

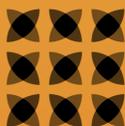


FIRST NATIONS
FOUNDATION

The Financial Economy and Indigenous Young People in Australia

Summary Report

March 2016



CENTRE
for **SOCIAL**
IMPACT



The Centre for Social Impact wishes to acknowledge all Aboriginal and Torres Strait Islander People across Australia, the traditional custodians of this land. We pay our respects to their Elders, past, present and future, and recognise their continuing connection and contribution to this land and extend that respect to all Aboriginal and Torres Strait Islander People in Australia today.



First Nations Foundation asked the Centre for Social Impact to explore how Indigenous young people navigate the financial economy. This report looks at the relationship between the Indigenous and mainstream economies.

Financial literacy is about understanding financial terms and concepts, and being able to use them to make sound financial decisions.

Lower levels of financial literacy are found amongst disadvantaged groups, resulting in financial exclusion, which can lead to poorer outcomes.

Particularly in Australia, the financial literacy levels of young people are low which means they experience higher rates of financial exclusion than the national average. In 2013, 36.7% of young people were severely or fully financially excluded.

In 2011, 63% of Australia's Indigenous community was under 30 years old, compared with 39% of non-Indigenous people.

Yet little is known about Indigenous young Australians and the financial economy.

This report, funded by the First Nations Foundation, aims to better understand how Indigenous young people navigate the financial economy. It looks at the relationship between the Indigenous and mainstream economies and asks a series of questions:

- How are Indigenous young people positioned in the mainstream economy?
- How does this position differ from non-Indigenous young people?
- How do Indigenous young people navigate between the Indigenous and mainstream economies?

Snapshot of Key Findings

This report looks at the relationship between the Indigenous and mainstream economies and asks a series of questions.

1. How are Indigenous young people positioned in the mainstream economy?

While the economic position of Indigenous young people is more precarious than for their non-Indigenous counterparts, the research shows they are contributing more significantly to the economy via unpaid work including caring for someone with a disability, caring for children and doing more hours of unpaid domestic work.

2. How does this position differ from non-Indigenous young people?

Although Indigenous young people tend to leave school earlier, the gap appears to be closing. While remoteness significantly affects the age at which young people leave school, young Indigenous Australians tend to enter technical education earlier than non-Indigenous young people. However, employment and labour force participation rates suggest significant barriers. Indigenous young people are more likely to be unemployed and less likely to be participating in the labour force, with remoteness a significant factor compared to non-Indigenous Australians.

3. How do Indigenous young people traverse the Indigenous and the mainstream economies?

The report has mixed findings on the ease with which Indigenous young people navigate between the Indigenous and mainstream economies.

While Indigenous young people tend to leave school earlier they also tend to enter technical education earlier than non-Indigenous young people. This, however, does not translate to labour force participation. Remoteness seems to also negatively affect Indigenous young people, both with regards to school retention rates and participation in paid employment. Remoteness, however, increases labour force participation for non-Indigenous young people.

Indigenous people experience challenges with reconciling kinship, reciprocity and concepts of shared resources with mainstream notions of the financial economy. Strong family connections and support are seen as the foundation of good subjective wellbeing amongst Indigenous young people and close contact with extended family as essential to develop a strong sense of identity.

Demographic Context



63% of Australia's Indigenous community was under 30 years old in 2006, compared with 39% of non-Indigenous people.

In June 2011, the total population of Australia was approximately 22 million, of which, 3% identified as Indigenous.

While overall, the Australian population is ageing, a large proportion of Indigenous Australians are young. In fact, 63% are less than 30 years old, compared with 39% of non-Indigenous people.

More Indigenous and non-Indigenous Australians live in NSW than in any other state or territory. While population trends amongst states are similar, a large discrepancy is found in the Northern Territory which accommodates just 10% of the nation's Indigenous population, this amounts to nearly one-third of the territory's population. In contrast, where 30% of the nation's Indigenous Australians live in NSW, this represents just 3% of the state's population. Approximately one in three Indigenous Australians live in major cities (35%) with 44% living in inner our outer regional areas, 8% in remote areas, and 14% in very remote areas.

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Trends are similar for young people, with one important exception:

14% of Indigenous young people live in very remote areas, compared to less than 1% of non-Indigenous young people.

Understanding differences in participation in the economy by geographic location is therefore of vital importance.

