Young people’s economic engagement
Background Report

Research team
Kristy Muir
Abigail Powell
Fanny Salignac
Ariella Meltzer
Megan Weier
Isabella Saunders

Address for Correspondence
Abigail Powell
Centre for Social Impact
a.powell@unsw.edu.au
02 8936 0916

Suggested citation

Centre for Social Impact
The Centre for Social Impact (CSI) is a national research and education centre dedicated to catalysing social change for a better world. CSI is built on the foundation of three of Australia’s leading universities: UNSW Sydney, The University of Western Australia, and Swinburne University of Technology. Our research develops and brings together knowledge to understand current social challenges and opportunities; our postgraduate and undergraduate education develops social impact leaders; and we aim to catalyse change by drawing on these foundations and translating knowledge, creating leaders, developing usable resources, and reaching across traditional divides to facilitate collaborations.

Acknowledgements
The authors would like to thank Lisa George, Anna Le Masurier, Lauren Shaughnessy and the Macquarie Group Foundation Board for their advice and suggestions in developing this report, as well as the support of Natasha Cortis, Megan Weier and Isabella Saunders at the Centre for Social Impact.
CONTENTS

Contents ...................................................................................................................................................... ii
List of Figures ............................................................................................................................................... ii
1. Introduction ............................................................................................................................................... 3
2. Why is young people’s economic engagement important and what are the risk factors? ........ 5
3. Key indicators of young people’s economic engagement ................................................................. 7
4. Conceptualising young people’s economic engagement ................................................................. 17
5. What do we know about what works to promote young people’s economic engagement? ......... 18
References .................................................................................................................................................. 21

LIST OF FIGURES

Figure 1: Young people participating in education and training by age and remoteness (%) ..... 7
Figure 2: Highest level of educational attainment by age, 2016 (%) ......................................................... 8
Figure 3: Year 12 or equivalent attainment by Indigenous status and age, 2016 (%) ............................ 9
Figure 4: Under-utilisation rate of young people (unemployed or underemployed), Feb 2017 (%) .... 10
Figure 5: Level of engagement with employment, education or training by age, 2016 (%) ........ 11
Figure 6: Level of engagement with employment, education or training by age and highest educational attainment, 2016 ......................................................................................................................... 11
Figure 7: Young people not in employment, education or training (NEET) by age and year (%) 12
Figure 8. Young people not in employment, education or training (NEET) by remoteness, 2011 (%) . 13
Figure 9: Young people not in employment, education or training (NEET) by Indigenous status, 2016 (%) ..................................................................................................................................................... 14
Figure 10. Young people not in employment, education or training (NEET) by need for assistance, 2016 (%) ..................................................................................................................................................... 14
Figure 11. Young people not in employment, education or training (NEET) by unpaid care provision, 2016 (%) ..................................................................................................................................................... 15
1. INTRODUCTION

The Macquarie Group Foundation aims to refine its grant making strategy by selecting a grant making focus area to achieve greater social impact and increased staff engagement in each of their four regions.

In Australia, Macquarie Group Foundation has decided to focus its attention on the focus area of ‘disadvantage’ and, following earlier work by the Centre for Social Impact (CSI) and consultation with the Sydney-based Board members of Macquarie Group Foundation, have further refined this focus to be on promoting equality of opportunity in economic engagement for young people in Australia.

Aims

Based on the decision to focus on promoting equality of opportunity in economic engagement for young people in Australia, CSI explored this focus area with a view to advising where Macquarie Group Foundation’s investment and staff involvement could have a social impact and any sectoral themes that may be assigned to their grant making.

