Addressing New Zealand's Youth Unemployment

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Executive Summary

Over the next decade or so, New Zealand faces three challenges around our labour markets. We persistently have 75,000 young workers under 25 who are unemployed, unengaged and often with few, if any, marketable skills. We have a looming labour shortage partly caused by an aging population, with more than 900 people reaching retirement age each week. Our third challenge is how we manage immigration to ensure New Zealand has sufficient skills and energy to grow without exacerbating congestion and housing shortages.

With insufficient public debate, political choices have been made to address these challenges. These choices have given less priority to the young adults struggling to acquire skills and find work, than to employers eager to employ immigrant workers—some of whom appear to have few relevant skills. Over the past three years, we have seen record net migration that is not just the result of fewer New Zealanders leaving for Australia but also a deliberate policy of allowing more people to migrate here. Just one-third of these have a job arranged before they arrive and there is little evidence that Immigration New Zealand is checking if the labour market is short of the skills these migrants bring.

This lack of priority for young unemployed and unskilled New Zealanders is the focus of this report. Its title, 'What Next?', is inspired by graffiti from street artist Banksy that presents a stark image of a young person with no apparent future. Our current short-term fix of simply using migrant labour to fill low-paid relatively unskilled jobs begs the question: *What next for the tens of thousands of young unemployed people on the margins not only of the labour market but also mainstream society?* This report attempts to offer some ideas to address this challenge.

As happened elsewhere in the world, workers under 25 were worst affected by the Global Financial Crisis (GFC) and have benefited least from the subsequent recovery. This has especially been the case for 15- to 19-year-olds, of whom 150,000 were in jobs immediately before the GFC, against just 120,000 in late-2016. This fall has been matched by increases in the number of people unemployed, and the number remaining at school or attending training and tertiary courses.

The latter has to some extent disguised unemployment rates amongst this age group by assuming those in school or training are outside the workforce, when in better times they may have been working. Just prior to the GFC, the labour force participation rate for 15- to 19-year-olds was just under 56%, but by mid-2013 the rate fell to less than 42% and had only recovered to 46% by mid-2016. If current job figures were applied against this higher participation rate of 56%, the youth unemployment rate would be over 30%, instead of the official rate of 20%.

Regardless of how unemployment rates are determined, the number of 15- to 24-year-olds not in employment education or training (NEET) has remained the same since 2009, at around 75,000. Of this, two-thirds are 20 to 24, while the number of under-20s is to some extent reduced by Government's deliberate focus on targeting training programmes towards this group.

Today, around three quarters of 15- to 19-year-olds are in some form of education or training—either full-time or part-time. The nature of this education and training has changed, especially since 2012, as a result of shifting Government priorities that appear, in part, to be aligned to the Government's welfare reform agenda. This agenda has emphasised a reduction in long-term benefit dependency and adopted an investment approach that puts effort and resources into at-risk youth as they leave school. This investment approach is fine, although there is no evidence of any new money, simply a shift in priorities that has meant virtually no second-chance training opportunities for over 20s and a sharp reduction in the number of poorer tertiary students receiving financial support from the State.

Of some concern is the collapse of apprenticeship training following the GFC, which pointed to a lack of planning or foresight on Government's part. With Government intervention, apprenticeship numbers have recovered, but the fact remains that just one-third of those entering apprenticeships are under 20, which seems a missed opportunity.

The Government's almost singular welfare reform focus on reducing benefit dependency has meant the underlying causes of such dependency—especially among younger adults—have been largely ignored. This report suggests educational inequality is one of these underlying causes. A number of structural inequalities persist across ethnicity, geography, and wealth and income, which means poorer students—who are also often Māori or Pasifika—are more likely to leave school without formal qualifications. This inequality is demonstrated by social gradients across such indicators as achievement against National Standards at primary school, school attendance, stand-downs and exclusions, through to NCEA pass rates. For example, in 2015, students from the wealthiest 30% of schools were 3.5 times more likely than students from the poorest 30% to leave school with the University Entrance qualification. This qualification is effectively the passport to university, so this disparity represents a major limitation to social mobility.

Future workforce forecasts point to a continuing need for immigration to provide not only essential skills in short supply, but also workers to fill the places left by an aging population. However, persistent unemployment among younger workers and the difficulty many have in finding a secure place in the labour market suggests their needs are not being given sufficient importance when decisions are made around immigration policy settings. In framing our recommendations for this report, we believe this lack of importance (which could conceivably even be described as indifference) should change.

In particular, the balance between training and recruiting young New Zealanders and simply importing skilled and unskilled labour needs to change in favour of young New Zealanders. As part of such a shift we believe Government should adopt a number of so-called active labour market policies (ALMPs). Such an approach should include industry-specific workforce plans that reach beyond vague strategies and good intentions, to specific funded programmes that align young people to identified jobs and career pathways.

Undeniably, such programmes will cost additional money but will represent a real investment approach that not only activates the focus and energy of individuals but of our whole society. While significant budgets are already being expended, there seems little evidence or chance of change with the current policy settings and levels of commitment. Any investment approach is essentially about staking the future, whereas current approaches in welfare reform and youth training appear mostly concerned with saving the Government money. The alternative we are advocating is to address past inequities and offer meaningful opportunity to the most marginalised New Zealand young people.

This report recommends five specific responses to the three challenges identified above:

1. **Addressing educational inequality:** Addressing both the underlying sources of educational inequality and its effects within the compulsory school system should be the first priority of education policy.
2. **Connecting school to work:** It should be the expectation of school leavers and of all New Zealanders that no school leaver leaves school to nothing—all should leave to a job, or to further training or education.
3. **More apprenticeships and younger apprentices:** An emphasis should be given to placing more school leavers straight into apprenticeships.
4. **Explicit and public immigration policy settings:** Immigration will be an important part of New Zealand's social and economic future, but let us have broad public debate about this, rather than allowing policy to be driven by the short-term interests of some employers.
5. **Industry-specific workforce plans:** Industries and sectors calling loudest for more liberal immigration policies should be required to have workforce plans that include tangible and credible efforts to recruit and train young New Zealanders as part of their response to future labour and skills needs.

What Next?

In early April 2016, Deputy Prime Minister Bill English attended a meeting in Feilding with members of Federated Farmers where he was lobbied to increase immigration so dairy farmers could find suitable workers. In response, Mr English claimed, *'A lot of the Kiwis that are meant to be available* [for farm work] *are pretty damned hopeless. They won't show up. You can't rely on them.'*

He went on to say that there was '*a cohort of Kiwis who now can't get a license because they can't read and write properly and don't look to be employable—you know, basically young males*'.

Mr English is reported to have added that *'if we don't work together to get them working, then they'll be with us a long time doing nothing'*.[1]

These comments were seized on by opposition party MPs claiming the Deputy Prime Minister was unfairly denigrating young New Zealand workers and using this narrative to justify the Government's present immigration policies. For example, in response to subsequent questions in Parliament, Labour MP Iain Lees-Galloway claimed that '*the Government has given up on our young people and have no faith in their own education system*'.[2]

In an interview with Radio New Zealand on 5 September 2016, the Prime Minister was asked why immigration numbers had been allowed to reach record highs when there were over 200,000 New Zealanders unemployed. In response, Mr Key said:

> *We bring in people to pick fruit under the RSE [Recognised Seasonal Employer] scheme, and they come from the islands, and they do a fabulous job. And the government has been saying, 'Well, okay, there are some unemployed people who live in the Hawke's Bay, and so why can't we get them to pick fruit', and we have been trialling a domestic RSE scheme.*
>
> *But go and ask the employers, and they will say some of these people won't pass a drug test, some of these people won't turn up for work, some of these people will claim they have health issues later on. So it's not to say there aren't great people who transition from Work and Income to work, they do; but it's equally true that they're also living in the wrong place, or they just can't muster what is required to actually work.*[3]

While the response of opposition parties may have been disproportionate to the claims made by Messrs English and Key, the framing is clear: that some New Zealand workers are hopeless, semi-literate or illiterate and drug addled—and because they are, the jobs they could have done instead have to be filled by migrants.

But at the same time, Mr English's comment that *'if we don't work together to get them working, then they'll be with us a long time doing nothing'* should be seen as a rallying cry to address the challenges we face to make sure every young New Zealander can become a productive, self-determining citizen.

That challenge is the focus of this report. Its title—*What Next?*—is posed as an open question to a future that would see too many young people disconnected from the labour market. We ask, for instance, 'What next for the New Zealanders left behind by a future that sees immigrant labour as the obvious solution to widespread skill shortages?' 'What next for young people who experience every day the impact of educational inequality?' 'What next for all those young people who dream and strive for something better?' What next is an important question; especially given Mr English's claim that 'they'll be with us a long time doing nothing'. Young people 'doing nothing' is a future New Zealanders surely cannot casually accept?

This paper has six chapters, including a concluding section with five key recommendations. Chapter 1 outlines the fortunes of younger workers in the job market since the Global Financial Crisis (GFC). Chapter 2 considers the interaction of this group of New Zealanders with education and training. Chapter 3 looks at changes in the wider labour market and the place workers under 25 years have found in this. Chapter 4 partially sets out the nature and extent of educational inequality and considers the impact this has on youth unemployment and benefit dependency. Chapter 5 analyses recent migration data and, in particular, the extent to which current immigration policy is paying regard to local labour market conditions. The final substantive chapter recaps earlier observations and draws from these a number of key policy challenges to which it offers some possible responses.

The breadth of this paper—from labour markets, to education, welfare dependency and immigration—means it has been able to pay only cursory attention to complex policy areas. An attempt has been made to highlight the various challenges emerging from these policy areas in the hope of encouraging a broader public debate around what we must do to ensure every young New Zealander remains connected to the labour market and included within our wider society.

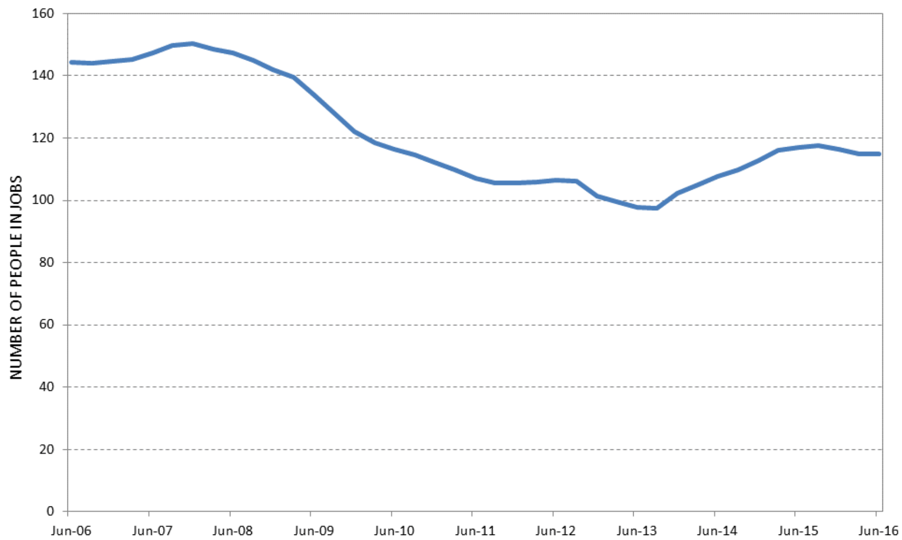
Young peoples' job market fortunes

This chapter considers the recent labour market fortunes of young adults aged between 15 and 19 years. This assessment covers the past decade, so includes the two years prior to the Global Financial Crisis (GFC), the GFC period itself (which nominally is taken here to be 2008 and 2009), and the following recovery, which lasted at least until 2013 and in many respects is still underway.

1.1 The recent history of youth employment

Young adults—those aged between 15 and 19—suffered the greatest employment setbacks following the GFC. This age group saw its total employment fall from an average of around 150,000 people in jobs in 2007 to 122,000 in 2009 and a low of 102,000 in 2012 and 2013. By mid-2016, this total employment had only recovered to 115,000 workers—23% lower than prior to the GFC. These trends are illustrated in **Figure 1**. During this decade, the total population of this age group remained fairly constant at 315,000 people.

Figure 1: Number of 15- to 19-year-olds in jobs (annual average)–2006 to 2016[4]



Against such setbacks the employment record overall and of some age groups is significantly better. Between 2010 and 2016, the total number of jobs (annual averages) rose 10% from 2.17 million people in employment in 2007 to 2.37 million by 2016. This has meant, of course, that the share of the job market taken up by younger workers has fallen from almost 7% in 2007 to less than 5% since 2011.

While the employment fortunes of 15- to 19-year-olds have improved marginally since 2013, this improvement is not commensurate with this age group's share of the core working-age population—those aged between 15 and 64. Between 2013 and 2016, the total number of 15- to 19-year-olds in employment rose by 17,000, which is around 8% of the job growth over this period. The population of 15- to 19-year-olds remains at just over 10% of the total population aged 19 to 64.

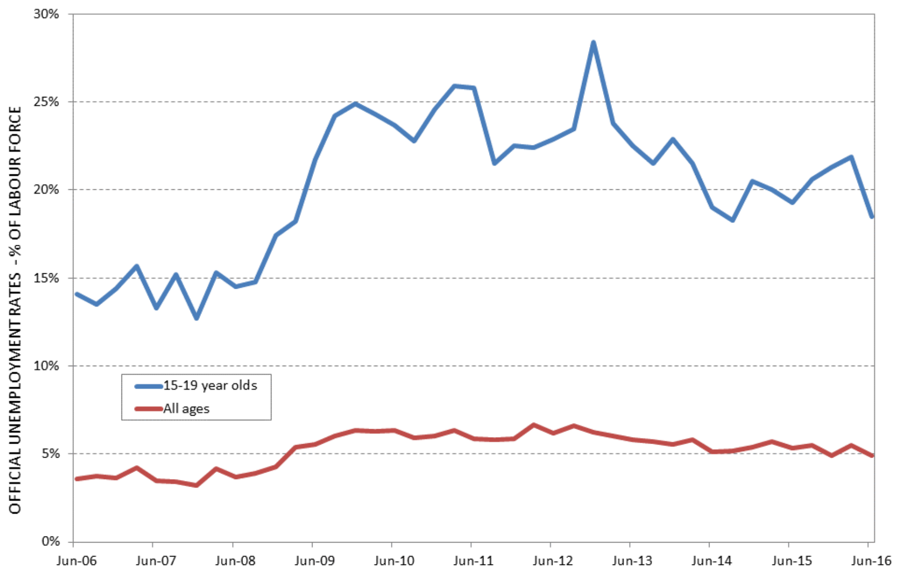
The real beneficiaries of the job growth since the end of 2010 and the post-GFC job losses have been workers over 65. In 2010, the average number of people in jobs and aged over 65 was just less than 90,000, but by mid-2016 this had risen by over

70% to 153,000 people. This means almost one-quarter of all the additional jobs created in the economy between 2010 and 2016 have gone to people over 65. In comparison, less than 2% of these new jobs have gone to workers aged 15 to 19.

