

Kaukiterangi Blair

Jillian Bleasdale

Dean Buckley

Zarna Jones

Lewis Marchant

Thomas Rees

Anchal Singh

Caitlin Smart

Kura Waller