The specific aims of the research by CSI were to:

1. Provide a statistical update on young people who are not in education, employment or training (NEET), including which young people are most at risk
2. Review national and international literature of the importance of addressing the issue of NEET young people and what is known about why young people disengage from education and employment
3. Identify the influences of wider societal, economic and policy contexts on NEET young people in Australia
4. Review the current evidence and evidence-based practice about what works and what does not work to promote equality of opportunity in economic engagement for young people
5. Produce a theory of change outlining how Macquarie Group Foundation may be able to influence outcomes regarding young people’s economic engagement
6. Develop an indicator bank for Macquarie Group Foundation to use with grantees to determine how much progress is being made towards improving young people’s economic engagement
7. Make recommendations around how Macquarie Group Foundation can affect outcomes.

This background report focuses on the first three of these aims and can be read alongside the report Macquarie Group Foundation Australian Grant-making Approach.
Key concepts

Young people

For the purpose of this work, CSI defines young people as those aged 15-24 years old. However, at times, references may be made to a broader age range of young people (e.g. 12-29-year-olds) or a subset of young people (e.g. 15-19-year-olds). This is dependent on the data sources and research we are citing.

Economic engagement

We define economic engagement as the extent to which young people are participating (or engaged) in education and/or employment. Key indicators of economic engagement are educational participation, educational attainment, unemployment, under-employment and people who are not in education, employment or training (NEET).

Our approach

The approach CSI draws on in this project, particularly in the development of the theory of change and indicator bank, is systems thinking. This means we consider the whole ecosystem around a young person (e.g. their family, community and wider society) when determining factors that impact on a young person’s economic engagement.

We also seek to use a strengths-based approach, rather than a deficit approach. This means that rather than focusing on young people who are not in employment, education or training, we focus on how to promote equality of opportunity in economic engagement for young people in Australia.
2. WHY IS YOUNG PEOPLE’S ECONOMIC ENGAGEMENT IMPORTANT AND WHAT ARE THE RISK FACTORS?

Youth is a critical period of life, between childhood and adulthood, where there is usually rapid physical, emotional and social growth [1-3]. For many young people, it is a time of transition and uncertainty [4]. It is a time when young people in western economies are expected to transition from school and planned education to work and future aspirations; from immaturity and dependence (both emotional and economic) to maturity and independence [5-7]. While most young people succeed in transitioning from school to work, the availability and nature of work available combined with having socio-emotional skills that are still developing means that some young people can be at risk of disengaging from education, employment and training [2, 8]. Reducing youth unemployment has therefore been a policy priority in many western countries [9].

**Key highlights**

- The economic engagement of young people is important for society and for young people themselves.
- Increased economic engagement among young people is increasingly important as the workforce ages and to reduce public service costs.
- For young people themselves, economic disengagement (not being involved in education, training or employment) increases the risk of negative outcomes, including:
  - Poor health
  - Unemployment or poor-quality work (for example, insecure work)
  - Poor social outcomes and overall wellbeing
- At the same time, experiences of disadvantage also increase the risk of young people disengaging. This includes experiences of homelessness or unstable housing, disability, mental illness, substance misuse, domestic violence and having parental/carer responsibilities.
- The causal relationship between economic engagement and other outcomes is often therefore difficult to disentangle.

**Societal impact**

Economic disengagement among young people presents risks to the Australian economy as the workforce ages and each worker supports more members of the Australian population [10]. The risks include lost taxes and public service costs, as well as costs associated with potentially higher crime rates and poor health [11]. In Australia, young people are unemployed at twice the national rate and if their un/under-employment was brought in line with national averages, economic modelling suggests this would add an extra 125 million hours of work a year or an extra $11.3 billion in GDP [12].
Other western economies face similar challenges. In the UK, the cost of youth unemployment has been estimated at up to £77 billion [11], while in Europe, the cost has been estimated at 1.21% of the GDP, a total of 153 billion Euros in 2011 [13].

**Individual impact**

At the individual level, once disengaged, young people are at risk of a range of negative outcomes. They are more likely to experience social and economic exclusion (such as lost earnings and increased isolation), poor physical and mental health, and lower wellbeing throughout life, as well as get involved in anti-social behaviour and crime [2, 9, 14-18].