INDIGENOUS AUSTRALIANS ARE NOT A SINGULARLY DEFINED GROUP, BUT RATHER PEOPLE FROM MANY DIFFERENT NATIONS, LIVING IN URBAN, REGIONAL AND REMOTE LOCATIONS ACROSS THE COUNTRY

The Mainstream Economy

The mainstream economy is commonly defined as the processes of production and consumption. Individuals participate in both the production and consumption of goods which are exchanged in 'markets'.

Various indicators are used to measure the **economic well-being** of individuals or groups, with three common ones:

1. Education
2. Employment
3. Unpaid work

The final point, unpaid work contributes significantly to a country's economy and society. In Australia, Indigenous people make extensive unpaid contributions within their own families and to the broader community. Roles such as caring for children, people with a disability, a long-term illness, or people with problems relating to old age are common unpaid roles.

Participation in the mainstream economy relies on the ability to access appropriate and affordable financial products and services. This is commonly assessed on the basis of access to three main financial products and services:

1. A transaction account
2. General insurance
3. A moderate amount of credit

In Australia, individuals have been classified as marginally financially excluded if they have access to two of these products and services; severely financially excluded if access to one; and fully financially excluded if access to none.

Severe or full financial exclusion is a particular

The mainstream economy typically refers to the processes of production and consumption.

concern as it puts individuals at greater risk of poor social and economic outcomes.

Education

Participation in education among Indigenous young people varies greatly from non-Indigenous, and this is another key difference to understand.

Secondary education shows the highest rates of participation across both Indigenous and non-

42%

OF INDIGENOUS 17 YEAR OLDS PARTICIPATED IN SECONDARY EDUCATION

Indigenous young people. Although the participation of Indigenous

young people remains lower than non-Indigenous young people, the gap is closing.

68%

OF NON-INDIGENOUS 17 YEAR OLDS PARTICIPATED IN SECONDARY EDUCATION

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Education (cont.)

Participation in **technical and further education** (including TAFE and colleges) is popular amongst Indigenous young people. Rates of participation are typically higher than that of non-Indigenous young people, for both males and females until the age of 18. For example, in 2011, 9% of 17-year-old Indigenous young people participated in technical and further education compared to 7% of non-Indigenous young people.

Participation by Indigenous young people in **tertiary education**, however, remains significantly lower than for non-Indigenous young people. However, participation has increased, especially in urban areas. For example, 2% of 22 to 24 year-old Indigenous young people attended tertiary education in the Northern Territory in 2011 compared to 13% in the Australian Capital Territory.

While this partly relates to accessibility of post-school education, it is also reflective of lower levels of educational attainment in early and secondary schooling. Interestingly, participation of young Indigenous females is close to double that of Indigenous males.

Educational attainment shows that young Indigenous people are more than twice as likely to report year 10 or below as their highest year of school completed. However, this trend is declining.

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Between 2006 and 2011, there was a 5% increase in both males and females reporting year 12 as their highest level of school.

In terms of location, the highest proportion of both Indigenous and non-Indigenous young people reporting year 12 as their highest year of school completed was the Australian Capital Territory (57%) which coincides with it being the place with the highest concentration of Indigenous tertiary participation.

Completion of year 12 remains skewed towards young people living in major cities. Indigenous young people in very remote Australia had the lowest proportion of 19-24 year olds reporting year 12 as their highest level of school completed.

Transitions to further education showed that Indigenous young people tend to leave



**REMOTENESS SIGNIFICANTLY IMPACTS
THE AGE AT WHICH INDIGENOUS
YOUNG PEOPLE LEAVE SCHOOL**

Education (cont.)

school earlier than non-Indigenous young people for many and varied reasons.

Factors such as family, school provisions and individual circumstances may negatively affect Indigenous young people in their schooling and therefore transition to further education.

The need to protect culture and cultural identity, a lack of cultural fit for Indigenous people in mainstream education, and the need to exist within and between 'two worlds', may also affect Indigenous young people's education participation and achievement.

In addition, young people may also accrue financial benefits from not participating in mainstream education, particularly where school attendance means young people forego opportunities to supplement family income and resources through paid and unpaid work for family or business.

These factors possibly explain why Indigenous young people are more likely than non-Indigenous young people to enter technical education (and therefore, the workforce) at an earlier age, with a higher proportion of Indigenous compared to non-Indigenous young people entering technical education.

Finally, one of the most important factors in exploring the journey of Indigenous young people as they traverse the Indigenous and mainstream economies is that of **resilience**. When young people move out of school and into paid work or further education or training, resilience is key to affecting positive outcomes for

Young people may accrue financial benefits from not participating in mainstream education.

young Indigenous people.

