

Tertiary Education Report: Overview of current initiatives for the Ministerial Committee on Poverty

Date:	4 May 2012	Priority:	Medium
Security Level:	In Confidence	METIS No:	660742

Action Sought

Addressee	Actions sought	Deadline
Minister for Tertiary Education, Skills and Employment Minister for Social Development	<p>Note the overview of current actions that government agencies have been undertaking to increase the number of young people moving through education, training, skills development and on to employment.</p> <p>Note the possible opportunities for the acceleration of these initiatives.</p> <p>Forward this paper to the Minister of Finance for consideration at the next Ministerial Committee on Poverty on 8 May 2012.</p>	7 May 2012
Enclosure: No		Round Robin: Yes

Contact for Telephone Discussion (if required)

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The following departments/agencies have seen this report:

- DoL IR MoE MED MoH MSI MSD
- NZQA NZTE OAG Stats TEC TPK Treasury

Other: MPIA

- Minister's Office to Complete:**
- Approved Declined
 Noted Needs change
 Seen Overtaken by Events
 See Minister's Notes Withdrawn

Comments:

4 May 2012

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Recommended actions

We recommend that the Minister for Tertiary Education, Skills and Employment and the Minister for Social Development:

- a. **note** the overview of current programmes that government agencies have been undertaking to accelerate the number of young people moving through education, training, skills development and on to employment
- b. **note** the possible opportunities for the acceleration of these initiatives
- c. **forward** this paper to the Minister of Finance for consideration at the next Ministerial Committee on Poverty on 8 May 2012.

Damian Edwards

General Manager, Youth Policy.
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Ben O'Meara

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NOTED/APPROVED

NOTED/APPROVED

Hon Paula Bennett

Minister for Social Development

___/___/___

Hon Steven Joyce

Minister for Tertiary Education, Skills and
Employment

___/___/___

Tertiary Education Report: Overview of current initiatives for the Ministerial Committee on Poverty

Purpose of Report

1. This report provides an overview of current programmes to accelerate the number of young people moving through the education, training, skills development and employment pipeline, and identifies opportunities to achieve faster, smarter results.

Background

2. The inaugural meeting of the Ministerial Committee on Poverty was held on 14 March 2012. At that meeting it was agreed that Ministers Joyce and Bennett would provide a paper on effective programmes to accelerate the number of young people moving through the education, training, skills development and employment pipeline, as well as proposed improvements to achieve faster, smarter results.
3. This briefing has been prepared by the Ministry of Education and the Ministry of Social Development, incorporating comments from the Department of Labour, Te Puni Kōkiri and the Ministry of Pacific Island Affairs.

Youth Unemployment

Unemployment Benefit

4. At the end of April 2012, 51,422 working-age people in New Zealand were receiving an Unemployment Benefit (compared to 58,781 in 2011). At the end of April 2012, 14,080 (27.4 percent) of all Unemployment Benefit jobseekers were young people aged between 18 and 24 years (compared to 17,726 or 30.1 percent in 2011).

Unemployment Rate

5. The gap between the adult and youth unemployment rate has increased over time. In June 2001, the youth unemployment rate was three times as high as the adult unemployment rate. By June 2006 it had increased to four times the adult rate and has remained around this level since that time.
6. Young people tend to be less experienced and lower skilled than adult workers (those aged 25 and above), particularly in affected industries, and therefore their chances of being laid off are higher.
7. The not in employment education or training (NEET) measure provides an indicator for those most at risk of poor labour market outcomes. There has been a small decline in youth NEET rates since the December 2009 quarter. Youth NEET rates dropped from 15.3 percent in the December 2009 quarter down to 13.6 percent in the March 2012 quarter. See appendix 2 for more detail of Māori and Pasifika figures
8. The NEET rate of 13.6 percent in the March 2012 quarter is up from 13.1 percent in the previous quarter. For 15-19 year olds NEET rate was 8.9 percent (relative to 9.7 percent in December 2011) and 18.1 percent for 20-24 year olds (relative to 16.4 percent in December 2011).

9. Although data on the duration of NEET is not available, the Department of Labour believe that a particular cohort of “at risk” youth is moving from the 15-19 year olds group to the 20-24 year old group, causing the NEET rate for 20-24 year olds to increase.
10. The NEET data also suggests that as a result of the 2008-2009 recession, an increasing percentage of young people, particularly those aged 16-17 chose to remain in school as labour market conditions tightened.
11. The Department of Labour’s short-term employment forecast also suggests that the industries likely to have the greatest opportunities for lower-skilled workers over 2012-14 are food processing, retailing, accommodation, agriculture and construction.

