



27 July 2017

The Secretary  
Standing Committee on Education and Employment  
House of Representatives  
PO Box 6021  
Parliament House  
CANBERRA ACT 2600

Dear Mr Little,

The Mitchell Institute is pleased to contribute to the House of Representatives 'Inquiry into school to work transition' and welcomes the interest in addressing this critical policy issue.

Ensuring that young people have access to a range of meaningful pathways to employment, and are equipped with the skills and capabilities they need to thrive in their futures is a key focus for the Mitchell Institute.

The Institute's responses to the matters raised by the Committee are provided in the attached submission. If you have any questions or would like further detail, please contact Kate Torii

Sincerely,

Megan O'Connell  
Director, Mitchell Institute

# Mitchell Institute submission to the 'Inquiry into school to work transition'

JULY 2017



## ■ Overview

The Mitchell Institute welcomes the opportunity to contribute to the ‘Inquiry into school to work transition,’ being undertaken by the House of Representatives Standing Committee on Employment, Education and Training.

The Inquiry addresses a critically important challenge facing many young people in Australia today. The transition from school to work is a period when too many young people fall through the cracks. One in four young people don’t complete school by age 19, and by age 24 a quarter are disengaged from education and employment (Lamb, Jackson, Walstab, & Huo, 2015). This submission draws on Mitchell Institute research and analysis to provide directions for vital education system reforms.

The Mitchell Institute at Victoria University is an independent think tank that works to improve the connection between education evidence and policy reform.

Mitchell Institute’s mission is to achieve educational opportunity for all Australians. We have a particular concern that 25 per cent of children and young people are missing out at key educational milestones, and the education system is not preparing young people for work and success in adulthood. We look across the entire education continuum to find out who succeeds and who misses out, and advise where investment will have the greatest impact.

The ideas put forward in this submission are drawn from previous analysis undertaken by Mitchell Institute and align closely with two of our policy priorities:

- School education that fosters curious, creative and resilient learners
- Better and fairer tertiary education that delivers highly skilled workers

The two key sections of this submission address the matters raised in the Terms of Reference:

1. Measurements of gain in school and how this contributes to supporting students to prepare for post-school education and training;
2. Opportunities to better inform and support students in relation to post-school education and training, including use of employment outcomes of students who undertake school-based vocational education or post-school tertiary pathways

### Context

In increasingly technology-rich and globally competitive job markets, the pathways to employment can be challenging and precarious for many young people.

Some of the challenges facing young people today as they make the transition from school to work include:<sup>1</sup>

- Youth unemployment has remained high since the onset of the Global Financial Crisis. The unemployment rate of young people (15-24 year olds) averaged 12.7 per cent in 2016, up from 9.4 per cent in 2007 (Australian Bureau of Statistics, 2016)
- Fewer young people have full-time work. In 2016, 25 per cent of young people aged 15-24 who weren't studying were employed full-time, down from 34 per cent in 2007 (Australian Bureau of Statistics, 2016)
- A large proportion of young people engage in unpaid work just to get a foot in the door, which makes it harder for those who cannot afford to work for free. A recent study by Oliver, McDonald, Stewart, and Hewitt (2016) found that 58 per cent of 18-29 year olds participated in unpaid work experience.
- The traditionally reliable pathways to a permanent job are not providing young people with the same employment outcomes they once did. The full-time employment rate for bachelor graduates was 71 per cent in 2016, compared to 85 per cent in 2007 (Quality Indicators for Learning and Teaching (QILT), 2016). And around one in four bachelor graduates work in casual positions (Longitudinal Surveys of Australian Youth, 2015).
- Many young people do not find employment in the field they studied and trained for, indications of a mismatch between study decisions and employment opportunities. For instance in 2016, only one third (33.2 per cent) of VET graduates were employed in the occupation they trained in (National Centre for Vocational Education Research, 2016).

The barriers to employment are further compounded for the large numbers of young people who don't complete school or who are disconnected from education and training or work in early adulthood. Lamb and Huo (2017) estimate that one in eight Australians will never attain a Year 12 qualification, and some of these people make up the one in eight Australians who will be disengaged from the workforce for most of their lives.