Focusing on resilience helps identify variables within Indigenous young people's lives, which affect their ability to cope with adversity, and also points to the need for appropriate, accessible, and acceptable external resources from educational institutions and beyond.

In addition to resilience, **connection** to land, culture, ancestry, family, and community have also shown to be important factors in Indigenous adolescents' wellbeing in Australia. Positive racial identity combined with positive student identity of Indigenous students significantly increases the chances of successful school outcomes such as attendance, retention, and academic grades, thereby improving their socio-economic and wellbeing outcomes.

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Paid Work

It is becoming harder for young people to find employment. The proportion of young people not in the labour force increased between 2006 and 2011 by 2 to 4 percentage points, depending on age group. At the same time, as we have seen, more young people are participating in education. Amongst those in the labour force, Indigenous young people are more likely to be unemployed and less likely to be employed than their non-Indigenous counterparts. For example, 45% of Indigenous young people were employed in 2011, compared to 73% of non-Indigenous young people.

In both Indigenous and non-Indigenous populations, female young people are less likely than male young people to be employed. In 2011, we saw 39% of Indigenous female young people employed, compared to 50% of Indigenous young males and 71% of non-Indigenous females.

In terms of **location**, the proportion of young people in employment has generally declined or remained relatively unchanged across states and territories. The highest proportion of employed Indigenous young people is found in the Australian Capital Territory, which once again goes hand in hand with the territory's figures on Indigenous young people's educational attainment and tertiary study. Conversely, Queensland has the highest rate of unemployment for 2011 and the Northern Territory has the highest rate of Indigenous young people not in the labour force. This suggests limitations around the availability of jobs and other barriers for Indigenous young people to access employment in the Northern Territory.

The proportion of Indigenous young people employed was at its lowest in 2011 in very remote Australia across all age groups. For example, 32% of Indigenous young people aged 22-24 were employed in very remote Australia, compared to 82% of non-Indigenous young people. Remoteness appears to negatively affect participation in employment for Indigenous young people, but not for non-Indigenous young people, possibly due to a lack of labour market programs for Indigenous young people in these areas. Barriers such as driver's license, access to transport, and availability of supported accommodation could all have an impact on participation.

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32% OF INDIGENOUS YOUNG PEOPLE AGED 22 TO 24 YEARS OLD WERE EMPLOYED IN VERY REMOTE AUSTRALIA COMPARED TO 82% OF NON-INDIGENOUS YOUNG PEOPLE

Paid Work (cont.)

Participation in **Community Development Employment Projects (CDEP)** by Indigenous young people fell between 2006 and 2011 for all age groups. However, remoteness played a significant part with the highest concentration of participation occurring in very remote areas of Australia. From 2009 onwards, CDEP was phased out in non-remote areas, which explains the decline in participation in those areas and also the decline in employment.

In terms of **industry of employment**, Indigenous young people have higher levels of representation in agriculture, forestry and fishing, mining, construction, public administration and safety, education and training, health care and social assistance, and other services. The largest difference is in public administration and safety with the proportion of Indigenous young people exceeding that of non-Indigenous young people by 9% in 2006 and 3% in 2011. In terms of **occupation**, in 2011, 20% of Indigenous young people aged 19-24 were employed as technicians and trade workers, and 19% employed as labourers. However, Indigenous young people remain under-represented in managerial, professional and sales positions.

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When looking at **income**, across all age groups, most Indigenous and non-Indigenous young people earned \$399 or less per week. The proportion of young people earning more than \$399 per week increases with age. This is consistent with the fact that younger age groups tend to work fewer hours and therefore may earn lower wages.

Females across both populations generally reported lower incomes than males.

There is less discrepancy between income earned by Indigenous and non-Indigenous young people in the lower age groups compared to the higher age groups. The Northern territory in particular presents stark differences between Indigenous and non-Indigenous young people's weekly income. For the 19-21 years old group, 3% of Indigenous young people reported a weekly income of \$1000 or more, compared to 16% of non-Indigenous young people. The gap further

12% vs 7%

**OF INDIGENOUS YOUNG PEOPLE
WERE UNEMPLOYED IN 2011**

**OF NON-INDIGENOUS YOUNG
PEOPLE WERE UNEMPLOYED IN 2011**

Paid Work (cont.)

broadens when looking at 22-24 year olds, with 5% of Indigenous young people earning \$1000 or more compared to 36% of non-Indigenous young people. The gap is the broadest in very remote areas with 5% of non-Indigenous young people earning \$1000 or more compared to 45% of non-Indigenous.