Effective Programmes

12. Evidence suggests that effective programmes that improve the education and labour market outcomes for young people have a number of common elements (see Appendix 1). Some examples of effective programmes are:

Skills and training

13. *The Youth Guarantee*, which develops a clear framework of learning pathways to further study and employment for 16 and 17 year olds. In 2012 there are 7,345 fees-free Youth Guarantee tertiary places available in polytechnics, private training establishments and wānanga around the country. In 2011, 30 percent of Youth Guarantee participants identified as Māori and 20 percent as Pasifika. 63 percent of all of those enrolled completed their courses.
14. *Trades Academies* take students who are still enrolled in school, but spending some or all of their time in a tertiary environment – studying towards both their main NCEA qualification and also a foundational tertiary certificate. In 2012, 1,936 students are enrolled in sixteen trades academies, with five more to open by the end of the year. In 2011, 84 percent of students in trades academies had attendance rates of 80 percent or better while 65 percent of trades academy students had completed NCEA, often along with another foundational tertiary qualification. Of the students attending trades academies in 2012, 40 percent are Māori, 41 percent are Pākehā and 12 percent Pasifika.
15. *Service Academies* encourage students to stay engaged in learning by providing a motivating and disciplined programme. The 24 service academies offered 480 places in 2012. The contribution of the New Zealand Defence Force, and high quality instruction in key areas of literacy and numeracy, are producing very positive results for these students – both academically, but also in terms of their social and family lives. Of the students attending service academies in 2012, 54 percent are Māori, 21 percent are Pākehā and 12 percent Pasifika.
16. *The Skills Investment Subsidy* is a wage subsidy that invests in a disadvantaged job seeker by making a temporary contribution to their wage and training costs to enable them to access and maintain employment. It effectively increases participants’ time in employment and off income support. Participants total 3,110.¹

¹ Participation starts – from MSD Information Analysis Platform, 2011, in *Cost-Effectiveness of Work and Income Employment Assistance*, January 2012, Working Paper 11/12 (unpublished)

Transition to work

17. In 2010 the Government refocused the Training Opportunities (TO) fund and introduced a split arrangement. The Tertiary Education Commission allocates 60 percent of TO funding to providers through Foundation-Focused Training Opportunities programmes. These programmes are targeted towards learners at the highest risk of long-term unemployment with a more explicit focus on improving literacy and numeracy skills. MSD allocates 40 percent of TO funding to providers through Training for Work programmes.
18. *Training for Work* provides short-term employment focused training courses to clients. Evidence suggests short-term work focused training is effective (although this is less successful when clients have a significant skills deficit). Participants total 4,678.²
19. *Straight 2 Work* provides entry level training for clients to gain employment skills or training tailored specifically to industry sector requirements. It is successful when participants are matched to specific employment opportunities. Participants total 1,758.³
20. *The Pacific Employment Support Service* increases the number of trained and qualified Pacific young people entering employment, and thereby decreases unemployment and benefit receipt. It provides pastoral care, mentoring and support. PESS is delivered by four providers. In 2012, 47 percent (218) of participants are in training and/or employment.
21. *Enabling Māori Success through Cadetships* provides a subsidy for employers to recruit, employ or mentor cadets for at least 6 months in a range of organisations. In 2012, 150 cadets will participate in this programme. Approximately 75 percent of the Cadets secure employment upon completion of the 6 month Cadetship, with the remainder predominantly moving into training.
22. *The starting out wage* - One of the manifesto commitments (currently being considered by the Minister of Labour) lowers the minimum wage for 16-17 year olds as well as 18-19 year old beneficiaries for their initial period of employment. The rationale is that the hiring of young workers may be hampered by relatively higher labour costs due to high initial training needs. Consequently a lowered minimum wage could help young people gain a foothold in the labour market.

Opportunities for Acceleration

23. The following are some opportunities we are progressing to accelerate the number of young people moving through the education, training, skills development and employment pipeline.

Ministry of Education

24. A universal entitlement for the Youth Guarantee would accelerate the participation and progression of young people seeking practical skills through new learning pathways. As a result of Budget 2012 decisions, further fees free Youth Guarantee places will be provided over the next three calendar years. This will go some way towards creating a universal entitlement, but will not provide sufficient places for all NEET 16 and 17 year olds.