But the employment problems suffered by young adults aged 15 to 19 have been somewhat disguised by the numbers reported for unemployment rates. During the four years prior to the GFC (2003 to 2007), official youth unemployment averaged around 13% to 15%. During the post-GFC recovery (2012 to 2016), this rate averaged 21% to 24%.[5] However, the actual unemployment rate may be much higher than this due to a persistent change in the rate at which those aged 15 to 19 are deemed to be participating in the labour market. This question is considered in more detail later.

The unemployment rates of 15- to 19-year-olds and of the population overall for the past decade are reported in **Figure 2**. This comparison shows two main things. The first is the larger impact that the GFC had on younger workers than on workers of other ages. Unemployment among 15- to 19-year-olds rose around 10% (from 15% to 25%) between 2007 and 2009, while for the population overall it rose around 3% at its maximum (from 4% to 7%). The second feature of this data is that of the 'new normal' that has emerged in the stuttering post-GFC recovery. This 'new normal' appears to be that the unemployment rate for 15- to 19-year-olds will fluctuate at around 20%, as opposed to 15% pre-GFC. In the same way, the 'new normal' for unemployment overall has risen from around 4% pre-GFC to just under 6% post GFC. Over most of this ten-year period the unemployment rate among 15- to 19-year-olds has remained three times the rate for the workforce overall.

Figure 2: Unemployment rates–2006 to 2016[6]

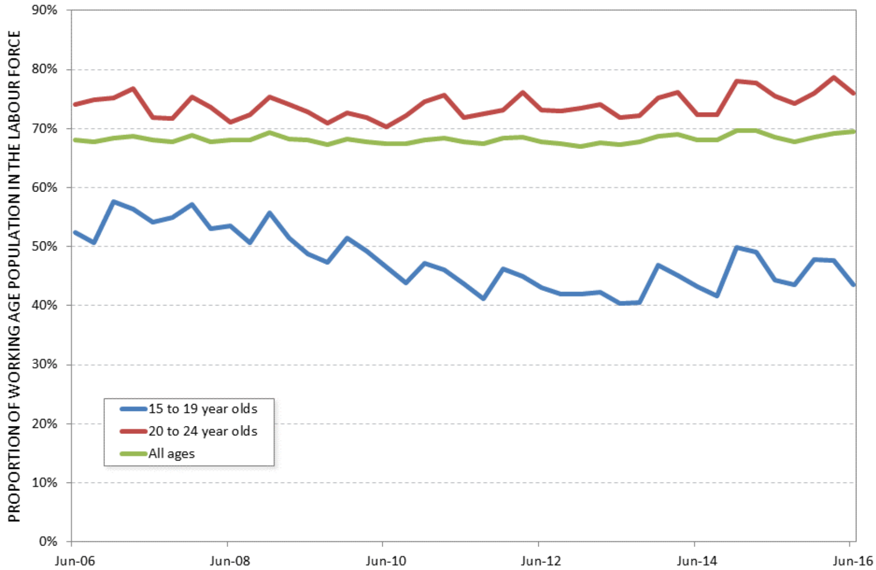


Over the four years prior to the GFC (taken here to be 2003 to 2007), the average participation rate of 15- to 19-year-olds in the labour market is reported to have been around 54%. In other words, around 170,000 of the 315,000 people in this age group were either working or judged to be actively seeking work.

In comparison with this pre-GFC participation rate of 54%, the rate has averaged only 45.7% over the past four years to 30 June 2016. This is around 145,000 young people in work or deemed to be seeking work. Effectively, then, approximately 25,000 15- to 19-year-olds or about 8% of this age group disappeared from the job market between 2007 and 2016. One of the purposes of this report is to find what has happened to these young people.

The official participation rates for 15- to 19-year-olds and the overall working-age population over the past 10 years are reported in **Figure 3**.

Figure 3: Official labour market participation rates–2006 to 2016[7]



1.2 The possibility of hidden unemployment

Participation in the labour market is to some extent a definitional idea. The Household Labour Force Survey, which measures employment and unemployment, uses a definition determined either by a person being in paid employment or deemed to be actively seeking work. The definition of what 'actively seeking work' means has changed recently, so that the extent to which an individual is said to be taking legitimate steps to find employment and so defined as unemployed but within the labour market has become more stringent.[8]

Outside of this definition of actively seeking work will fall a number of people who might be said to be the discouraged unemployed or to be engaged in training or education as a substitute to being in paid employment. Discouraged unemployment is self-defined to a large extent, in so far as people report that while they have not actively sought work recently, they are interested in taking a job if one was available. Levels of discouraged unemployment are not reported by age group in Statistics New Zealand's Household Labour Force Survey (HLFS), most likely because of the sample sizes involved in this survey and the poor precision entailed with small subdivisions and even smaller 'sub-subdivisions' of any sample taken.[9]

Although there are likely to be thousands of younger adults on the margins of the labour market among the ranks of the discouraged unemployed, the full picture of this marginalisation is probably larger still. Many younger adults—and 15- to 19-year-olds particularly—may not be liable to be classified as unemployed (discouraged or otherwise) because they are in education or training when they would prefer to be in work. Counting this group of people is difficult, partly because of how we define 'choice' for the sake of classifying a person as being inside or outside the labour market. For example, a person is deemed to be outside the workforce if they are not working and studying. Yet individuals' choices around education and training are likely to be conditioned by the prospects of them otherwise gaining employment and by how they perceive the school to work transition or STWT.[10] When employment prospects are not bright, many younger adults will choose to remain at school or enter further training or tertiary education in the hope their employment prospects will improve as a result. Hence, both the official unemployment and participation rates will be lower as a result of limited choice.

It is, of course, possible that the labour market participation rate of a group of people might change over time due to factors other than availability of work. Such factors may include a widening wage gap between skilled and unskilled workers, meaning there are additional returns from training or further education.[11] However, if such factors were at play we should see a gradual change in behaviours, rather than the scale of change reported in **Figure 3**, which at any account occurred at the same time as the GFC.

It seems feasible then, and perhaps even probable, that the sharp decline in labour market participation during and following the GFC is not about changing the preferences of 15- to 19-year-olds to remain in training and education rather than to go into work. Instead, this decline is due to the lack of opportunity for work as a result of the tighter job market that emerged during and after the GFC. In other words, the level of unemployment among 15- to 19-year-olds is significantly higher than that reported officially in the Household Labour Force Survey.

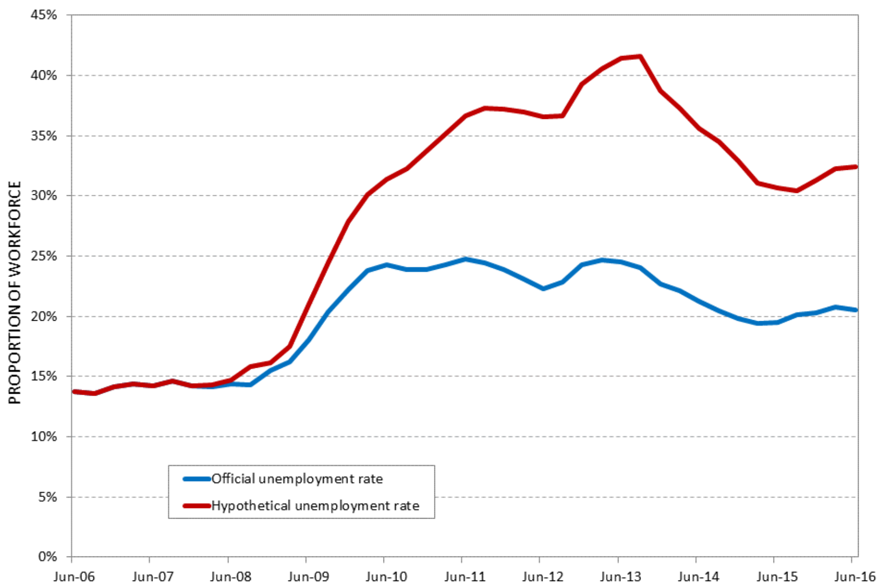
An indication of the level of this hidden unemployment is provided in **Figure 4**. This graph shows an estimate of the unemployment rate if the average participation rate among 15- to 19-year-olds prior to the GFC applied during and following the GFC.[12]

Three trends are noticeable in the analysis offered in **Figure 4**. The first and most obvious is the extent to which a lower participation rate among 15- to 19-year-olds since 2009 has, in official statistics, masked the extent to which they are excluded from the labour market. This exclusion has hovered between 10% and 15% of the 15- to 19-year-old population since 2011. This, of course, is more than three years after the beginning of the GFC.

The second noticeable trend in both unemployment rates reported in **Figure 4** is the persistence of this unemployment. While the unemployment rate among 15- to 19-year-olds appears to have peaked in 2013, the recovery since then, if this is what it is, has been weak. There is clear evidence those aged 15 to 19 are missing out on the post-GFC job growth. While the number of 15- to 19-year-olds employed fluctuates across the academic year, it appears that in mid-2016 the number of those employed had risen by only 5000 to 8000 people over the past five years. Over the same period, the number of jobs in the economy has grown by more than 250,000. In other words, while the 15- to 19-year-age group makes up 10% of the working-age population,[13] over the past five years they have gained just 3% of the jobs.

The third trend of some concern identified in **Figure 4** is the possibility that the employment situation for 15- to 19-year-olds has recently deteriorated. Averaged over the previous four quarters, employment survey data suggests that the number of 15- to 19-year-olds in employment fell by 2000 between 2015 and 2016, while the number of 15- to 19-year-olds in the population grew by 2500 people.[14] This decline is alongside modest job growth in economy of 55,000 jobs.

Figure 4: Revised youth unemployment rates–2006 to 2016[15]



1.3 The take-up in education

The official unemployment rate reported for 15- to 19-year-olds in the Household Labour Force Survey is based on the proportion of the workforce that is officially unemployed and not on the number of people deemed to be doing something other than regularly looking for work. Most of the 15- to 19-year-olds in this latter category are classified as being in education and training, and so outside of the workforce and thus outside of any official unemployment count. In effect, this 'hidden unemployment' is being soaked up in the number of young adults who remain at school or are attending training programmes or tertiary education courses.

The number of 15- to 19-years-old reported by the Household Labour Force Survey as being in education rose 8% or by about 20,000 people between late 2007 and the beginning of the GFC and mid-2016. This increase is commensurate with the decline in employment of 15- to 19-year-olds of approximately 25,000 people (as reported above). This rise in participation in education and decline in participation in work is well illustrated in **Figure 5**. This graph records the proportions of 15- to 19-year-olds engaged in education and those solely in work. Between mid-2006 and mid-2016 the proportion in education rose from 72% to almost 80%, while the proportion only working declined from 20% to 13%. If the trends offered in **Figure 5** are representative of what has really happened it does appear that these shifts of rising engagement in education and declining participation in work pre-dated the GFC and probably only stabilised around existing proportion in 2013.

The nature and quality of this education is considered in the next chapter.

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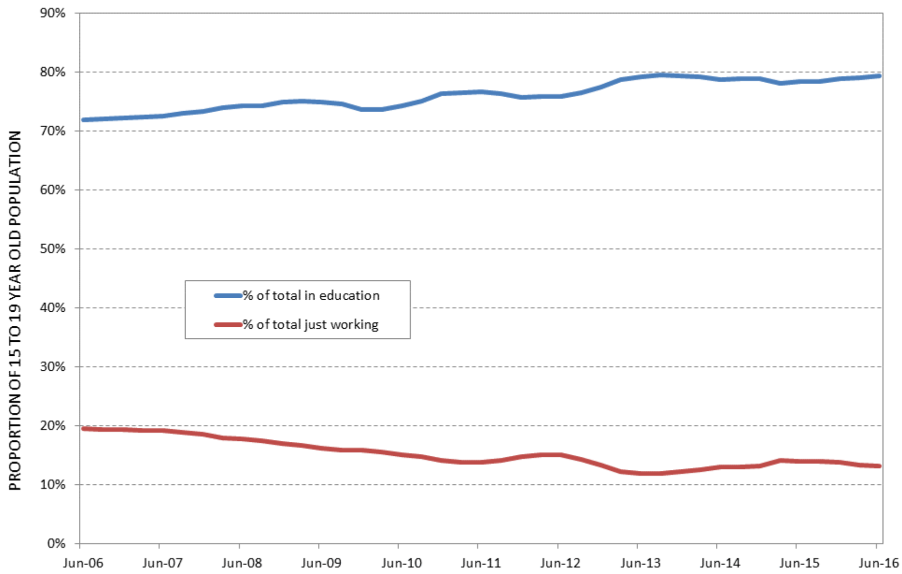
Figure 5: Proportions of 15- to 19-year-olds in education and employment–2006 to 2016[16]



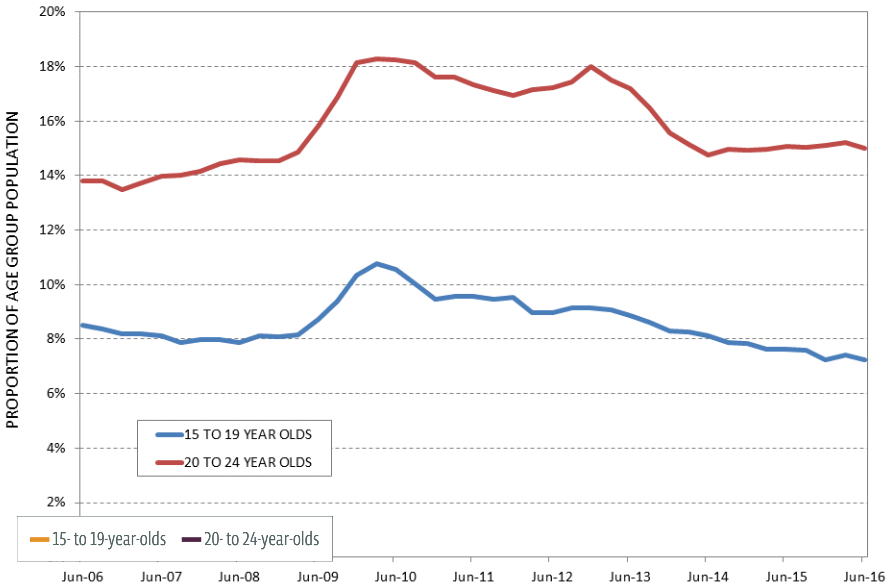
1.4 The residual in NEETs

Most of the gap between those solely working and those in education or training are the NEETs—those individuals not in employment education or training. The NEET rate appears to be of some focus to Government and is reported separately as part of the Household Labour Force Survey. The NEET rates for both 15- to 19-year-olds and for 20- to 24-year-olds are reported in **Figure 6**.