NEET young people are at risk of long-term socio-economic exclusion and getting caught in a ‘low pay, no pay cycle’ that can make it difficult to ever move out of poverty [8, 14, 19]. Young people experiencing being NEET from an early age can experience a ‘scarring effect’ associated with sustained disadvantage [20, 21]. In other words, the experience of not being economically engaged can be long lasting.

For NEET young people who do find work, future options can be limited with low-status training schemes and professional education programs offering little market value or limited prospects, such as casual employment, low-skilled or unsecure work, thereby reinforcing a cycle of disadvantage [8, 22, 23]. For many young people in this situation “leaving school is followed by ‘churning’ between forms of participation, punctuated by significant periods not in education, employment or training” [23].

**Risk factors for disengagement**

Levels of participation in education and training are strongly associated with levels of disadvantage and social class. While those living in socio-economic advantage are significantly more likely to engage in education and training [21, 23], the young people most at risk of being NEET often come from disadvantaged socio-economic backgrounds. They commonly face complex social issues, such as homelessness, disability, mental illnesses, drug use, unstable homes, unsuitable learning environments, negative experiences at school with teachers and peers, few qualifications, domestic violence, early pregnancy/parenthood, youth offending and chronic illness [8, 21, 24-28]. Further, young people who are already NEET speak about limitations in their access to supportive adults (e.g. trusted adults, family, employers), as well as limitations in their access to transport, telecommunications resources and pathways to employment [28]. These issues are broadly summarised and added to by Yates and Payne [26], who identify ten risk factors which amplify negative outcomes for young people who are NEET: offending behaviour, substance misuse, health problems and/or disabilities, learning difficulties, emotional and/or behavioural problems, school resistance, academic underachievement, being looked after or homeless, being an asylum-seeker or refugee, and having parental and/or caring responsibilities.
3. KEY INDICATORS OF YOUNG PEOPLE’S ECONOMIC ENGAGEMENT

Key indicators of economic engagement

- Educational participation
- Educational attainment
- Unemployment
- Underemployment
- Young people not in employment, education or training (NEET)

Educational participation

In May 2016, there were 1,220,200 people aged 15-19 enrolled in education (83.2%), along with 741,100 people aged 20-24 (44.7%) [29]. Some young people, however, are less likely to participate – for example, outside the major cities, participation in education declines, as shown in Figure 1.

Figure 1: Young people participating in education and training by age and remoteness (%)

Further, in 2014, only 44% of Indigenous young people were participating in education and training compared to 59% of non-Indigenous young people and only approximately 60% of young people in
low socio-economic areas were participating compared to approximately 90% in high socio-economic areas. Young people with a disability were also less likely to be participating.

**Educational attainment**

The number of young people who have attained Year 12 (or equivalent) was just under one-third of 15-19-year olds and almost three-quarters of 20-24-year olds in 2016 (Figure 1). However, this varied for particular groups of young people.

**Figure 2: Highest level of educational attainment by age, 2016 (%)**

![Educational attainment chart]

Source: ABS Census 2016; Tablebuilder

Young people in remote and very remote areas have lower levels of Year 12 attainment (56.6% and 43.6% respectively), more non-Indigenous students complete Year 12 compared to Indigenous students (Figure 3) and more females complete compared to males (87.8% cf. 80.9%).

---

8
Young people’s economic engagement
Background Report

Figure 3: Year 12 or equivalent attainment by Indigenous status and age, 2016 (%)

Source: ABS Census 2016; Tablebuilder

Young people who experience high levels of psychological distress and who have a disability are also more likely to have lower levels of attainment [18].

Un/under-employment

Globally youth unemployment is high – about 13% in 2014, an increase of 3.4 million since 2007 [9].

In Australia, in February 2017, 1 in 3 young people (31.5%) were either unemployed or underemployed – this included 13.3% (279,800) of young people who were unemployed and 18.3% (384,300) who had jobs but were looking for more work [32].