The costs associated with young people's disengagement are significant. Low educational attainment can lead to difficulties in many areas of life: people who miss out on educational opportunity are more likely to experience crime, public welfare dependency and poor health than those with higher qualification levels. The costs associated with disengagement add up for tax payers, in terms of reduced tax revenue as well as increased public expenditure on crime, health, welfare, housing and income support, as well as costs to the individual and community (social costs), through loss of personal earnings and higher taxes. Lamb and Huo (2017) estimate that:

*The 38,000 people aged 19 in 2014 who are unlikely to achieve Year 12 or equivalent, cost taxpayers \$315 million each year, and more than \$12 billion over a lifetime. Similarly, the 46,000 people aged 24 in 2014 who are likely to remain disengaged for most of their lives, cost taxpayers \$471 million each year, and almost \$19 billion over a lifetime. The social cost over a working lifetime of this one cohort of early school leavers, amounts to \$23.2 billion, and for the same cohort of young people disengaged at 24 who remain disengaged, the social cost adds up to \$50.5 billion.*

This highlights the significant costs associated with the failure to provide adequate supports to young people during this critical transition period.

There are clear implications for education policy in improving supports for young people as they transition from school to work. In relation to the matters raised by the Inquiry, Mitchell Institute argues that measurements of gain in school should reflect a broad range of learning and development outcomes, and that equitable access to tertiary education is a critical requirement to support students on their pathway to work.

Responses to the matters raised by the Inquiry are detailed in the following two sections.

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<sup>1</sup> Further details in Mitchell Institute publications: Lamb and Huo (2017) & Torii and O'Connell (2017)

# 1. Measurements of gain in school

Mitchell Institute argues that a renewed focus on cultivating young people’s broader capabilities must be a priority for education systems. Measurements of gain in school should reflect the development of these broader learning outcomes to support students in their pathways beyond school.

There is a growing evidence base for the importance of capabilities – in modern workplaces, employers are increasingly seeking young people with the ability to work in teams, problem solve and communicate locally and globally. Capabilities, which are also widely referred to as non-cognitive skills, enterprise skills, 21st Century skills or soft skills, are the set of skills, behaviours and dispositions which enable individuals to translate their knowledge and skills into meaningful action in changing contexts (Lucas & Claxton, 2009).

The performance of the nation’s economy rests heavily on a workforce of individuals who can draw on capabilities like critical thinking, problem solving, creativity and interpersonal skills to drive growth and innovation. Yet in traditional approaches to schooling, these capabilities are not always prioritised, valued or measured.

The ideas below explore the evidence base for capabilities, and the role of education systems in not only cultivating young people’s capabilities, but also measuring them.<sup>2</sup>

## ▪ A broad set of capabilities are needed to support post-school success

Education systems globally are shifting approaches and instigating policy, structural and practice changes to ensure that young people are equipped with the types of capabilities that will enable them to navigate complex work environments and multiple careers (Schleicher, 2015, 2016).

Underpinning these shifts is extensive international research, spanning economics, psychology, child development, education and labour market research, highlighting the importance of capabilities for young people’s future success:

Key findings from the literature include:

- Capabilities or ‘non-cognitive’ measures have greater power than traditional ‘cognitive’ measures in predicting educational attainment, job performance, and health (Heckman & Kautz, 2014), and are as effective in predicting college grades as the SAT which is used for college admission in the (Almlund, Duckworth, Heckman, & Kautz, 2011).