The recent trends in NEETs shows the expected peaks following the GFC and persistently high rates through to 2013, after which rates fell to pre-GFC levels or, in the case of 15- to 19-year-olds, lower still. By mid-2016, the NEET among 15- to 19-year-olds had fallen to the lowest four quarter average on record at 7.2%. Data on NEET rates have only been reported since March 2004. This result is, of course, a consequence of the historically high rates of 15- to 19-year-olds being engaged in education and not on their employment fortunes as is illustrated in **Figure 5**.

In comparison, NEET rates for 20- to 24-year-olds have persistently been around twice the rate as for 15- to 19-year-olds, which points to two influences. The first is the impact that engagement in education and training has on 15- to 19-year-old NEET rates. The second is the limited value this engagement has in lifting employment outcomes for as many as 50,000 people aged between 20 and 24 who are persistently outside of employment and training. Although the comparisons are not exact, this group of unemployed people represents around 40% of official unemployment at any time, so clearly should be the target for any additional interventions to reduce unemployment.

Figure 6: Not in employment education or training–2006 to 2016[17]



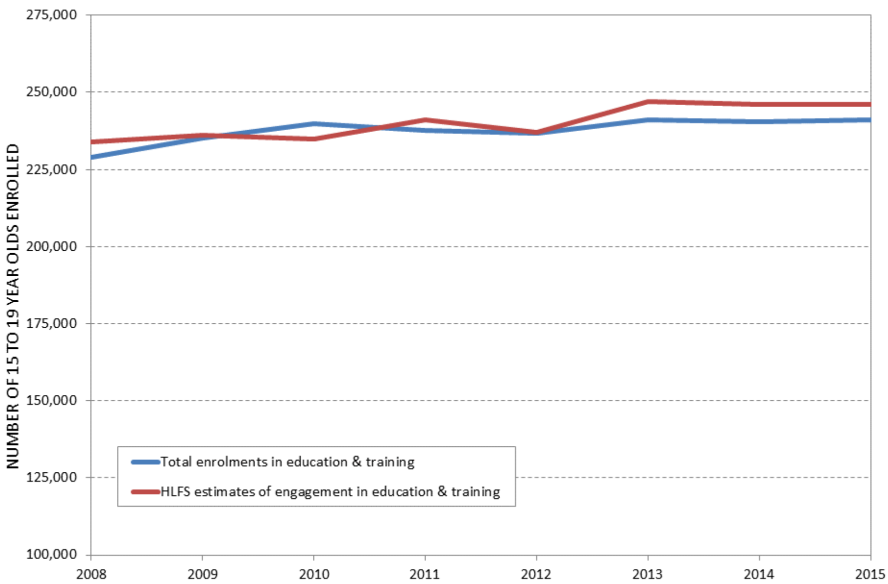
Young people in education and training

This chapter considers changes in training and education undertaken by young adults aged 15 to 19 years. These changes include the quantum of people engaged in education and training, changes in the age structure of those engaged and of the types of courses they undertake, and changes in Government policy and funding priorities.

2.1 Enrolment and engagement patterns

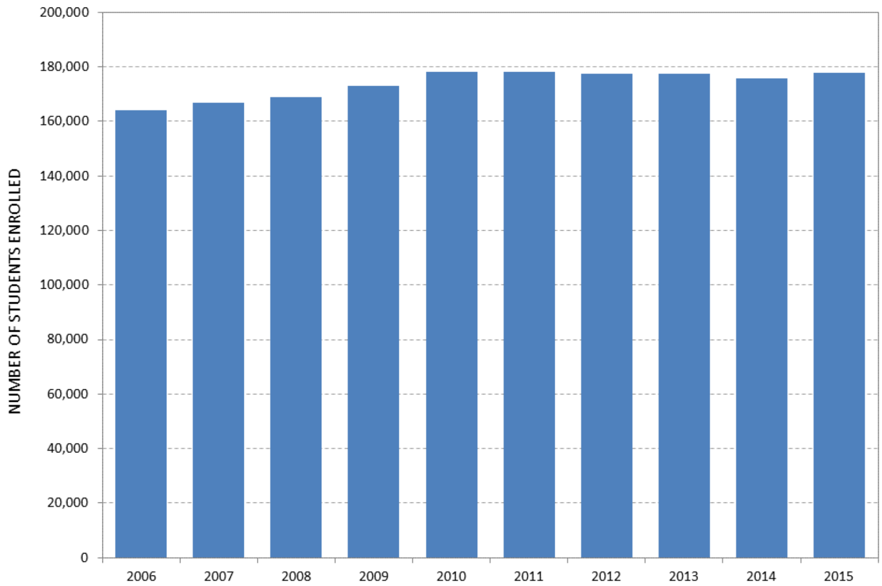
Of the approximately 315,000 to 320,000 15- to 19-year-olds in the New Zealand population, around 240,000 or just over 75% are enrolled in education or training on a full- or part-time basis. Data on reported enrolments in secondary school or in tertiary educational institutions is consistent with estimates from the Household Labour Force Survey (HLFS). These estimates are reported in **Figure 7** for the period 2008 to 2015, the period over which consistent data on reported enrolments is available. This data shows an increase of about 10,000 people in training or education, an increase that has been gradual and continuous.

Figure 7: Engagement in education and training by 15- to 19-year-olds–2008 to 2015[18]



Consistent data is available on secondary school enrolments of 15- to 19-year-olds from 2006 and is presented in graphical form in **Figure 8**. This data shows a gradual and significant increase in school enrolments among 15- to 19-year-olds from 164,000 students in 2006 to 178,000 in 2010. Since 2010, there has been little change, with 177,000 to 178,000 15- to 19-year-old students enrolled. Although the size of the 15- to 19-year-old population has fluctuated between 313,000 and 322,000 people, this roll growth is due mainly to a slightly higher proportion of 15- to 19-year-olds remaining at school. This proportion has risen from 52% in 2006 to 56% in 2015.

Figure 8: Enrolment of 15- to 19-year-olds in secondary school–2006 to 2015[19]



The most recent data on tertiary education enrolments for those under 20 dates back to 2008 and is summarised in **Table 1**. This data shows three notable trends on top of a base of a small longer-term increase in student enrolments in tertiary educational institutions. Over this period there has been a gradual increase in student enrolments in universities of around 2000, and a more significant growth in students enrolled in courses offered by private training establishments or PTEs of around 3,000. Offsetting these increases has been a decline of about 3,000 students attending polytechs or technical institutes.

Table 1: Enrolments of students aged under 20 years in tertiary institutions–2008 to 2015[20]

	2008	2009	2010	2011	2012	2013	2014	2015
University	24,070	25,340	25,220	24,540	25,325	25,855	26,395	26,165
Polytechs	24,305	24,665	24,265	22,320	23,010	21,560	21,500	21,255
Wananga	1,480	1,845	2,065	2,155	2,240	2,480	2,405	2,175
PTEs	12,200	12,515	12,125	11,835	10,680	15,880	16,435	15,555
Total Tertiary	60,255	62,355	61,830	59,230	59,520	63,740	64,705	63,320

This shift in the type of tertiary educational institutions young adults enrol in is related to changes in the type of courses they are doing. These course-related changes are reported in **Table 2**, which records the level of the courses that tertiary students under 20 have enrolled in. Since 2008, there has been a hollowing out in enrolment patterns, with fewer students undertaking certificate courses at Level 3 to 7 and more students taking either Level 1 and 2 courses or degrees. Between 2008 and 2015, the number of students enrolled in Level 1 or 2 certificate courses rose 84% from 10,645 to 19,610. Over the same period, students aged under 20 enrolled in bachelor-level degree courses grew 10% from 22,365 to 24,540. During this period, students enrolled in certificate courses at Level 3 to 7 dropped 22% from 32,765 to 25,715.

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Table 2: Enrolments of students aged under 20 years by level of course–2008 to 2015[21]

	2008	2009	2010	2011	2012	2013	2014	2015
Certificate Level 1	1,380	1,340	1,675	1,880	1,755	5,340	6,240	5,830
Certificate Level 2	9,265	9,020	8,815	8,520	8,730	12,680	13,840	13,780
Certificate Level 3	13,395	14,160	13,890	12,670	12,360	12,445	12,055	11,510
Certificate Level 4	12,070	12,265	10,840	10,075	10,255	9,620	9,240	9,230
Certificates Levels 5-7	7,300	7,260	7,150	6,470	6,035	5,390	4,925	4,975
Bachelor's degree	22,365	23,530	24,030	23,530	24,415	24,695	25,195	24,540
Other degrees	1,535	2,080	2,140	1,995	1,950	2,345	2,730	2,755
Total course enrolments	67,310	69,655	68,540	65,140	65,500	72,515	74,225	72,620
Total student enrolments	60,255	62,355	61,830	59,230	59,520	63,740	64,705	63,320

Tables 3 and 4 report places funded directly by the Tertiary Education Commission (TEC). These are places on what might be called beginning or entry-level courses for students with little if any prior educational achievement. **Table 3** reports the number of places funded for students aged under 20, while **Table 4** reports such places for those aged over 20.

The data offered in **Table 3 and 4** shows a clear policy shift in 2013 with the ramping up of the Youth Guarantee scheme when this scheme essentially became the only programme to offer beginning or entry-level training programmes. Overall, these training efforts almost halved from 28,400 in 2011 to 14,400 by 2015 as almost all course placements offered to those over 20 dried up. However, even the number of places for those under 20 declined marginally by around 1000 places between 2011 and 2015.

Table 3: TEC-funded training places for students under 20 years old–2011 to 2015[22]

	2011	2012	2013	2014	2015
Skill enhancement	42				
Training opportunities	2,789	2,391	1,026		
Youth training	8,105	8,833			
Youth guarantee	3,976	3,816	11,194	13,377	13,952
Total	14,912	15,040	12,220	13,377	13,952

Table 4: TEC-funded training places for students over 20 years old–2011 to 2015[23]

	2011	2012	2013	2014	2015
Skill enhancement	38				
Training opportunities	13,227	11,581	7,756		
Youth training	196	72			
Youth guarantee	0	12	10	272	496
Total	13,461	11,665	7,766	272	496

2.2 Apprenticeships

Figure 9 reports the number of apprenticeships nationally for 2005 to 2014. Between 2008 and 2012, apprenticeships fell by almost one-third, from 53,400 to 36,240, rising to 41,840 by 2014.

Table 5 reports the age range in which people have entered apprenticeships. These figures indicate that typically only around 40% of people entering apprenticeships are aged under 20, with an increasing number of people becoming apprentices in their 20s.

Table 6 considers the number of apprenticeships in the key building trades of carpentry, electrical trades and plumbing, gas fitting and drainlaying. Apprenticeships in these trades make up just over one-third of all apprenticeships and have shown a similar trend as that for apprenticeships overall. This trend was for an almost one-third decline between 2008 and 2012 and a subsequent increase since then.

Figure 9: Number of apprenticeships–2005 to 2014[24]

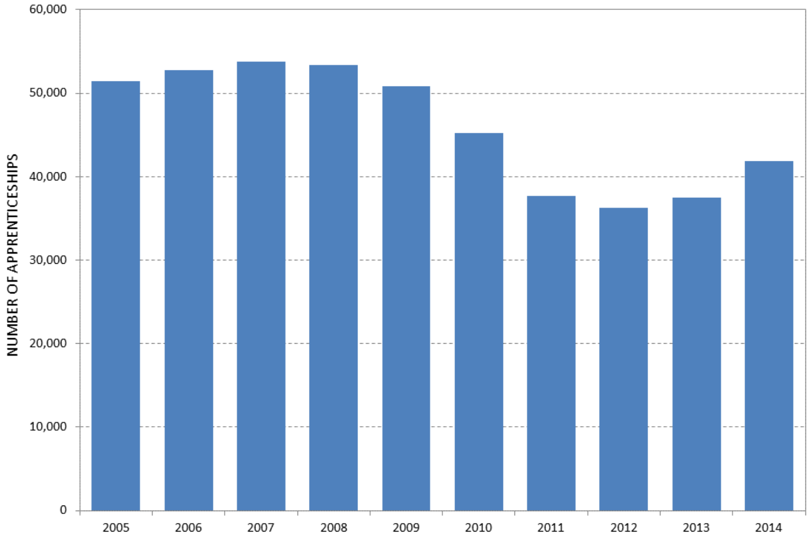

Table 5: Age of entry into apprenticeships–2010 to 2014[25]

	2010	2011	2012	2013	2014
15 to 19 years	3,360	3,540	3,780	4,545	4,195
20 to 29 years	2,570	2,895	3,065	4,065	4,985
30 to 39 years	1,330	1,280	1,175	1,290	1,920
40 to 49 years	1,000	975	770	770	1,060
50 or more years	690	580	355	425	410

Table 6: Building apprenticeships 2008 to 2014[26]

	2008	2009	2010	2011	2012	2013	2014
Carpenters	10,155	8,530	7,760	7,070	6,600	7,325	8,935
Electricians	6,105	5,395	5,295	3,910	3,800	3,945	4,605
Plumbers-Drainlayers	1,405	1,560	1,720	1,720	1,630	1,820	2,185
Total - main building apprenticeships	17,665	15,485	14,775	12,700	12,030	13,090	15,725
All apprenticeships	53,400	50,850	45,220	37,695	36,240	37,520	41,840

2.3 Budgets

The Government contributes to the training and education of young adults in a number of ways through education, tertiary education and social development budgets. These budgets are not specifically dedicated to people within a particular age group—15- to 19-year-olds, for instance. For example, the secondary school budget, which in 2016/17 will exceed $2.1 billion, is to fund all secondary school education from Year 9 to Year 15 and so will include students aged 13 and 14 as well as those aged 15 to 19. It is not, therefore, possible to identify what exactly Government is contributing specifically to the training and education of young adults aged 15 to 19, other than to assume that this contribution is related to the proportion of the student population within the age range.

Notwithstanding this inability to identify specific budgets for 15- to 19-year-olds, it does appear that Government has maintained spending levels and in some cases even increased these levels to cater adequately for the training and education needs of this age group. In fact, there is some evidence this age group has received preference in recent programme and funding changes at the expense of older adults in the 20- to 24-year-old age group.

Figure 10 reports direct spending on secondary school education in nominal terms since 2008. This spending shows an 18% nominal increase and 6% real increase in direct spending on secondary schools between 2008 and 2012.[27] This funding increase more or less matches the increase in student numbers shown in **Figure 8**, which coincided with a tightening job market for schools leavers. On a real per-capita basis, spending per secondary school student has fluctuated between $7,100 (in 2016 $ values) and $7,500 per student per year with no clear trend to increases or decreases. This fluctuation may be due in part to small changes year to year in the number of students returning to school beyond the minimum leaving age of 16.