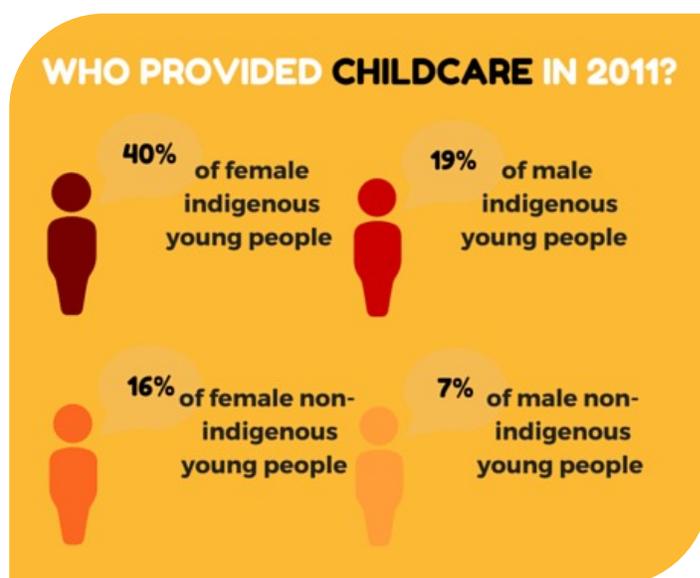
There are known barriers for Indigenous young people to access **the mainstream economy**. Labour market discrimination makes it difficult for Indigenous young people to find work if they did not finish school; other barriers include racial discrimination and negative employer attitudes which also impact young people's ability to find and secure sustainable work. The geographic, socio-economic context, childcare and other family responsibilities (particularly for young women and female adolescents) also has an impact on whether young Indigenous people are able to seek and find work.

A lack of social capital in the mainstream economy can make it difficult for young Indigenous people to transition successfully into the labour market. Today's economy often requires young people to have gained workplace experience while in school or attending other educational facilities. Many young people find such employment by drawing on a range of personal and educational networks including personal and family contacts. However, evidence suggests that Indigenous young people are less likely to secure employment in this way. As such, more targeted support such as practically focused work experience in schools has been shown to be effective.

Unpaid Work

Indigenous females aged 15-18 are nearly twice as likely to provide **childcare** as Indigenous males and non-Indigenous females of the same age. By age 19-24, around 40% of Indigenous females provide unpaid childcare compared to less than 20% of non-Indigenous females of the same age. Similarly, Indigenous young males provide unpaid childcare at twice the rate of non-Indigenous males, although the rates are less than half that of females (see graphic).

Indigenous young people are more likely than non-Indigenous young people to report providing unpaid assistance to someone with a **disability**, with little evidence of any change over time. In 2011, 10% of Indigenous 19-24 year olds provided assistance to a person with a disability, compared to 5% of non-Indigenous young people. Indigenous males are twice as likely as non-Indigenous males to be carers. In addition, there is a greater proportion of young Indigenous carers in very remote areas than in other areas, and this proportion has increased over time by 2-3 percentage points across age groups.

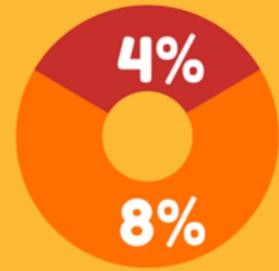


Unpaid Work (cont.)

A larger proportion of non-Indigenous than Indigenous young people reported providing unpaid **domestic work**, with not much change over time, and the same can be said for **voluntary work**, however large proportions of Indigenous people did not state whether they volunteered or not.

Indigenous young people are more likely than non-Indigenous young people to perform unpaid work.

They are more likely to provide assistance to someone with a disability across age groups, states, and remoteness, and they are more likely to provide unpaid childcare. We know that young people with caring responsibilities are less likely to be engaged in employment, which in turn forms a barrier to engaging with the mainstream economy.



Twice the number of Indigenous young people provided unpaid care for someone with a disability in 2011, compared to non-Indigenous young people.

Financial Literacy & Inclusion

Financial literacy is generally defined as a combination of the knowledge and understanding of financial terms and concepts, and the ability to use those to make sound decisions in a variety of financial situations. Budgeting, assessing financial products and services, or planning for the future are considered positive financial literacy skills. These are vital to guide young people through financial decision-making. It can improve their financial wellbeing – and broader wellbeing – as well as influence economic growth through increased participation in the financial sector. The increasing complexity and diversity of financial services means that these skills are becoming more and more critical.