“Knowledge is crucial, of course, but young people need to understand how to find it, how to interpret it, how to utilise it and how and when to act on it” LUCAS & CLAXTON, 2009

<sup>2</sup> Drawn from Fox (2016) and Torii & O’Connell (2017)

- Young people’s ability to apply and make meaning out of knowledge is mediated through their broader capabilities, and focusing on non-cognitive skills may actually further improve reading, writing, and mathematics performance (Garcia, 2014; Gutman & Schoon, 2013)
  - Development of capabilities is malleable over the life course, and during the adolescent years, non-cognitive skills are more malleable (able to be taught) than cognitive skills (Almlund et al., 2011; Heckman & Kautz, 2013)
- **Australia’s education system has tended to prioritise a narrow set of learning outcomes at the expense of capabilities**

Currently at the system level, measures of academic achievement are the key priority – as demonstrated by the emphasis that many schools place on lifting National Assessment Program - Literacy and Numeracy (NAPLAN) results and Australian Tertiary Admission Ranks (ATAR). These proxy measures of achievement tend to drive the priorities of teachers, school leaders and education departments, and are used as the main indicator of both student learning, and school and system effectiveness.

While literacy and numeracy are core foundations of learning, the research is clear that young people need more to thrive in the workforce and over their lifetime.

Schools can play a leading role in cultivating young people’s capabilities, but to do so effectively and consistently, it must be intentional, explicit and embedded in the teaching of individual subjects (Lucas, 2016). Similarly, for capabilities to count they need to be measured and reported at a national level, assessed in schools and communicated to parents and considered alongside or contribute to ATAR.

Progress is being made – the National Curriculum includes general capabilities such as critical and creative thinking, personal and social capability, and ethical understanding as key learning outcomes. However, there is not yet a consistent national approach to measuring and tracking the general capabilities, and each jurisdiction is able to determine the extent to which they prioritise the assessment and reporting of capabilities.

Without these broader measures of learning and development, the useful but narrow academic measures, such as NAPLAN and ATAR, are given disproportionate weight. As school retention rates increase, and diverse range of learners are staying in school for longer, a shift away from relying on narrow academic measures of gain is critical for supporting better transitions from school.

- **Strengthening the development of young people’s capabilities must be a priority, and measures of gain should support this**

Part of the challenge is that measures of capabilities that are reliable and that support benchmarking, accountability or system-level monitoring are not yet available for broad application. However, measuring capabilities in schools is possible and there are a number of innovative approaches being developed locally and internationally, and opportunities to expand on these must be prioritised.

Examples include the OECD’s widely recognised Program for International Student Assessment (PISA) which has introduced a collaborative problem solving test. The 2015 PISA test addressed the skills relevant to effective collaboration in the workplace and civic settings, such as communicating, managing conflict, organising a team, building consensus and managing progress (OECD, 2013).

In Australia, broader outcomes are value and measured in the early years of education. Upon entry to primary school, the Australian Early Development Census assesses how well children are developing across five domains: physical health and wellbeing, social competence, emotional maturity, language and cognitive skills and communication and general knowledge.

The census data is used to direct support to schools and communities where levels of vulnerability are greatest. However, after this early snapshot we tend to lose sight of these broader capabilities. A companion measure to the

AEDC, the Middle Years Development Index is currently being piloted by the Telethon Kids Institute in South Australia. This inquiry is an opportunity to introduce a nationally consistent measure similar in scope and importance to the AEDC, to address the significant gap in nationally consistent wellbeing data in the middle years and in adolescence.

The focus on academic measures of gain tends to intensify in the final years of secondary school as many students compete for ATARs. The primary purpose of an ATAR is selection for university admission, despite that only 31 per cent of university admissions in 2014 required an ATAR, and many students who complete school don't intend to go to university (Education & Training, 2016). Mitchell Institute considers that prioritising a broader set of outcomes at the end of schooling is critical to not only prepare young people for their futures beyond study, but to support students in to a variety of post-school pathways.

## 2. Supporting students in to post-school education and training

Fair and equitable access to tertiary study – whether in higher education or VET – is a critical foundation for supporting students in to post-school education and training. While employment outcomes provide useful information to support course decisions, tertiary reforms must go beyond this.