Figure 10: Direct secondary school budgets in nominal terms–2008 to 2017[28]

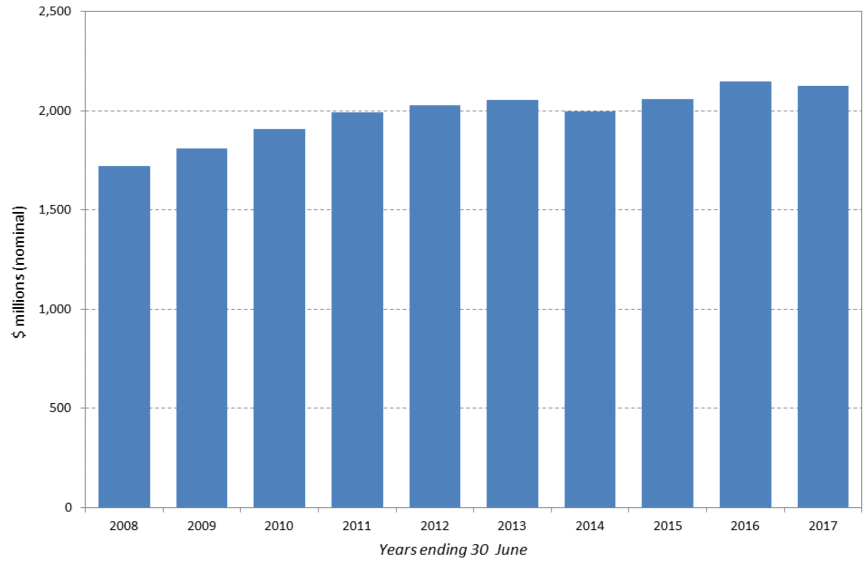

Figure 11 reports total spending, again in nominal terms, on the student achievement component of tertiary education budgets. This graph only runs from 2009, as prior to this the classification of spending was different. **Figure 11** shows a similar pattern of increases and subsequent stable spending as in **Figure 10**.

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2 Young people in education and training
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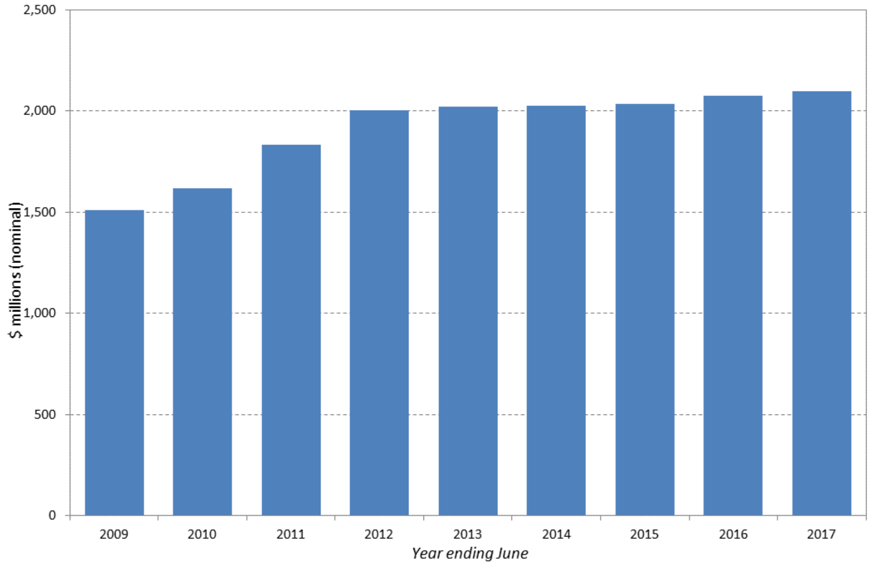
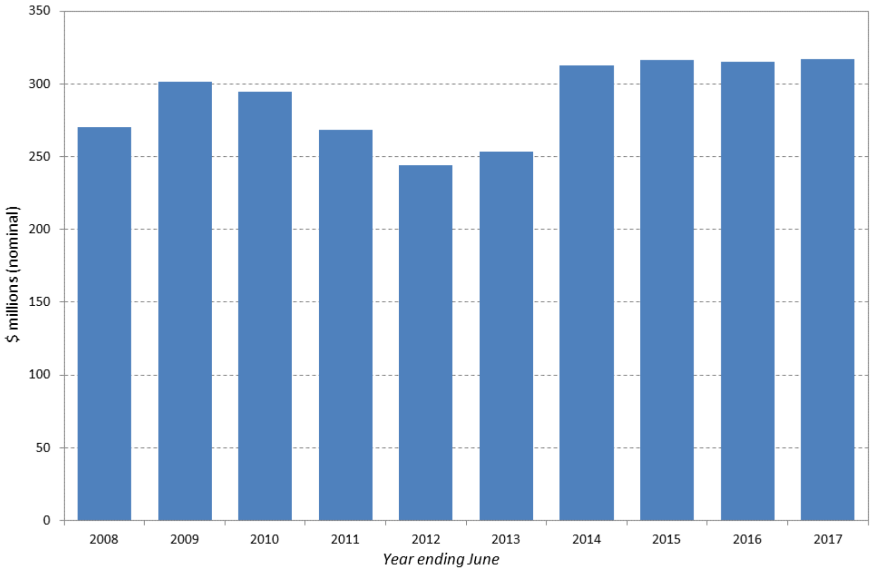
In this case, spending on what is, in effect, the educational component (rather than the research component) of tertiary education grew 33% in nominal terms between 2009 and 2012, while overall student numbers fell by 50,000.[29] While there have been further declines in the total number of domestic students, since 2012 these declines have been more modest. All of this means, of course, that on a real per capita basis, taxpayer investment in tertiary education has risen from $4,800 (in 2016 $ values) per domestic student in 2009 to almost $6,600 per student in 2015.[30]

Figure 11: Spending of student achievement in tertiary education–2009 to 2017[31]



Within the Tertiary Education appropriation is a smaller but still significant budget for beginning or entry-level training programmes generally directed toward young adults who have not succeeded at school. This budget is known as 'training for designated groups' and in 2016 it amounted to $315 million. **Figure 12** reports spending on this budget since 2008 and shows a sharp decline in spending between 2010 and 2012, and a rapid increase—of $60 million—in 2013/14. This increase coincided with changes in the focus of the supported programmes reported in **Tables 3 and 4**. Essentially, between 2012 and 2014 the focus of these programmes shifted almost entirely to learners under 20, with the total numbers on programmes dropping from almost 26,000 placements in 2012 to less than 16,000 in 2014. This decline alongside the concomitant $60 million increase in supporting budgets makes it clear Government's strategy has changed to one of supporting younger adults on the margins of the labour force more intensively and generally until their 20th birthday. As discussed below the success of this strategy is as yet unknown, but it has meant that what might be called second and even third chance training opportunities for those aged over 20 have more or less dried up.

Figure 12: Spending on training for designated groups–2008 to 2017[32]



This 'drying up' thesis is partially supported by changes in budgets designed to offer financial support to older tertiary students or those younger students from very low income households.[33] These budgets for the period 2008 to 2017 are reported in **Figure 13**. It is clear from **Figure 13** that the payment of student support payments has become more restrictive, with the total budget falling 26% or by $176 million between 2012 and 2016. This decline is mainly due to a 25% fall, since 2011, in the number of people receiving student support payments. This decline does, however, need to be seen in a slightly broader context of an expansion in entitlements between 2008 and 2010 when the number of people receiving a payment grew almost 50% from 67,000 to 97,000. This rise and subsequent decline are illustrated in **Figure 14**. **Appendix 1** reports the changes in payments of student support by age group. This data indicates the biggest proportional fall-off of access to student support payments was among students aged over 40, although such students only make up around 10% of all those receiving assistance. Students under 20 have typically made up 20% to 22% of those being paid student support, while those aged between 20 and 25 make up 40% to 42%.

Figure 13: Spending on student support payments–2008 to 2017[34]

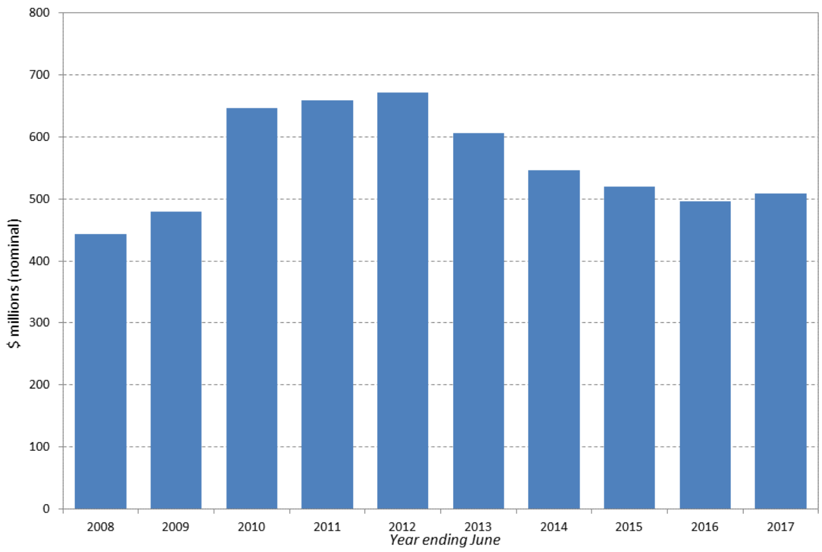
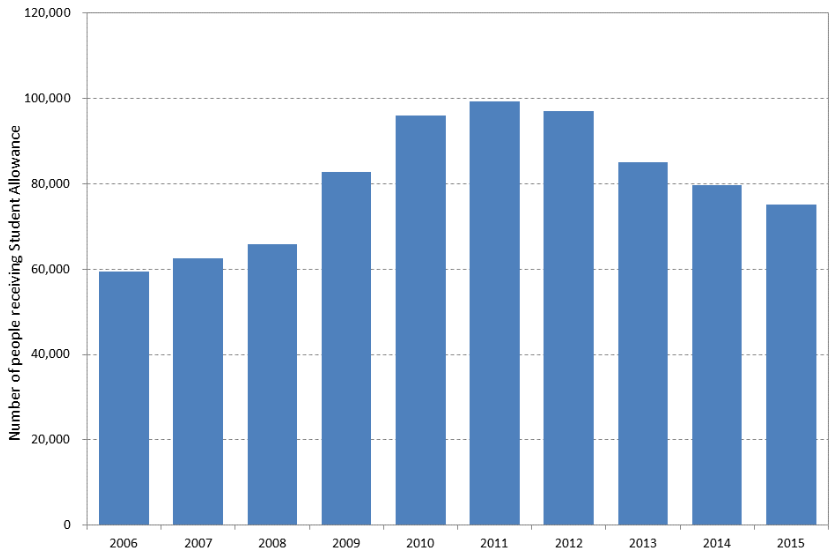


Figure 14: Number of people receiving student support programmes–2006 to 2015[35]



2.4 Discussion

In terms of education and training of young adults, the past decade can be divided into three separate phases. The first phase occurred in the two or three years following the commencement of the GFC in late 2007 early 2008. This phase can be characterised by an increase in the secondary school student population from 164,000 students in 2006 to 178,000 by 2010—a figure maintained more or less constantly since. While this first phase saw an increase in the number of 15- to 19-year-olds staying at school, there was no matching increase in the 15- to 19-year-old population at tertiary educational institutions. At the same time, education budgets rose significantly, although training budgets and apprenticeship numbers began to fall—perhaps in response to the GFC.

The second phase from 2011 to 2013 saw a major shift in policy, with greater emphasis on the training needs of those under 20 at the expense of those over 20. This shift also saw a hollowing out of the course content being pursued by students, with more students taking up Level 1 and 2 courses and fewer being engaged in Level 3 to 7 courses. This hollowing out coincided with a decline in some budgets and a fall in student numbers at polytechs.

The third phase has occurred since 2014 and involves a significant increase in some education and training budgets, and a modest increase in the number of students engaged in entry-level courses and in the number of apprenticeships. This focus appears to be a deliberate attempt by Government to address the needs of young people most at risk of long-term unemployment. This is consistent with its welfare reform agenda centred on reducing long-term benefit dependency.

In this interpretation of history two features stand out. The first is the neglect of apprenticeships and entry-level training programmes between 2011 and 2013 and the reversal of these priorities since 2014. The second is the almost complete focus on the needs of those under 20 at the expense of those over 20. This priority is discussed in a following chapter, which looks at the impact on those over 20.

Younger workers and a changing labour market

This chapter considers the slightly broader context of younger workers (under 25 years) in a changing labour market. This assessment looks at the components of change in the labour force and, in particular, the impact migration is having on the size of the labour force and the distribution of work.

3.1 Recent changes in the labour market

The supply side of labour markets is typically shaped by three things: participation, demographic changes and migration. The New Zealand labour over the past decade is no exception.

As shown in **Figure 3**, the labour force participation rate has been maintained at a historic high of around 69% for the past year. This participation rate is eighth highest in the OECD, marginally behind that of Canada and Denmark.[36] However, as **Figure 3** shows, the participation rate for 20- to 24-year-olds has risen slowly by around 1% over the past decade, while the rate for 15- to 19-year-olds has fallen by around 10%, for reasons discussed in the previous two chapters.

The effect of the other two factors, demographic changes and migration, is illustrated in **Figure 15**, which reports components of growth in the working-age population between mid-2006 and mid-2016. Three factors are considered: net migration, demographic changes for what might be called the 'core working-age population' aged between 15 and 64 years, and the same type of changes for those over 65.

Three significant trends stand out from the illustration offered in **Figure 15** and it seems likely these three trends will continue to dominate our thinking around labour force development and changes for the next two decades at least.

The first and perhaps most apparent trend is the dominance of migration, specifically with regard to changes over the past three years, although more generally to overall labour force growth in at least five of the past 10 years. The question of this migration and its impact is considered below.

Figure 15: Components of change in the working-age population–2006 to 2016[37]

The second trend is around the importance of the over-65 population to the composition of the labour force. Counterbalancing this trend somewhat is the third trend, which is the shrinking size of the core working-age population. For example, over the most recent five years, the over-65 population has grown by 110,000 people, while the 15- to 64-year-old population shrunk by 20,000 people when net migration is taken out of the mix. This shrinking is a consequence of New Zealand's aging population which, in turn, is a result of high birth rates during the Baby Boomer years (1946 to 1965) and low birth rates since the 1980s. These demographic trends will heavily influence our thinking around labour force planning over the next two decades, and is considered below in more detail.

3. 2 The place of younger workers in the changing labour market.

Table 7 reports the number of people 15 to 24 in employment for the past 10 years and these numbers as a proportion of all those in work. **Table 7** also estimates the share of the total working at population made up of 15- to 24-year-olds.