However, gaps remain in the levels of financial literacy between young and older age groups. In an Australian survey of 14 to 16 year old students assessing their financial literacy levels, it was found that there are significant gaps in the students' financial understanding, which may put them at considerable risk as consumers. Similar conclusions were made when measuring financial literacy amongst 18 to 24 year olds.

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Financial Literacy & Inclusion (cont.)

In Australia, lower levels of financial literacy were also found amongst people without formal post-secondary education, people employed in manual occupations, and people with lower levels of wealth and income. **Lower levels of financial literacy were found to be prevalent amongst the financially excluded.**

The financially excluded are more likely to be women, younger adults, living in capital cities, Indigenous Australians, born overseas in a non-English speaking country, and speaking a language other than English at home. In particular, Indigenous Australians are over-represented in the severely or fully financially excluded group: between 2011 and 2013, while they made up 1.6% of the population, they made up 3.9% of the severely or fully financially excluded.

The Indigenous Economy

Research showed that the roles of kinship, family relationships and responsibilities, and ethics, all remain the pinnacle of Indigenous identity. In addition, the goals of Indigenous businesses are often based around a more community-focused desire: for economic independence, sharing resources, escaping poverty and welfare, and strengthening cultural identity. Reconciling these goals with those of the mainstream non-Indigenous economy can prove challenging for some young people. In addition, this tension may underpin Indigenous people's engagement with financial institutions and may even be a hindrance in developing financial knowledge and assets.

'Successful transition' into the mainstream economy is often characterised by the ability of a young person to secure full-time employment or continue on to further education or training. However, this report shows that for young Indigenous people, there are many more considerations than for non-Indigenous young people. For example, many consider the importance of maintaining a strong social and cultural identity throughout a young Indigenous person's journey from school, to post-school studies, through to employment essential.

Mainstream economic values around education, employment and family structures assume that a young person's aspiration for the future involves a move towards increased independence, whereas for a young Indigenous person, this may not be the case. The importance of kinship, family, and connectedness in their identity and future cannot be overstated.

Conclusion

While Indigenous young people tend to leave school earlier than their non-Indigenous counterparts, the gap is closing and at a faster rate for younger age groups in urban areas.

Remoteness, however, significantly affects the age at which young people leave school, which is important as it is well recognized that increased educational participation and attainment is essential to improve the socio-economic and wellbeing outcomes for young Indigenous Australians.

Also, while young Indigenous Australians tend to enter technical education earlier than non-Indigenous young people, it is not translating to labour force participation. Indigenous young people are more likely to be unemployed than non-Indigenous young people. Reduced labour force participation is often linked to lower financial literacy and therefore places the individual at a higher risk of financial exclusion.

Remoteness seems to also negatively affect participation in paid employment for Indigenous young people but increases participation for non-Indigenous young people. Furthermore, while personal income increases for non-Indigenous young people as remoteness increases, it decreases for Indigenous young people.

Although the economic position of Indigenous young people is more precarious than for their non-Indigenous counterparts, they are contributing more significantly to the economy via unpaid work, yet conversely, they are less likely to report 'volunteering'. This suggests that 'volunteering' may be a construct of the mainstream economy. This term does not account for the enormous contribution of unpaid work undertaken by Indigenous young people, for whom 'volunteering' is already a part of everyday lives.

Reconciling kinship, reciprocity and concepts of shared resources with mainstream notions of the financial economy may be a challenge for some young Indigenous people. However we found there is limited-to-no research covering Indigenous young Australians and their 'place' in the economy, whether Indigenous or mainstream, or how this differs by location. Therefore, gaps in our understanding remain.

This desk-based research provides a mixed view of the ease with which Indigenous young people traverse the Indigenous and mainstream economies. We propose to supplement this research with an in-depth understanding of how Indigenous young people experience and manage the financial services industry from their perspective.

[Click: Full Report](#)

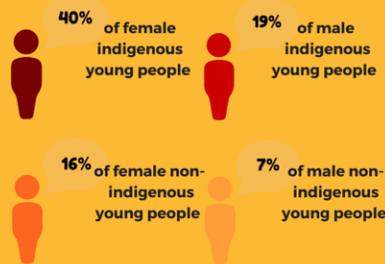
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FINANCIAL ECONOMY & INDIGENOUS YOUNG PEOPLE IN AUSTRALIA

First Nations Foundation & The Centre for Social Impact



WHO PROVIDED CHILDCARE IN 2011?



Twice the number of Indigenous young people provided unpaid care for someone with a disability in 2011, compared to non-Indigenous young people.



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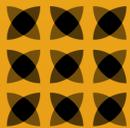
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