Unemployment is particularly high for young people living in regional and rural areas [33].

The average duration of young people’s unemployment nearly doubled between 2008 and 2014, from 16 to 29 weeks and in 2015, 23.5% of unemployed young people were long-term unemployed, having looked for a job for 12 months or more [34].
NEET status

Levels of engagement in employment, education or training vary by age, with just over 80% of all 15-19-year-olds fully engaged, compared to 65% of 20-24-year-olds. Conversely approximately 1 in every 16 15-19-year-olds and 1 in every 8 20-24-year-olds is NEET (Figure 5).

The figures have historically been higher the earlier young people leave education: for example, in 2016, 43.7% of young people aged 20-24 who left school in Year 9 or below were NEET compared to 9.1% of those who completed Year 12 (Figure 6)\[28\].
Figure 5: Level of engagement with employment, education or training by age, 2016 (%)

Source: ABS Census 2016; Tablebuilder

Figure 6: Level of engagement with employment, education or training by age and highest educational attainment, 2016

Source: ABS Census 2016; Tablebuilder
However, since 2012, these figures have changed marginally for 15-19-year olds, with less NEETs due to stricter school attainment regulations (also shown in the increasing proportion of 15-19-year olds in education only (Figure 7). Among 20-24-year olds, the proportion of young people who are NEETs has increase from 11.7% in 2006 to 12.6% in 2016 (Figure 7). It is also worth noting that the proportion of 20-24-year olds in employment only has decreased, while the proportion in education or employment and employment has increased.

**Figure 7: Young people not in employment, education or training (NEET) by age and year (%)**

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2011</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed only</td>
<td>6.7</td>
<td>6.9</td>
<td>11.7</td>
</tr>
<tr>
<td>Education only</td>
<td>5.3</td>
<td>5.7</td>
<td>6.9</td>
</tr>
<tr>
<td>Both employment and education</td>
<td>27.8</td>
<td>26.4</td>
<td>26.5</td>
</tr>
<tr>
<td>Not stated</td>
<td>12.2</td>
<td>12.3</td>
<td>14.4</td>
</tr>
<tr>
<td>NEET</td>
<td>12.6</td>
<td>12.6</td>
<td>16.8</td>
</tr>
</tbody>
</table>

Source: ABS Census 2006, 2011, 2016; Tablebuilder

The following figures show how particular groups of young people are more likely to experience being NEET. This includes those who live in remote areas (Figure 8), young people who identify as Indigenous (Figure 9), young people who have a need for assistance (Figure 10), and young people who provide unpaid care (Figure 11).

Need for assistance is an Australian Bureau of Statistics (ABS) measure, used as a proxy for disability. It refers to people who need assistance in their day-to-day lives with any or all of the following core activities - self care, mobility or communication because of a disability, long-term health condition (lasting six months or more). The census also asked respondents about care or assistance provided to another person to assist with daily activities because of disability, long-term illness or problems related to old age in the two weeks prior to the Census. This is the definition we use to determine young people providing unpaid care. No information on the amount of time spent on providing such unpaid care was collected. Further to the instructions in the question respondents were directed to include (but is not limited to): bathing, dressing, toileting and feeding someone; helping someone to
move around; helping someone be understood by others; providing emotional support and helping maintain friendships and social activities; helping with or supervising medication or dressing wounds; cleaning, laundry, cooking, managing diets and preparing meals; performing housework, light household repairs or maintenance, managing household finances; driving or accompanying someone to appointments or activities.

Figure 8. Young people not in employment, education or training (NEET) by remoteness, 2011 (%)

Source: ABS Census 2011; Tablebuilder (2016 data not available by remoteness at time of publication)
Figure 9: Young people not in employment, education or training (NEET) by Indigenous status, 2016 (%)

Source: ABS Census 2016; Tablebuilder.