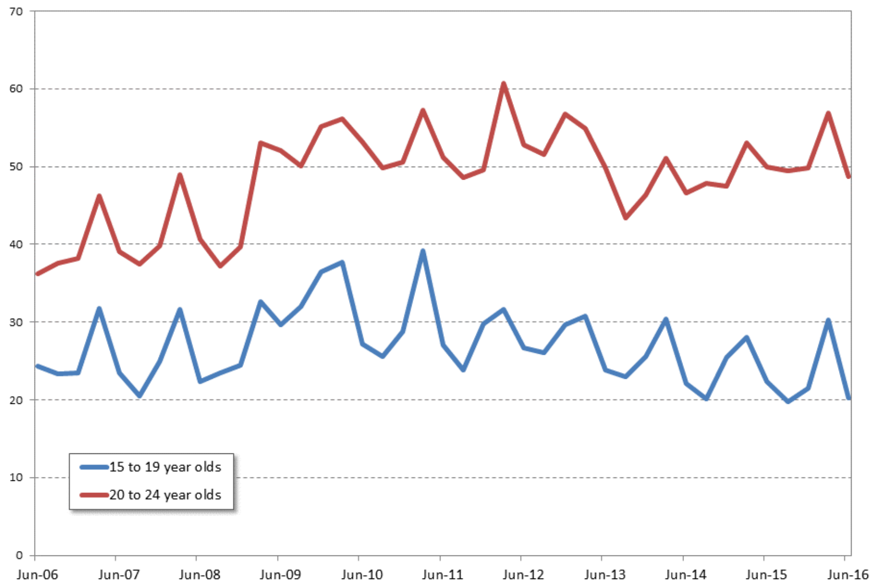
As discussed already and as illustrated in **Table 7**, employment of 15- to 19-year-olds over the past decade and since the GFC has declined by 30,000 people, and while the fortunes of this age group have improved recently, this recovery work has been somewhat feeble. On the other hand, the fortunes of 20- to 24-year-olds in the labour market appear to have improved rapidly, especially since 2013, with total employment among this group rising by 35,000. The net effect of these changes has, however, been only a slight increase in the number of people aged 15 to 24 in employment, from around 247,000 pre-GFC to about 250,000 in mid-2016. This slight increase against a background of almost 250,000 additional jobs created in the country means the job share taken up by 15- to 24-year-olds has shrunk—from around 16.2% in 2007 to 14.6% in 2016. At the same time, the share of the working-age population aged 15 to 24 fell marginally from 18.4% in 2007 to 17.9% in 2016.[38]

Table 7: Employment of 15- to 24-year-olds–2006 to 2016[39]

Year to 30 June	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
15-19s employed	147.3	147.5	133.7	116.3	107.1	106.4	97.9	107.8	116.9	114.9
20-24s employed	199.9	195.5	192.6	185.7	197.7	199.1	201.0	209.3	224.3	235.9
15-24s as % of all employed	16.2%	15.8%	15.0%	14.1%	14.0%	13.9%	13.7%	14.0%	14.6%	14.6%
15-24s as % of working-age population	18.4%	18.2%	18.1%	18.1%	18.1%	18.0%	17.9%	17.9%	17.9%	17.9%

The employment fortunes of 20- to 24-year-olds are not entirely as rosy as data on **Table 7** indicates. **Figure 16** reports the number of 15- to 24-year-old NEETs (individuals not in employment, education or training) for the past decade. Different trends are noticeable for 15- to 19-year-olds against 20- to 24-year-olds. For 15- to 19-year-olds, there has been a slight fall in the number of NEETS, from 25,000 in 2007 to 20,000 in 2016. While for 20- to 24-year-olds, the number of NEETs has risen from just over 35,000 people in 2007 to around 50,000 since early 2014.

Figure 16: NEET numbers for 15- to 24-year-olds–2006 to 2016[40]



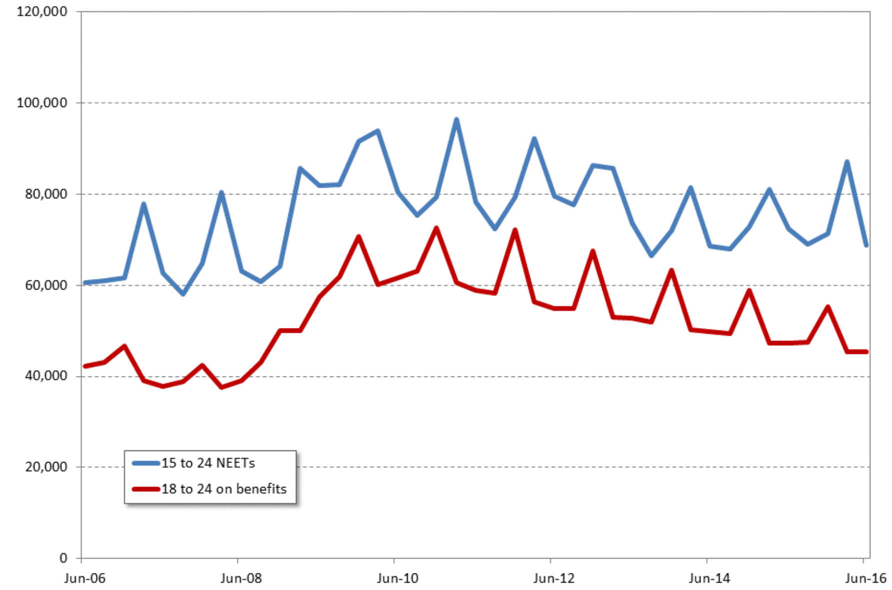
From this data it would appear a group of around 50,000 20- to 24-year-olds are outside the labour market and perhaps not otherwise engaged in any activities that would see them find them work. While this group would not necessarily be the same people year to year, it does point to a substantial group of people who at any one time are marginalised economically and perhaps socially.

In reflecting on this marginalisation, at least three questions arise:

- How effective is the job-related training offered to 15 to 19 years when 50,000 of them are subsequently out of the labour market in their early 20s?
- How is it that there are persistently 50,000 20- to 24-year-olds out of work at the same time that the number of 20- to 24-year-olds in work has hit record high numbers?
- What support is being offered to these 20- to 24-year-olds in terms of income and further training?

Figure 17 offers some response to the last of these questions. This graph compares the total NEET figures reported in **Figure 16** (for 15- to 24-year-olds overall) with the reported number of 18- to 24-year-olds receiving a working-age benefit such as the Jobseeker's payment. Over the past decade there has been a consistent gap of around 20,000 to 25,000 people aged 15 to 24 who are out of work and not in education or training and who are not receiving financial support from the State. Although the age groups compared in **Figure 17** are not the same (15-24s for NEETs v 18-24s for benefits), the number of 15-, 16- and 17-year-olds receiving a youth benefit are consistently less than 2,000 at any one time. In addition, as **Table 4** indicates, fewer than 500 training places for over 20-year-olds were funded by TEC in 2015, so clearly the level of training support for 20- to 24-year-olds is minimal.

Figure 17: NEETs and Benefits–2006 to 2016[41]

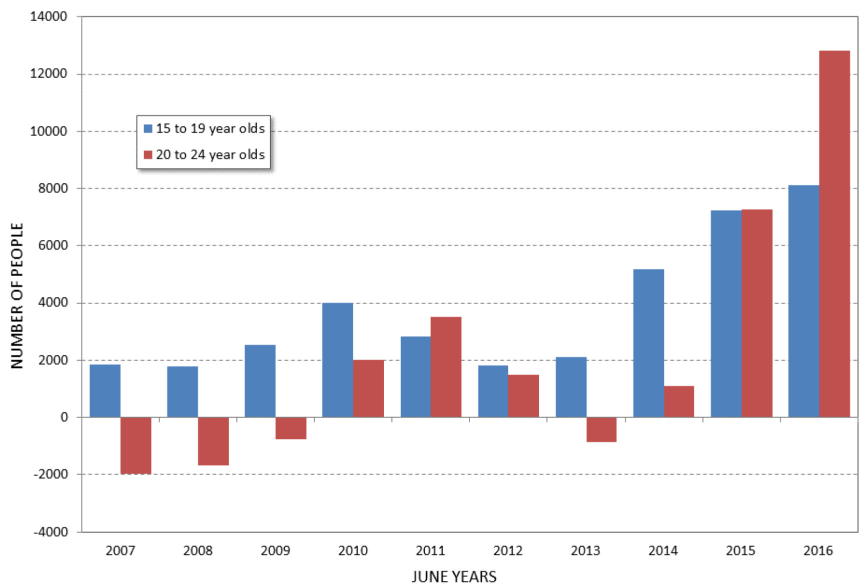


3.4 The impact of migration on 15- to 24-year-olds

The reason for the discrepancy between the 50,000 20- to 24-year-old NEETs reported in **Figure 16** and the record employment of 20- to 24-year-olds reported in **Table 7** appears to be immigration.

Figure 17 reports net migration figures for 15- to 19-year-olds and 20- to 24-year-olds for the 10-year period 2006 to 2016 (June years). This graph clearly illustrates the explosion in migration numbers in the past two years. Between June 2014 and June 2016, a net 20,000 20- to 24-year-olds migrated into New Zealand, as did 15,000 15- to 18-year-olds. Net migration for all 15- to 24-year-olds for the previous eight years (2006 to 2014) almost reached 25,000.

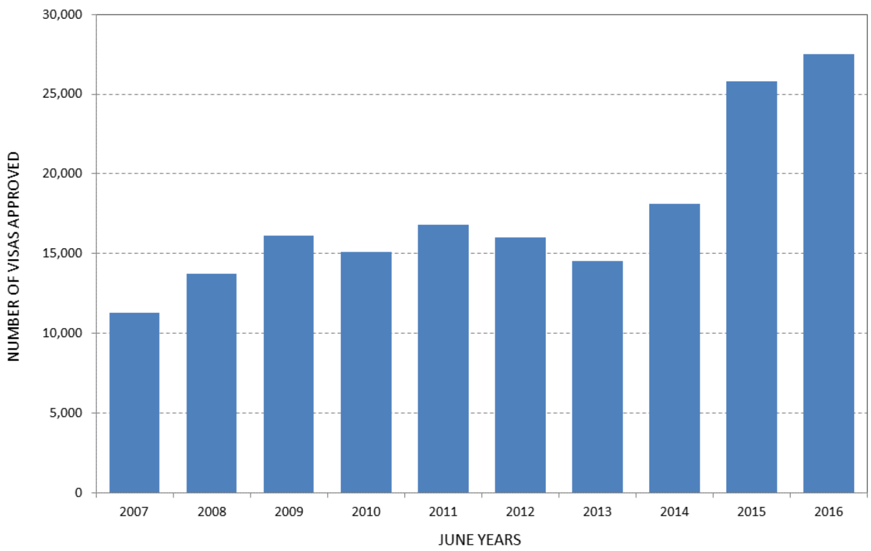
Figure 18: Net migration of 15 to 24 year olds–2006 to 2016[42]



While it might be claimed that many of these 15- to 24-year-olds coming to New Zealand are returning New Zealanders, data on visa approvals suggests that such returning migration is relatively unimportant.

For example, **Figure 19** reports the number of student visas approved on an annual basis (June years) between 2006 and 2016. Over the most recent two years more than 53,000 student visas have been approved, compared with an average of just over 15,000 such visas for the previous eight years. A similar surge can be seen in approval of work visas, with more than 74,000 visas approved over the past two years against an annual average of less than 24,000 for the previous eight years.[43] In other words, between 2006 and 2013 an annual average of 39,000 work and student visas was approved, while over the past two years this average has risen to almost 64,000 per year.

Figure 19: Student visas approved–2006 to 2016[44]



3.5 Are younger workers being crowded out?

The persistent numbers of 15- to 24-year-olds who remain outside of the workforce as total job numbers grow and as young migrants enter New Zealand to take these jobs suggest this immigration is crowding out more marginalised workers. Evidence to support this is mixed, although such crowding out does appear to be occurring in some labour markets, such as Auckland and Bay of Plenty.

Table 8 compares NEET rates and job growth rates for regions in New Zealand. This comparison illustrates firstly how clustered the regional distribution of NEET rates is and, secondly, how dispersed regional job growth has been. The outliers in the data offered in **Table 8** illustrate the diverse experiences of both regional labour markets and the experiences of young workers in these markets.

Two regions, Northland and Hawke's Bay/Gisborne, have relatively high NEET rates and job growth rates at less than half the national average. In these areas it is clear that high NEET rates are due to the low job growth rate and possibly also limited outward migration of workers to other job markets.

At the other extreme, Canterbury has strong job growth, which probably accounts for the relatively low NEET rate of 7.4%. Most other regions other than Auckland and Bay of Plenty fall between this dichotomy of high NEET/low job growth and low NEET/high job growth, although most tend to have slightly higher than average NEET rates and job growth rates of around half the national average.

The reason for this regional bias to below average job growth rates is the significant impact of Auckland in defining this average. Between 2011 and 2016, Auckland accounted for 52% of New Zealand's job growth or 114,000 of the 220,000 jobs created during this period. Yet despite this, Auckland's NEET rate is marginally below the national average and Auckland accounts for one-third of all 15- to 24-year-olds that fall into the NEET category. There has been little change in Auckland's NEET rate since 2013 and the 2007 rate was only marginally higher than in 2016. All this suggests local people aged 15 to 24 have been crowded out as recent migrants gain access to the additional local jobs being created in the Auckland job market.

A similar pattern (although on a reduced scale) emerges in the Bay of Plenty, which in 2015/16 had an average NEET rate of 14.4%—the third highest nationally—while at the same time it experienced the third highest job growth rate. Again, the pattern of local workers being displaced by migrants—most likely in the horticultural industry—appears to be playing out in this region.

As discussed in Chapter 1 and in **Figure 15**, the crowding out of younger workers is not only due to migration but also rising labour force participation among over-65s and the apparent relative advantage this age group has in retaining and securing employment.

Table 8: A comparison of NEET and job growth rates by region[45]

	15-24 NEET rate 2016	Job growth rate 2011-16
Northland	18.0%	4.2%
Auckland	10.1%	16.2%
Waikato	13.1%	6.9%
Bay of Plenty	14.4%	12.0%
Hawke's Bay/Gisborne	18.6%	4.2%
Taranaki	12.7%	5.5%
Manawatu-Whanganui	12.0%	3.1%
Wellington	11.6%	7.0%
Tasman / Nelson / Marlborough / West Coast	13.0%	2.2%
Canterbury	7.4%	12.1%
Otago	9.7%	4.0%
Southland	12.2%	6.5%
New Zealand	11.3%	10.1%

Educational inequality and benefit dependence

High rates of unemployment among younger workers are a consequence not only of an increasingly rigid labour market that advantages older workers, but also of educational failure. This failure is systemic in that it has predictable and persistent patterns that determine who succeeds and who misses out in the labour market. This chapter considers the extent of educational inequality and the contribution it makes to subsequent unemployment and reliance on welfare benefits. The discussion provides context for the current political discourse, which is dismissive of younger workers on the margins of the labour market.

4.1 The extent of educational inequality in New Zealand

Experience from both Australia and Europe indicates that youth have been disproportionately affected by the post-GFC employment downturn.[46] This experience suggests not only were younger workers more likely to lose their jobs during the GFC, but that they have not shared in the post-GFC recovery as much as workers of other ages. There are various explanations for this, including the lack of job relevant skills of younger workers, the dominance of older workers in more secure jobs, and changes in the way employers choose workers.[47]

Only some younger workers are missing out in this recovery. Although more are missing out than a decade ago, the same people—those with minimal or low levels of skill and experience—are the ones most likely to be out of work. It will, of course, always be the case that skills and work experience vary across any population and that people who are relatively unskilled and inexperienced are more at risk of unemployment or marginal employment. However, simply accepting such outcomes as natural and even unavoidable, not only ignores the position and life chances of these most disadvantaged people, but avoids addressing the factors that create and to some degree perpetuate this disadvantage.