There are currently differences in settings and requirements for courses studied in VET and higher education. Mitchell Institute research has highlighted the inequity and risks associated with these disparities in access and financing within tertiary education, and the need for a coherent and equitable tertiary financing model.<sup>3</sup>

Improving access to tertiary courses serves both individuals and the broader economy. In current labour markets, tertiary qualifications are becoming a baseline requirement for entry to many jobs and young people with low educational attainment face significant challenges. Increasing tertiary participation is also a necessity to drive economic growth and innovation – with the vast majority of projected employment growth requiring qualifications beyond school.

The Department of Employment projects that of new jobs created from 2016 to 2020, about 480,000 will require a bachelor degree or higher, while about 437,000 will require a VET Certificate, Diploma and Advanced Diploma level qualifications (Australian Government Department of Employment, 2016).

In recent years, enrolments in higher education have experienced dramatic growth under the shift to demand driven funding for university places. VET is still an important pathway for building technical expertise and workforce skills, and is a key strategy for lifting outcomes for young people, however, current policy and funding settings are not meeting the needs of many young people seeking to enter vocational qualifications.

Mitchell Institute research has advocated extensively for the need for a coherent tertiary system that enables equitable access to tertiary pathways, whether pursued through higher education or VET.

Mitchell Institute contends that underpinning a coherent tertiary system should be the concept of a student entitlement – the availability of a place to study a post-school qualification and access to financial support from

“Students are treated unequally, leading to the growing risk that financing arrangements, rather than informed choice, will drive enrolments across the tertiary education system.”

NOONAN & PILCHER 2015

<sup>3</sup> Further details in Mitchell Institute publications: Noonan (2016a, 2016b); Noonan and Pilcher (2015)



government – applied evenly in both sectors. At present, the entitlement applies broadly to the higher education sector but only partially to study in VET, with widespread differences to VET in each state and territory.

The different approaches to students' entitlement to education in the two sectors of tertiary education has a range of negative impacts on the efficacy and fairness of the Australian tertiary system. From analysis by Noonan and Pilcher (2015), some of the effects of inconsistencies and disparities between VET and higher education observed are:

- **Differential treatment of students:** different types and amounts of public funding and support for similar types of courses in VET and higher education
- **Inconsistency in eligibility, subsidies and fees:** in VET, some qualifications receive subsidies in some states/territories, but not in others, and there are wide differences in subsidy levels, and in most states, students must enrol in a qualification that is at a higher level than their existing qualification – a restriction that does not apply in higher education
- **Inconsistent access to income contingent loans:** income contingent loans are available to all domestic higher education students who enrol in an undergraduate or postgraduate qualification but VET is limited to diplomas, advanced diplomas, and a small number of Certificate IVs. Without access to an income contingent loans, fee levels represent a major potential barrier to access for many VET students
- **Widening investment gap between higher education and VET:** public expenditure in the VET sector has declined 4 per cent over a 10 year period to 2014-15 in real terms, yet increased 45 per cent for higher education, reflecting different financing arrangements and funding levels (O'Connell & Torii, 2016)
- **Growing gap in per student funding levels:** per student funding levels have fallen significantly in VET in Australia for more than a decade

The Inquiry's Terms of Reference suggest that 'employment outcomes of students who undertake school-based vocational education or post-school tertiary pathways' could better inform student choice about post-school education and training.

At present, student choice about post-school education and training is susceptible to being distorted by inequitable policy and funding settings. Potential students make decisions about tertiary study based on a range of factors, including labour market outcomes. However, access to funding and support is a major consideration, particularly for the young people without the financial capital to support themselves through studies.

Noonan and Pilcher (2015) note that:

*"Students should be able to make choices based on an expectation that courses in which they enrol will be resourced at a level that is adequate to meet quality outcomes. Their choices should be framed by consistent and equitable access to income contingent loans that ensure they do not have to meet the upfront costs of their studies."*

Enabling students to access employment outcomes is helpful, but reforms to supports for young people to participate in tertiary education must go beyond this.

Mitchell Institute considers that establishing the foundational aspect of tertiary education policy – a fairer and simpler financing framework – must be a clear policy intention for governments looking to improve young people's pathways to meaningful social and economic participation.

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