Figure 10. Young people not in employment, education or training (NEET) by need for assistance, 2016 (%)
Source: ABS Census 2016; Tablebuilder. Need for assistance is defined as people who need assistance in their day to day lives with any or all of the following core activities - self care, mobility or communication because of a disability, long-term health condition (lasting six months or more).

Figure 11. Young people not in employment, education or training (NEET) by unpaid care provision, 2016 (%)

Source: ABS Census 2016; Tablebuilder. Unpaid care provision refers to people who provided care or assistance to another person to assist with daily activities because of disability, long-term illness or problems related to old age in the two weeks prior to the Census.

Young people who experience high levels of psychological distress, have a disability, are Indigenous and/or live in a low socio-economic area have a higher likelihood of being NEET [18].

Some young people who are NEET may, however, still be contributing economically – for example, in 2011, 46% of NEET females and 17% of NEET males were providing some care to children, people with a disability or both [18].

The challenge of NEET status is prevalent in many western economies – in 2007/2008, young people aged 16-24 years who were NEET was as high as 23.4% in the European Union, 15.5% in the USA, and 22.2% in the UK [9].
### Key risk factors for young people’s economic disengagement

- Mental health – high levels of psychological distress
- Disability
- Aboriginal or Torres Strait Islander
- Living in low socio-economic area
- Living in a rural or regional area
4. CONCEPTUALISING YOUNG PEOPLE’S ECONOMIC ENGAGEMENT

The term NEET is widely used. While ‘NEET’ is a helpful term to understand young people’s disadvantage and disengagement [35], the conceptualisation of young people as NEET can be problematic as it does not consider individual differences in circumstances, facilitators, barriers and opportunities. The term has been criticised for treating young people as a homogenous group and as a problem, assuming a deficit approach [36]. The deficit approach conceptualises NEET young people as lacking ‘socially desirable’ characteristics [37], as having poor work skills and as being ‘lazy’ or ‘quitters’ [9, 38]. Young people are often “accused of lacking the aptitudes and abilities to find and sustain work” [21] – for example, business surveys highlight certain skills gap such as poor basic skills, low motivations or behavioural problems [8, 23, 39]. Overall, the deficit approach sees youth unemployment and disengagement as young people’s individual failing rather than as a structural problem and this results in NEET young people being stigmatised and pushed to “take control of their lives” [23, 36, 40].

However, the deficit approach fails to see that young people’s transitions into work have become more fluid and complex in recent years [8, 14, 21, 23]. Identifying them in terms of what they are not (not in employment education or training) fails to recognise the heterogeneity of young people and their circumstances, facilitators, barriers and opportunities, including the reasons for their ‘NEET’ status and the associated needs for support that they may have [8, 20, 26]. Young people whose education and employment journeys are not linear do not all have problematic circumstances [36]. For example, some aspects of disengagement may be part of many young people’s transition into the labour market [41]. The polarisation between high- and low-achievers ignores the ‘ordinary middle’ and simplifies the problems young people face [36]. Young people may have ‘low expectations rather than low aspirations’ [23]. For many young people being NEET is a temporary state including periods of participation and non-participation as well as young people who have taken a conscious decision to disengage – for example, young parents taking care of their children [8, 26]. To automatically associate NEET young people with negative outcomes fails to recognise that for some young people the NEET experience may relate to very common uncertainties in the transition from childhood to adulthood or to consciously-made decisions to provide care for others who are dependent upon them [26].
5. WHAT DO WE KNOW ABOUT WHAT WORKS TO PROMOTE YOUNG PEOPLE’S ECONOMIC ENGAGEMENT?