People don't arrive in their 20s without qualifications and marketable skills for no reason. They have experienced a publicly-funded education system that ostensibly is intended to provide some level of equality of access and opportunity.[48] However, for some reason or for a range of reasons, they have not been as successful as most in acquiring the qualifications and skills that might gain them secure or, indeed, any employment. This inequality of outcome is, of course, one of the contributors to the large number of 15- to 24-year-olds who survive outside or on the margins of the labour market. Addressing their marginality through post-school training and other labour market interventions does not address the reason for the failures these young people experienced as they participated in the compulsory education system; it merely attempts to make up for these. If such failures are not addressed, there is a real chance they will continue to be perpetuated on future generations.

It is clearly beyond the scope of this paper to discuss the nature and causes of the enduring inequality that mars New Zealand's education system. While it probably has a number of root causes, this inequality is manifest in a number of inter-related ways: by ethnicity, by geography, and by income and wealth. To provide some background to a later discussion on the links between educational inequality and poor employment outcomes, the data offered below provides some indicators of the nature of and recent trends in educational inequality.

Table 9 reports the distribution of students' poor attendance at school over the period 2011 to 2015 and by school decile. **Appendix 2** offers this data by local authority area for the same period.

The data offered in **Table 9** shows two main things: the social gradient of poor student attendance and rising relative deprivation, and that little has changed, absolutely or relatively, over the five years covered by this dataset. More than 7% of students covered by this survey[49] failed to attend school at least 75% of the time. The poorest quintile of schools reported almost twice this rate of student absence, while the poorest quintile's absence rate was consistently more than three times that of the wealthiest quintiles.

Table 9: Proportion of students attending school less than 75% of the time–2011 to 2015[50]

Decile of School	2011	2012	2013	2014	2015
1 (poorest)	13.2%	12.8%	14.2%	15.5%	13.7%
2	13.2%	13.2%	12.9%	13.0%	12.1%
3	10.5%	10.3%	10.5%	11.0%	11.2%
4	9.3%	8.6%	9.3%	10.3%	8.4%
5	8.1%	7.9%	8.1%	8.4%	6.2%
6	7.6%	7.7%	7.8%	7.7%	6.9%
7	6.2%	5.7%	6.4%	5.8%	5.3%
8	5.1%	5.1%	5.7%	5.7%	4.8%
9	4.5%	4.1%	4.5%	4.5%	4.1%
10 (wealthiest)	3.6%	3.6%	4.3%	4.3%	3.9%
All schools	7.4%	7.1%	7.6%	7.8%	7.0%
Quintile 1	13.2%	13.0%	13.4%	14.1%	12.9%
Quintile 5	4.0%	3.8%	4.4%	4.4%	4.0%
Ratio Q1/Q5	327%	340%	305%	323%	322%

The relative disaffection of students from poor communities is also shown in data around so-called student engagement— stand-downs, suspensions, exclusions and expulsions of students. **Table 10** and **Table 11** report age standardised rates of these four indicators by school quintile for 2011 and 2015 respectively.

The data offered in **Tables 10** and **11** shows again the social gradient of declining student engagement with rising relative deprivation. While the rates of various responses reported here declined between 2011 and 2015, the gap between poor communities and wealthy communities increased. For example, in 2011 the poorest quintile of schools reported a stand-down rate 4.4 times of that of the wealthiest quintile. By 2015, this ratio had risen to 5.1 times.

Table 10: Student engagement indicators–2011 *(age standardised rates–per 1000 students)*[51]

Quintile of School	1-poorest	2	3	4	5-wealthiest	1 to 5
Stand-downs	43.7	33.9	26.9	18.6	9.9	442%
Suspensions	9.1	7.3	5.8	4.3	1.8	498%
Exclusions	3.8	2.9	2.4	1.6	0.8	502%
Expulsions	2.4	2.3	1.7	1.5	1.0	255%

Table 11: Student engagement indicators–2015 *(age standardised rates–per 1000 students)*[52]

Quintile of School	1-poorest	2	3	4	5-wealthiest	1 to 5
Stand-downs	38.6	29.8	20.2	11.0	7.6	509%
Suspensions	7.8	4.9	3.7	2.1	1.4	546%
Exclusions	2.9	2.0	1.7	0.6	0.5	551%
Expulsions	3.5	2.2	1.2	0.8	1.1	305%

Unsurprisingly, factors such as student attendance and student engagement impact on student achievement,[53] and this relationship is borne out in the social gradients we see in student achievement indicators such as NCEA pass rates. Two of these social gradients are illustrated in **Figure 20** and **Figure 21**.

Figure 20 reports the proportion of students leaving school with less than a NCEA Level 1 qualification for 2011 and 2015. This data is reported on the basis of the decile ranking of the schools the departing students attended. More complete data for the period 2009 to 2015 is provided in **Appendix 3**.

The good news from NCEA results over the past seven years is that the proportion of students leaving without a basic qualification has fallen consistently, and from 2015 results continues to fall. The proportion of students from the bottom three deciles of schools leaving school without NCEA Level 1 has fallen from almost 31% in 2009 to 21% in 2014 to just over 19% in 2015. Over the same period, the proportion of students from the top three deciles of school who also left without NCEA Level 1 fell from 9% to 4%. While the gains have been greatest for the students from poorer communities, the inequality gap as measured in proportional terms has widened. In 2011, the 'failure rate' (those leaving without NCEA Level 1) of the bottom three deciles of schools was 3.8 times that of the top three deciles, but by 2105 this difference had widened to 4.5 times.

Figure 21 and data provided in **Appendix 4** illustrate this achievement gap at the other end of the achievement perspective—that of University Entrance pass rates. The social gradient here is, of course, reversed, with students from wealthier schools/communities doing far better in University Entrance assessment and exams than students from poorer schools in poorer communities. In fact, this social gradient is steeper than the 'failure rate' gradient shown in **Figures 20**, and from all accounts looks to be getting steeper.

In 2011, 13.7% of students attending a decile 1 secondary school left school with University Entrance, compared with 70.9% for decile 10 schools—a gap of just over 57%. By 2015, the University Entrance pass rate for decile 1 students had fallen slightly to 12.9%, while it had risen slightly for decile 10 students to 72.3%—a gap of more than 59%. In proportional terms and when comparing differences between the bottom three and top three deciles, the overall inequality gap has not widened but stayed much the same since 2009. In 2011, students from deciles 8 to 10 schools succeeded in University Entrance at 3.5 times the rate of those from deciles 1 to 3 schools. By 2015, this ratio had narrowed slightly to 3.4 times.

Figure 20: Proportion of school leavers with less than NCEA Level 1–2011 and 2015[54]

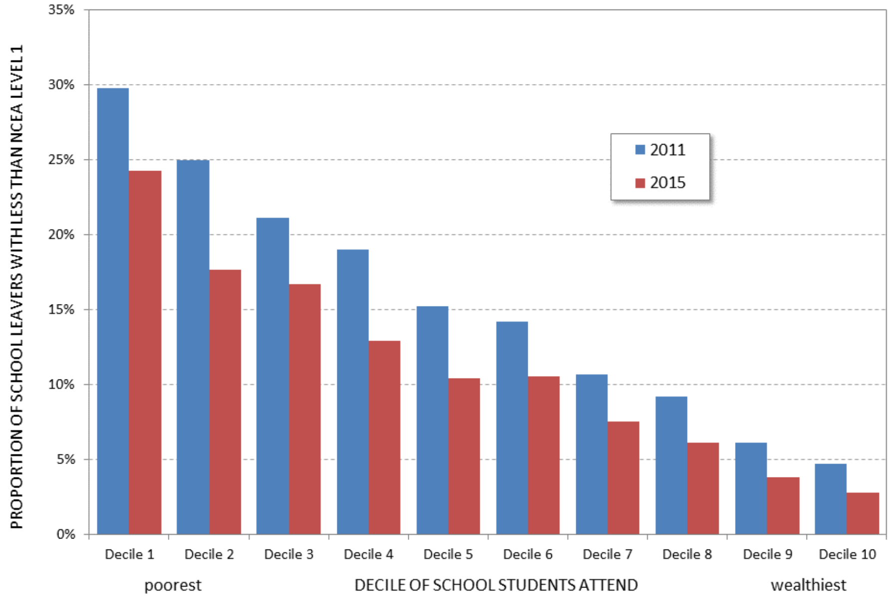
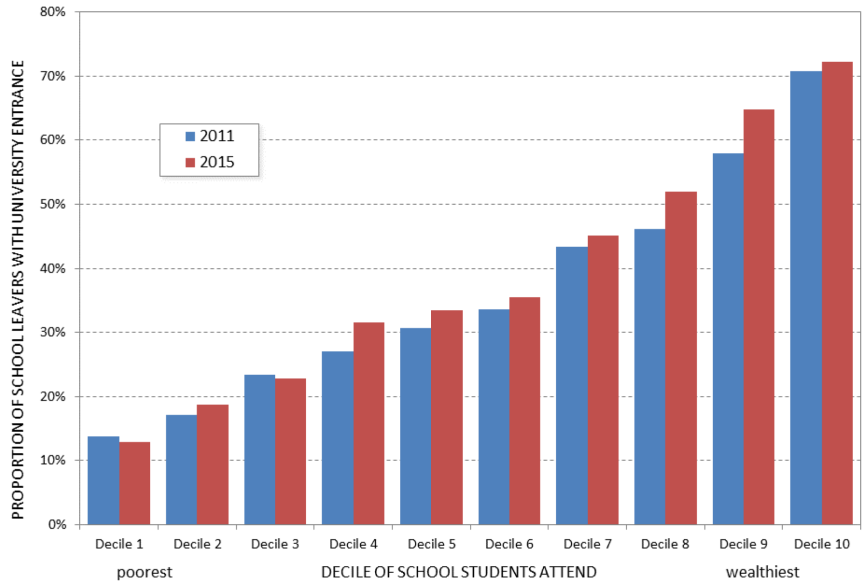


Figure 21: University Entrance pass rates by school decile–2011 and 2015[55]



4.2 Student achievement and benefit dependence.

There is some empirical evidence and well as an intuitive appeal to support the idea that those young adults who have few if any formal qualifications are more at risk of unemployment and of becoming reliant on welfare benefits.[56] The link between leaving school early and without qualifications and receiving a benefit is by no means complete as it depends on the buoyancy of local labour markets to absorb young, unskilled inexperienced workers—and failing this, on the ability of individuals to get onto a benefit.

As indicated in **Figure 17**, there has been a sustained gap between the number of younger workers (aged 15 to 24) classified as NEET, and the number of people aged 18 to 24 receiving a benefit. Typically, benefit numbers only account for two-thirds of NEET numbers, although as shown in **Table 12**, this ratio can vary considerable from region to region. This variability suggests any study of local links between educational achievement and benefit numbers needs to take into account that not every unemployed person gets on a benefit, and that access to benefits appears to vary from region to region. The reason for this regional variation is not clear.

Table 12: A comparison on NEET and benefits numbers by region–2015/16 [57]

	Benefit recipients	NEET - numbers	Benefits as % of NEETS
Northland	2,708	3,300	82%
Auckland	12,985	24,425	53%
Waikato	6,196	7,925	78%
Bay of Plenty	3,812	4,800	79%
Hawkes Bay/Gisborne	3,141	5,275	60%
Taranaki	1,303	1,875	69%
Manawatu-Whanganui	3,647	4,625	79%
Wellington	5,574	8,600	65%
Tasman / Nelson / Marlborough / West Coast	1,465	2,650	55%
Canterbury	4,135	6,425	64%
Otago	1,986	3,075	65%
Southland	1,055	1,400	75%
New Zealand	48,427	74,125	65%

A comparison of localised student achievement data and benefit data suggests some links between the two variables, although the variability of local labour markets and the irregularity in benefit take-up demonstrated in **Table 12** does not make these links compelling.

Figures 22 and 23 illustrate the relationship between student achievement and benefit take up for New Zealand—excluding Auckland, and for Auckland separately. The reason for this separation is partly the sharp difference between Auckland and the rest of New Zealand in the NEET and benefit take-up rates reported in **Table 12** and also because Auckland represents a single, quite buoyant labour market. This second feature may allow a closer comparison of differences in benefit take-up rates without the interference of different conditions arising from isolated local labour markets. This appears to be the case, given that the correlation found for the Auckland comparisons is stronger than for the rest of New Zealand comparisons, albeit that these correlations are not statistically significant.[58]

Both **Figures 22 and 23** have some of the outliers identified in order to provide a picture of which cities or districts (and in the case of Auckland, which local board areas) lay at the extremes of the experiences offered in these scatter graphs. This picture tends to fulfil expectations about which communities have low levels of student achievement and high levels of youth unemployment, and those with the reverse combination of outcomes. There are, as perhaps should be expected, some outliers away from the trend of rising proportions of non-achievement and rising benefit take-up. These include the Horowhenua District, which has high levels of benefit take-up among 18- to 24-year-olds and modest levels of non-achievement, and Otorohanga with the opposite set of outcomes.