Ministry of Social Development

² ibid

³ ibid

Youth Services

25. Youth Services, to be implemented from 30 July 2012, will specifically re-engage at-risk young people into education or training to prevent them coming on to benefit at age 18. It includes:
- changes to financial assistance for young people
 - specialised support and services for disengaged young people and those at risk of disengaging
 - information sharing to support the Youth Pipeline
 - using Youth Guarantee places to re-engage young people in education and training.
26. The Youth Package includes a new Youth Payment for 16-17 year olds not in employment, education or training (NEET), and a Young Parent Payment to support 18 year-old parents. In return, young people will need to be in full-time education, training or work-based learning working towards at least NCEA level 2 or equivalent; undertake an approved budgeting programme, and, for parents, undertake an approved parenting programme.
27. The Package will ensure that young people are fully supported to become more educated or qualified, have improved financial literacy, and improved parenting skills.
28. The Social Security (Youth Support and Work Focus) Amendment Bill that enables these changes is currently before Parliament.

Job Streams

29. A proposal is being developed to refocus Work and Income employment assistance programs. The proposed Job Streams initiative will simplify the range of options for employers, provide more flexibility so that MSD can tailor support for those who need it most, and reduce compliance for employers. The proposed Job Streams package has three main streams:
- Flexi-Wage: flexible wage subsidies up to a maximum of \$21,060 per year for those at highest risk of staying on benefit long-term. This includes the option of using some of the funding for other assistance that employers may need such as training, mentoring or in-work support (Flexi-Wage Plus)
 - Skills for Industry: short job-focused training for specific employment opportunities (for example, Straight to Work type programmes). Up to \$7,000 per person.
 - *Withheld under s9(2)(f)(iv)*
- 30 These changes are the first phase of implementing an investment approach to the way we purchase and deliver employment services to beneficiaries.

Te Puni Kōkiri

- 31 A new *Intergenerational Success Initiative* is being launched in 2012, supporting up to 80 young, single Māori mothers receiving the Emergency maintenance Allowance or Domestic Purposes Benefit to undertake training and employment opportunities. If successful, this initiative could be expanded more broadly.

Appendix 1

Evidence – what works to get young people into employment

From evidence, the programmes and approaches that look most promising for young people on the benefit are:

- phased combinations of assistance that are tailored to meet the individual development needs of young people are best for those at-risk
- approaches that distinguish between teenagers (e.g. 16-17 year-olds focus on remaining in education) and young adults (18-24 year olds focus on acquiring work experience)⁴
- hiring subsidies are effective at achieving employment outcomes for at-risk young people, but these need to be tightly targeted to at-risk groups and monitored
- subsidised work experience that takes place in the private sector is effective for the general population but not for youth, evidence of effectiveness for at-risk youth is unknown⁵
- programmes or training that invests in the skills of employees and is matched to real opportunities in the labour market or vocational pathways are shown to be effective at helping people to remain off-benefit, and work for at-risk youth with low qualifications
- tailored skill-upgrading programmes/services such as short-term training taught outside of traditional schools combined with work experience are also effective in helping the most disadvantaged young people. For this to work well training needs to be tailored to the current profiles of at-risk young people⁶
- approaches that involve addressing the needs and conditions of the local labour market.

⁴ CSRE (2009). Youth Unemployment: A summary of key statistics. Unpublished report, Ministry of Social Development

⁵ CSRE (2009). Annex 1: Evidence by programme type, Sustainable Employment Annual Report, Unpublished report, Ministry of Social Development.

⁶ CSRE (2010). Addressing Youth Unemployment: International Responses. Unpublished report, Ministry of Social Development, Wellington.

Appendix 2

Youth Unemployment and NEET Rates

HLFS: March quarter
unadjusted

Year	Youth unemployment rate			NEET rate		
	All youth	Maori youth	Pacific youth	NEET Youth	NEET Maori youth	NEET Pacific youth
2005	11.1%	18.3%	11.1%	11.5%	23.3%	13.5%
2006	10.7%	20.1%	13.4%	11.7%	20.2%	11.5%
2007	11.9%	19.8%	21.4%	12.3%	20.1%	15.0%
2008	11.6%	18.9%	17.9%	12.8%	23.7%	17.1%
2009	14.8%	21.3%	27.6%	13.8%	22.0%	19.5%
2010	17.2%	27.7%	26.7%	15.1%	25.6%	20.0%
2011	18.8%	28.8%	28.1%	15.6%	25.0%	18.6%
2012	18.0%	25.4%	31.1%	14.9%	24.7%	19.5%

NEET = Not in Employment, Education or Training

Source: *Statistics New Zealand Household Labour Force Survey*

Youth Unemployment and NEET Rates by Ethnicity
March quarter, unadjusted data