The issue of disengagement among young people has been subject to various policy and practice characterisations. Historically, young people who are economically disengaged have been considered ‘a problem’ [35, 42] that needs fixing. Typically, the solutions put forward include ways to encourage young people’s retention in education, training or employment [26]. Policy interventions have included programs to prevent disengagement and/or promote re-engagement, in the form of educational and vocational training to improve young people’s qualifications, work experience as well as counselling and mentoring [9, 35]. Leitch [43], for example, argues that there should be further government initiatives focused at helping NEET young people develop their academic skills and take part in workforce training, as he believes there is a strong correlation between education and employment.

However, while there has been a plethora of initiatives aimed at re-engaging young people through educational and training programs, the extent to which these are addressing young people’s economic disengagement is widely debated [14]. One of the main critiques of this approach is that it fails to take account of the context in which young people live. For example, at a macro-level (i.e. societal structures, policies and services), the current state of the labour market should be considered, while at a meso-level (i.e. interconnections between family and community connections), the community and family environment in which young people live can significantly influence their economic engagement trajectory. In other words, meaningful interventions to promote young people’s economic engagement need to consider the underlying social and economic influences on disengagement [2]. This means it is important for solutions and interventions to take a holistic approach and consider structural inequalities as well as individual characteristics [14].

What does this look like in practice?

Evidence from the literature

A range of options show what a holistic approach to promoting young people’s economic engagement looks like in practice. These are documented in the table below.
| Holistic approaches matched to needs of young person and employer | Russell [8] argues that “support for young people seeking employment could be improved by adopting holistic approaches matched more specifically to the needs of the young person and the employer”. Such an approach would, for example, ensure NEET young people have access to meaningful work experience and employers to valued employees [24]. |
| Gaining a voice and engaging in community | Re-engaging young people requires providing young people with choices that are fulfilling and meet their aspirations [14, 36]. Miller et al. [14], for example, argue that community-based initiatives such as education and work have the potential to support young people in gaining a voice and engaging in their communities. Further, Beck [36] argues that approaching the issue of young people’s economic engagement requires providing support for them to develop their agency. Agency is a dynamic process that would allow young people to express their own needs and perspectives and adapt to changing circumstances and learn from it [36, 44]. |
| Resilience strategies | Developing resilience strategies is another important approach. Miller et al. [14] found that young people developed different resilience strategies to cope with an overwhelming feeling of negativity that they felt was directed at them by community structures such as at school, by the police, at libraries and sports centres and at the local shops. Young people talked about being outcasts in their communities and often reacted by isolating themselves and resenting these structures [14]. Bottrell [45] similarly argues that the alternative pathways some young people travel demonstrate a certain resilience. Self-perception is linked to resilience. How young people perceive themselves in their communities is important as studies show that “a person’s interactions and perceptions of their lived experiences influence their belief systems, motivations and expectations, which in turn affects how they believe that they will be treated within and by their communities” [14, 46, 47]. In Miller et al.’s [14] study, young people limited their motivations and efforts as they thought it would get them nowhere. |
| Community-based interventions to foster social capital | Community-based interventions have been shown to create social capital for young people – and therefore meaningful connections and reciprocity with others and the community, helping young people feel empowered through positive engagement with others [48]. Social capital through relationships with family and friends and other trusted adults provided young people with opportunities and support they were not |
receiving from formal structures. This could empower them in their abilities and a sense of hope for the future, and sometimes provide support, encouragement, role modelling, practical assistance and other resources, thereby improving their chances of engaging with education, training or the labour market \[14, 49, 50\].

Factors enabling young people to build social capital include investing in them, fostering a sense of social responsibility, cohesion, trust and reciprocity \[14, 51\]. Support may also include talking to young people in low-key but direct ways that treat them as adults while also providing developmentally-appropriate support \[49\]. Providing young people with the space to be themselves as well as empowering them has also been shown to be a key enabler to building social capital – and this through promoting mutual respect between young people and teachers, services providers or youth workers by ‘waiting for them to come to you’ and ‘working at the learners’ own pace’ \[14, 21\]. Support for those people supporting young people is also important to ensure this approach is sustainable \[52\].
REFERENCES