Figure 22: Comparison of student achievement & benefit take-up outside Auckland–2015/16[59]

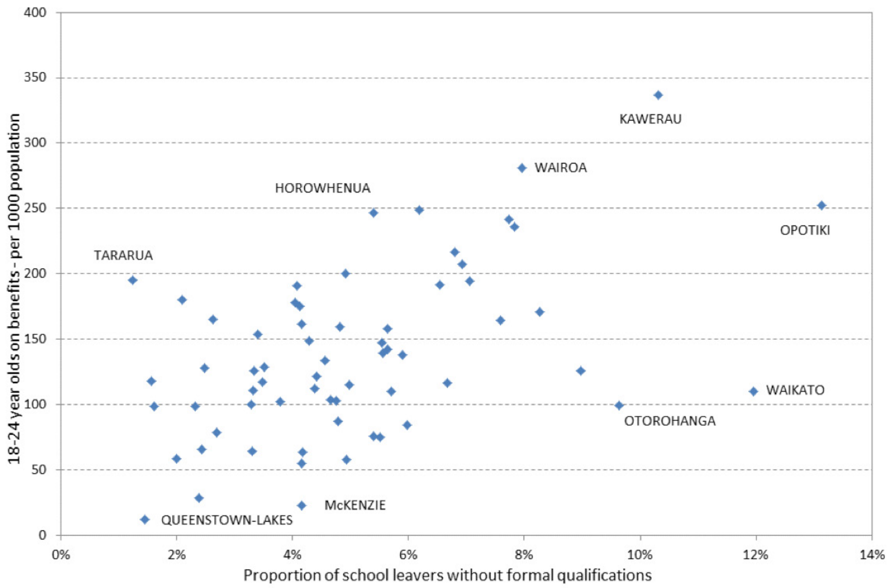
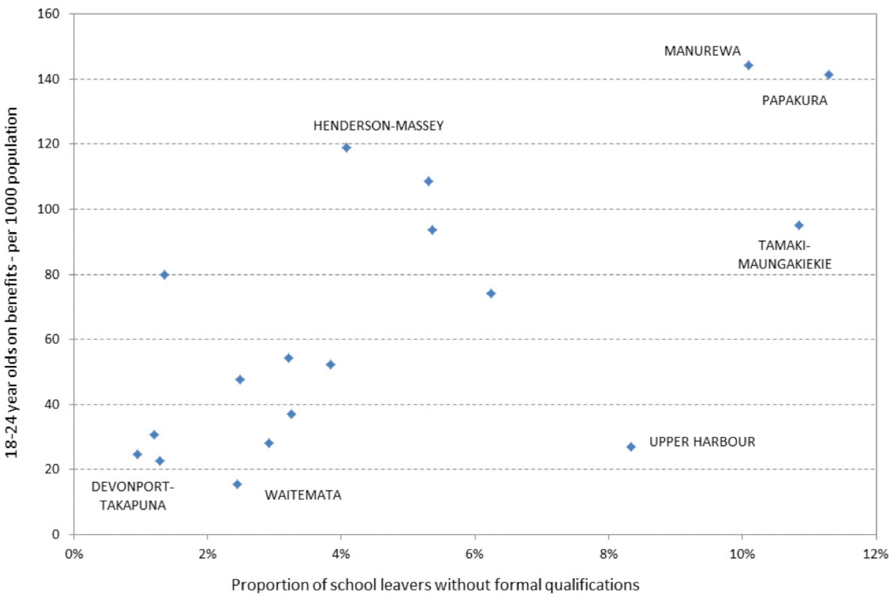


Figure 23: Comparison of student achievement & benefit take-up in Auckland–2015/16[60]



4.3 Some conclusions

There appears to be some link between poor student achievement and higher rates of benefit take-up, especially in Auckland. Poor levels of student achievement and the various pre-cursors to these, such as poor attendance and school suspensions, observe a clear and persistent social gradient. Such poor achievement subsequently translates into poor employment outcomes and in most, but not all cases, into reliance on benefits for periods of time.

The experience of youth and young adults who travel this pathway is often tenuous and constrained. While most young adults who leave school before gaining formal qualifications and/or spend time unemployed eventually find employment by their mid-20s, they can be scarred by these early adult experiences. This scarring can lead to a 'no pay-low pay' existence where they spend time out of work followed by periods in low paid and often insecure employment.[61] It is concerning that the so-called 'wage penalty' of lower subsequent employment incomes can stretch for more than 20 years beyond the period of youth unemployment.[62]

This trajectory of poor or nil achievement at school followed by periods of unemployment, catch-up training and perhaps social marginalisation, starts well before a person reaches the time they can legally leave school. Catch-up training is always necessary to assist those who have been failed by the education system so they can gain and sustain a place in the labour market. However, the present approach of limiting such opportunities to those aged under 20 and of limiting access to student support programmes for those over 20 appears unlikely to completely offer individuals the opportunities they need to compensate for the setbacks they suffered much earlier in their lives.

Migration, skills and the future workforce

This chapter considers the extent and nature of recent migration flows into New Zealand and the extent to which such flows may be displacing New Zealand resident workers. It concludes with a brief discussion of the sectors that might provide the best focus for a more considered approach to matching resident and migrant workers with future job opportunities.

5.1 The importance of immigration for future labour force needs.

To a large extent, employment growth is an outcome of economic growth and productivity changes. Over the past 20 years, New Zealand has enjoyed job growth at an average annual rate of 2%. This rate is a residual of the average real economic growth of 3.5% per year and labour productivity growth of 1.5% annual average.[63]

Of course, nothing in the past can predict the future, although the past can still be a useful guide as to the extent of possible future change. On this basis, some simple forecasting has been undertaken to consider future scenarios around labour supply and demand over the next decade. A summary of this forecasting is offered below.

Figure 24 provides results from a simple analysis comparing labour demand forecasts based on average annual growth rates of 1%, 1.5% and 2%. A hypothetical labour supply forecast is based on there being no migration with current labour force participation rates and present demographic structures. This comparison might be considered the worst-case scenario, but it does illustrate the gap that exists between an entirely feasible demand for labour of over 3 million people and a notional labour supply without migration of 2.6 million people. This gap points to the potential challenge of finding sufficient workers for the New Zealand economy—although before an automatic recourse is made to immigration it is important to consider a number of influences that could close this gap.

The two most compelling influences are the economic growth rate and productivity change. Lower GDP growth and slighter better productivity gains could easily shrink the job growth rate to 1% per annum. Certainly, GDP growth of less than 2% annually risks job growth falling below 1%, meaning the apparent gap between work places and workers shrinks to around 200,000 over the next decade. And this is without any change in participation rates.

Any gains from rising participation rates appear modest on account of the already high rates across much of the working-age population. As well, New Zealand's aging workforce and falling participation with age means the average participation rate across the entire adult population actually falls. These limitations are partly illustrated in **Table 13**, which utilises population estimates and life expectancy tables to forecast the structure of the population without any further migration—either in or out. This forecast runs to 2026.

This scenario building produced a number of useful outcomes. The first is that, unsurprisingly, almost all (84%) of the growth in the adult population will be in the over-65 population. Understandably, this means that even under scenarios of demanding increases in participation rates (to 85% for 20s to 64s), almost one-third of the additional workers in the economy will be aged over 65. In this setting, the number of workers aged over 70 doubles. Under such an optimistic scenario, the number of available workers will only just match a cautious scenario of 1% average annual job growth. However, this apparent matching is without some allowance for unemployment, which has usually been around 250,000 people.[64]

Clearly, then, the need for substantial inward migration will continue, although the extent of such migration should perhaps be tailored to macro-economic indicators such as GDP growth and productivity change, rather than anecdotes offered to politicians by employers.

Ideally, too, immigration policy should be linked to an active labour market policy that has clear and explicit priorities and is based on good information about regional and sectoral job markets. As discussed below, these features appear to be lacking in the current immigration policy settings.

Figure 24: Forecasts of growth in jobs and workers–2016 to 2026[65]

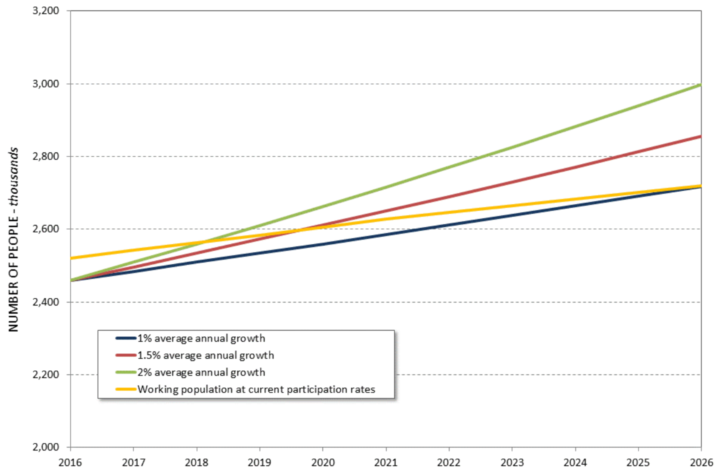


Table 13: Population and labour force participation scenarios to 2026[66]

	Aged 15-19	Aged 20-24	Aged 25-64	Aged 65-69	Aged 70+	Total
Population 2016 *(000s)*	318	349	2406	233	465	3772
Labour force 2016 *(000s)*	148	260	1882	93	49	2430
Participation rates 2016	47%	77%	80%	41%	12%	69%
Population 2026 *(000s)*	322	293	2479	304	751	4150
High participation rates	54%	85%	85%	50%	13%	67%
Labour force 2012 *(000s)*	174	249	2107	152	98	2780

5.2 Characteristics of recent migration priorities

As indicated in the previous chapter, New Zealand has seen a spike in migrant inflows since 2013. These inflows are reported in **Table 14** by the type of visa visitors granted on entry. As **Table 14** reports, the largest increases were in student visas, which rose 89% between 2013 and 2016, and work visas, which increased by 41% over the same period.

However, **Table 14** only reports the visa status of visitors, not the visa administration activities of Department of Immigration. That department provides rich data on this activity, which is used here as the basis of the following analysis of work visas for the five years to 30 June 2016, and in more detailed analysis for the 2015/16 year.[67]

Table 14: Migrant approvals by type of visa–2007 to 2016[68]

June years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Residence	17,156	15,262	14,275	13,117	13,008	13,120	12,244	13,164	13,784	15,198
Student	11,310	13,762	16,148	15,110	16,836	16,007	14,528	18,120	25,785	27,518
Visitor	5,097	5,399	5,167	3,772	4,402	4,326	4,427	4,745	5,121	6,052
Work	20,489	22,668	23,343	19,657	21,275	24,166	27,688	31,132	35,243	39,118
Other	28,648	28,148	29,318	30,649	28,495	26,783	29,348	33,623	35,722	37,169
Total	82,700	85,239	88,251	82,305	84,016	84,402	88,235	100,784	115,655	125,055

The number of visa applications processed by the Department of Immigration is considerably more than the number of long-term migrant visas reported in **Table 14**. The overall number of work visa and permit applications for the most recent five years is reported in **Table 15**. As with **Table 14**, this data shows a continuous trend of rising number of applications and approvals—a 39% increase for both over the five years in question. Consistently, around 95% of applications have been approved. More recently, just one-third of successful applicants have a prior job offer.

Table 15: Work visa and permit applications–2011 to 2016[69]

June years	2012	2013	2014	2015	2016
Number of applications	159,698	166,671	179,566	196,609	221,445
Applications approved	150,080	157,178	169,534	185,924	209,461
% of applications approved	93.6%	94.3%	94.4%	94.6%	94.6%
Approved applications with job offer	38,744	45,766	60,251	60,251	69,022
% of approvals with job offer	25.8%	29.1%	32.4%	32.4%	33.0%

Table 16 reports the number of work visas processed by the Department of Immigration for the year to 30 June 2016 by occupational category. **Table 17** breaks down the most numerous occupational category from this data set—the 'not recorded' category.

Taken together, **Tables 16 and 17** show that in the 12 months to 30 June 2016, over one-third of approvals (35%) were for working holidays, while another 17% were for partners or spouses of residents or New Zealand citizens. Only 38% of all work visa approvals had an occupation category attached to the visa, and of this 38% just 5% was for recognised seasonal work programme.

Of those 71,000 approved work visas that report an occupational category, 44,000 or 62% are for managerial, professional or technical/trade occupations —occupations normally expected to be recruited to meet skill shortages. The remaining 27,000 approved work visas are in occupational categories more often associated with entry-level or semi-skilled jobs. More detailed analysis below breaks down these reported occupational categories to determine the extent to which work visas are being approved for occupations that might easily be taken up by local unemployed people, including the 75,000 15- to 24-year-old NEETS reported in Chapter 3 and **Figure 16**.

Of some note, too, **Table 16** also shows the proportions of approved visas with no record of any labour market analysis to justify the approval on the basis of skill shortages. While this proportion varied considerably in 2015/16 between occupational categories, almost all applications for which no occupational category was recorded had no recorded labour market check. This suggests that consideration of these applications completely disregarded their impacts on local labour markets.

Table 16: Working visa applications–year end 30 June 2016[70]

Occupational category	Applications received	Approved	Declined	% approved without recorded labour market check
Clerical & Administrative Workers	2,540	2,381	159	65%
Community & Personal Service Workers	12,642	12,100	542	74%
Labourers	7,332	6,513	819	64%
Machinery Operators and Drivers	2,283	2,021	262	44%
Managers	11,851	10,943	908	58%
Professionals	17,097	16,634	463	61%
Sales Workers	2,930	2,745	185	63%
Technicians and Trades Workers	18,592	16,518	2,074	53%
Outside definitions	1,196	1,176	20	94%
Not recorded	144,982	138,430	6,552	100%
Totals	221,445	209,461	11,984	87%

Table 17: Approval category for 'not recorded' working visa approvals–year end 30 June 2016[71]

Application category	Visas approved
Recognised seasonal workers	9,747
Partners or partnership	35,420
Working holidays + variations	72,782
Other visa variations	10,502
Other application categories	9,979
Total approved	138,430

5.3 Immigration, entry-level skills and local training

As already noted, 27,000 of the 71,000 work visas approved during 2015/16 and for which occupational classifications were reported are in occupational categories that might be filled by local workers with entry-level skills. While the skills of workers in any occupational category (as in any specific occupation) can vary considerably, it is clearly the case that some occupations and categories of occupations have skill requirements that might be met through short, focused pre-employment courses and/or with on-the-job training. A set of such occupations and the number of work visas approved for these during 2015/16 is provided in **Table 18**, which shows that almost 10,000 work visas were approved in this selection of occupations during 2015/16.

Table 18: Visas approved for occupations with entry-level skills–year end 30 June 2016[72]

Occupational category	Occupation	Visas approved
Clerical	Accounts clerk	118
Clerical	Call or contact centre operator	121
Clerical	Hotel or motel receptionist	201
Clerical	Personal assistant	210
Community & personal services	Aged or disabled carer	1,005
Community & personal services	Bar attendant	102
Community & personal services	Beauty therapist	120
Community & personal services	Hospitality workers nec	124
Community & personal services	Personal care assistant	329
Community & personal services	Waiter	452
Labourer	Builder's labourer	359
Labourer	Cleaners & commercial housekeepers	613
Labourer	Dairy cattle farm worker	876
Labourer	Deck hand	895
Labourer	Domestic housekeeper	313
Labourer	Fast food cook	109
Labourer	Meat processing worker	514
Labourer	Vineyard /winery worker	443
Machinery operators & drivers	Bus drivers	102
Machinery operators & drivers	Delivery drivers	47
Machinery operators & drivers	Truck drivers	651
Sales	Checkout operator	31
Sales	Car salesperson	33
Sales	Retail supervisor	1,693
Sales	Sales assistant	362
Sales	Service station attendant	39
TOTAL		9,862

There are a number of more skilled occupations for which it would seem relatively easy to train New Zealand residents, instead of resorting to immigration to fill apparent skill gaps. These are listed in **Table 19**, along with the number of work visas approved for these occupations during 2015/16. In particular, the recruitment of overseas skilled workers in the building and engineering trades listed in **Table 19** should be seen in the context of the reduction in apprentice numbers between 2009 and 2012, reported in **Figure 9** and **Table 6** above.

Table 19: Visas approved for selected managerial & trades occupations–year end 30 June 2016[73]

Occupational category	Occupation	Visas approved
Managers	Cafe or Restaurant Manager	2,045
Managers	Customer Service Manager	291
Managers	Dairy Cattle Farmer	2,253
Managers	Hospitality, Retail and Service Managers nec	318
Managers	Retail Manager (General)	2,369
Technicians & Trades Workers	Baker	351
Technicians & Trades Workers	Bricklayer	135
Technicians & Trades Workers	Carpenter	1,661
Technicians & Trades Workers	Chef	4,218
Technicians & Trades Workers	Cook	543
Technicians & Trades Workers	Diesel Motor Mechanic	275
Technicians & Trades Workers	Drainlayer	50
Technicians & Trades Workers	Electrician (General)	406
Technicians & Trades Workers	Fitters - overall	482
Technicians & Trades Workers	Hairdressers	265
Technicians & Trades Workers	ICT Customer Support Officer	826
Technicians & Trades Workers	Landscape Gardener	83
Technicians & Trades Workers	Metal Fabricator	274
Technicians & Trades Workers	Motor Mechanic	380
Technicians & Trades Workers	Painting Trades Worker	408
Technicians & Trades Workers	Plumber	183
Technicians & Trades Workers	Roof Tiler	68
Technicians & Trades Workers	Wall and Floor Tiler	215
Technicians & Trades Workers	Welder	184
TOTAL		18,283

5.4 A future focus

The occupations in the lists offered in **Tables 18 and 19** appear to centre on four economic sectors that have clear pressure for additional skilled and semi-skilled worker, as well as work-ready new entrants. These sectors are:

- aged care
- dairying
- building
- hospitality, especially tourism.

The prospects for these sectors are mixed, given the different forces driving them.

The aged care sector is being driven by an aging population. Demand for aged care services is likely to accelerate beyond 2030 as the Baby Boomer generation begins to reach 85—the years typically associated with the need for living assistance and residential care.[74]

The most recently available data on the dairy industry suggests that it has an increasing dependence on migrant labour. While the industry has continued to expand in the face of falling dairy commodity prices, this growth is outstripped by an apparent increasing demand for immigrants to work on dairy farms. Between

2010/11 and 2014/15 dairy cattle stock numbers rose 11% to 5.02 million head and milk production grew 23% to 21,237 million litres. Total employment on dairy farms over this period rose 15% to 24,750 workers, while approvals for work visas for dairy farm workers rose 89% from 1775 in 2010/11 to 3,358. As a share of total employment, approved work visas has risen from 8% to 2010/11 to 13% in 2014/15. Summary data on the dairy industry is offered in **Appendix 5**.

The building sector's demand for labour is now shifting from Canterbury to Auckland as the rebuild winds down[75] and as Auckland's unmet housing and infrastructure demand begin to be addressed.[76] Much of this unmet demand is due to migration into Auckland, which means that, somewhat ironically, migration is creating demand for more migration—at least under current policy settings.

Demand for labour in the hospitality sector and retail sectors is probably only partly due rising tourism numbers. Although the regional distribution of approved visas is not entirely identified in the data available, it does appear that around 45% of the visa approvals for workers in the hospitality sector are in Auckland, yet that region only accounts for 20% of the tourist guest night in hotels/motels etc[77].

It seems timely to consider planning for the future labour demand of these four sectors. This would be worthwhile to avoid the stop-start approach to apprenticeships that we have seen since 2009, to provide better prospects and more certain opportunities for school leavers and those 75,000 15- to 24-year-olds surviving on the margins of the job market, and to avoid a knee-jerk and poorly considered approach to our immigration policy. This idea of a planned and more considered future is discussed in the following chapter.

Re-focusing our labour market policies

This chapter is more prescriptive than descriptive, offering ideas around how labour market and immigration policies might be improved to deliver better employment outcomes for younger workers. To provide some context, some of the information offered in earlier chapters is repeated here.

6.1 Current labour market policy settings

Recent New Zealand governments have pursed labour market policies with four main strands:[78]

1. Establishing a regulatory framework for the labour market and the support of this framework through State institutions.
2. Building skill levels in the workforce.
3. Addressing skill shortages.
4. Incentivising welfare beneficiaries to seek employment.

Within this overall framework, the present Government's priorities appear to be focused on three elements:

1. Reducing the number of people receiving working-age welfare benefits, in part through more stringent work testing requirements backed by threats of sanctions
2. Focusing work-related training programmes on unemployed people under 20.
3. Increasing the number of migrant workers to meet employer requests to fill skill shortages which they report.

These responses are considered in more detail below.

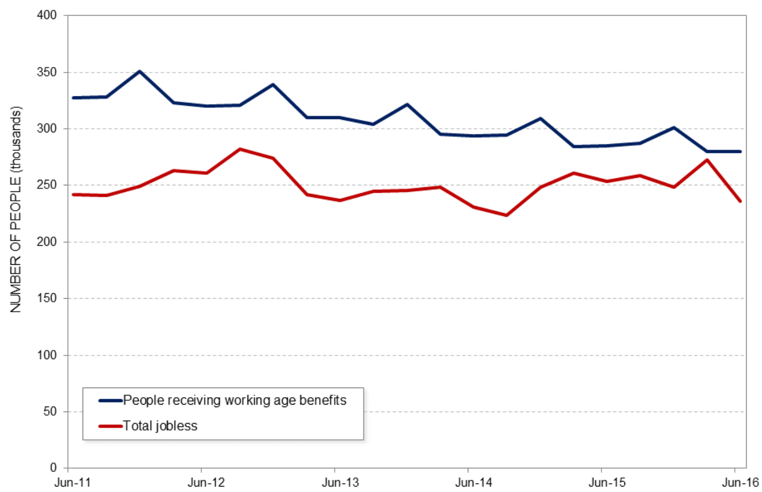
6.2 Reducing the number of people on benefits.

The Government's welfare reform agenda has explicitly been focused on reducing alleged benefit dependency and, in particular, such dependency among young adults aged 18 or younger.[79] In support of this objective, the Government has adopted an 'investment approach' that targets spending toward the objective of better equipping individuals to gain and retain paid employment. The focus on training for those under 20 is part of this approach, as noted in Chapter 2.

Since the welfare reform process began in late 2012, the number of people receiving a working-age welfare benefit has fallen from around 325,000 to 290,000.[80] This decline has been heralded as a success by Government simply by virtue of a smaller number of beneficiaries, not as a result of any research showing that the people concerned are better off.[81] The number of people who might be said to be unemployed under a broader measure offered in the Household Labour Force Survey has tended to remain at around 250,000 for most of the past five years. The trends in unemployment and benefits numbers over the past five years are reported in **Figure 25**. The data offered in **Figure 25** suggests benefit numbers have fallen by 40,000 to 50,000 over the past five years. At the same time, broadly defined unemployment figures have remained fairly constant.

Treasury forecasts of benefit numbers from its 2016 Budget Papers suggest that despite fairly robust expectations of job growth, benefit numbers are unlikely to fall much further—at least over the next four years. By the 2019/20 financial year, Treasury is expecting benefit recipient numbers to fall by around 20,000 to 274,000, while over the same period aggregate employment growth is forecast to be just under 8%.[82]

Figure 25: Benefit dependency and joblessness–2011 to 2016[83]



6.3 Focusing training for under 20s

Chapter 2 considered the recent history of education and training for under 20-year-olds. The key points to emerge from the investigation offered in that chapter are that:

- The number of people under 20 engaged in education or training has risen slightly, by around 1,000 over the past eight years. Within this slight rise has been an increase in the number of students attending universities or PTEs, with an offsetting decline in numbers going to polytechs or technical institutes (see **Table 1**).
- This shift in attendance patterns appears linked to what might be termed the hollowing out of the training and educational pursuits of those aged between 15 and 19. This hollowing out has seen a greater share of students working toward qualifications at Level 1 to 3, and fewer working toward qualifications at Level 3 to 7. In 2008, 49% of students under 20 were working toward Level 3 to 7 qualifications, declining to 35% by 2015. Over the same period, the proportion of such students seeking to gain a Level 1 or 2 qualification rose from 16% to 27% (see **Table 2**).
- Between 2011 and 2015, TEC substantially shifted its age focus for designated training programmes that are generally for people needing to gain entry-level skills or gain skills mainly offered at school. This shift in focus saw the total number of people on these programmes drop from 28,000 in 2011 to 14,000 in 2015, with all these losses among people over 20 (see **Tables 3 and 4**). At the same time, overall budgets were maintained, suggesting more resource was being put into fewer people. This focus is consistent with the Government's welfare reform agenda and its so-called 'investment approach' to get younger adults off welfare benefits.

6.4 Increasing the number of migrant workers

Chapter 5 outlines some of the recent history of New Zealand's immigration and, in particular, analyses the links between this immigration and migrant skills.

Over the past three years, the Government approved an average of 114,000 migrant visas against an average of 84,000 such visas over the previous decade. An increase of this scale is not due to policy miscalculation, so must be seen as a deliberate shift in policy priorities. The reason, and even any announcement that a shift in policy has occurred, has not been given—the change has simply happened.

Migration increases of this order are bound to have an impact on local labour markets, yet there appears to be little regard for such impacts in the way immigration policy is being administered. Only 13% of work visa approvals record an assessment of the need for that migrant's skills. Whether or not such assessment has been done is unknown, although it seems unlikely. It is also the case that only one-third of successful work visa applicants have a prior job offer at the time of their application.

6.5 A more comprehensive labour market policy

At any given time, around 75,000 people under 25 are out of work and not in employment, education or training. This age group makes up 30% of the approximately 250,000 people who are out of work but would take work if it was available. These outcomes are occurring in the face of $2.9 billion spent annually on training, tertiary education and student allowances. This unemployment is also in the face of a recent change in immigration policy where record numbers of migrants are being permitted into the country with little or no regard for the impact of this migration on local labour markets. Against this, however, it should be acknowledged that it seems likely New Zealand, with its aging workforce, will face labour and skills shortages over the next decade.

These three policy challenges: a large group of poorly skilled younger workers, immigration pressure and looming skills shortages suggest a more comprehensive and connected policy approach is required. Such an approach is needed to ensure that few, if any, New Zealand residents are excluded from the labour market, and that we have sufficient workers to fill the jobs created by a growing and changing economy. The present Government's policy approach is not entirely clear in this regard, partly because its priorities have not been explicitly stated. Government priorities have simply changed, with the public finding out about these changes after the fact. The way forward should include both a more open approach to identifying relevant challenges, along with a more public identification of priorities.

Such an approach might be achieved through a more deliberate adoption of active labour market policies (ALMPs). It appears present Government programmes already follow some recognised ALMPs, although these have not really been framed politically as such. Part of the reason for this may be the Government's political philosophy that disdains unnecessary interference in markets. In terms of political messaging this can mean it is seen as better to intervene on a selective and pragmatic basis without highlighting such interventions.

ALMPs have been justified in policy terms as a means of reducing imbalances and counteracting rigidities and distortions in labour markets. They achieve these outcomes in four main ways by:

1. Facilitating the matching process between employers and potential employees in order to minimise the search costs involved with filling job vacancies.
2. Maintaining the effective supply of labour principally by keeping those on the margins of the labour market connected to it.
3. Affecting higher labour demand by increasing the number of jobs available.
4. Boosting productivity—of individuals and the economy overall.[84]

This is a fairly broad definition of ALMPs that appears to have reduced in scope and ambition since 1980s when the idea of active, rather than passive labour market programmes became the focus of policy attention.[85] In particular, the idea of the State being able to productively create or directly influence the supply of jobs has fallen into disrepute, perhaps mainly because of limited evidence of any success.[86]

Active labour market policies can be viewed in terms of what they do or what they are. For example, Johri et al. in reference to New Zealand's active labour market programmes in the early 2000s suggest programmes can be classified according to what they do. They identify programmes according to whether they are 'capacity building' (enhancing the supply of labour), 'opportunity creation' (enhancing the demand for labour) or 'matching' (bridging the gap between supply and demand).[87] Alternative 'what they are' type descriptions typically distinguish between programmes that:

- provide training either in classroom settings or on-the-job
- offer support with job searching
- subsidise employment in the private sector, including the employment of people with disabilities
- create jobs within the community or public sectors.[88]

Since the GFC and the legacy of much higher youth unemployment rates, the focus and narrative around 'active' and 'labour market policies' has turned toward the idea of activation. Some authors have used the terms 'active labour market policies' and 'activation' interchangeably and without distinction,[89] while others have explicitly noted the difference.[90] Essentially, activation attempts to link labour markets to welfare policies that at the more punitive end include stringent work testing/job search requirements backed by welfare-to-work sanctions. It is, however, possible to extend the idea of activation from the unemployed individual and their responsibility to look for work, to wider obligations and entitlements around work and the social wage (such as subsidised child care), and even to the idea that any activation should apply to all of society's resources being mobilised toward full employment and shared prosperity.[91]

If more active labour market policies are to be adopted, it is useful to see where and why such an approach should start. From the analysis offered in the preceding chapters, a number of issues or challenges emerge, which are discussed below.

Between school and work

Despite spending around $300 million annually on designated training and engaging almost 15,000 young adults in these programmes, a further 25,000 people aged under 20 are not in employment, education and training at any one time. Furthermore, five years later, twice this number (around 50,000) in this age cohort are NEET. While the 50,000 people aged 20 to 24 may be different people than those who went through training or were NEET as 15- to 19-year-olds, it seems likely that there is a pool or sub-population of 15- to 24-year-olds who spend some or much of their time unemployed or marginally employed.[92] This suggests the training being offered—whether through TEC-funded programmes or through tertiary education institutions—is not sufficient to equip people to gain and sustain employment. There is also evidence this group is likely to spend much of their working life on the margins of the labour market in uncertain and poorly paid work mixed with periods of unemployment.[93]

This group of at-risk young people can be easily identified at school, so it seems desirable to re-double efforts to ensure they gather the necessary skills and qualifications to obtain meaningful well-paid work after leaving school. In particular, it should be the case that no young person is permitted to leave school to a future without work or further education or training. This expectation should be understood not just for the young people involved, but for our wider society as well. This is the broader activation discussed above.

Clearly, this will require far bigger budgets than the $300 million allocated each year to designated training programmes through TEC and the $110 million paid in student allowance to students under 20.[94] Such a move will require at least the doubling of places in designated training programmes in polytechs, wānanga and PTEs, and perhaps with this a doubling of the number of 15- to 19-year-olds receiving a student allowance. Offsetting these costs will be the savings delivered from fewer welfare benefits being paid, along with reducing indirectly-related costs from crime and other anti-social and self-destructive behaviours.[95]

Apprenticeships

The decline in apprenticeships between 2008 and 2012 (see **Figure 9**) is regrettable and probably means that around 20,000 people are not tradespeople when they otherwise may have been. This collapse in training effort points to poor planning on the part of Government and also from the industries that require skilled tradespeople. In addition, it seems odd that little more than one-third of apprentices are aged under 20 (see **Table 5**), when it is perfectly feasible for school leavers to commence apprenticeships on leaving school.

Although apprenticeship numbers have risen since the low of 2012, greater effort is still required to lift numbers sufficiently to offset the apparent need to approve 16,000 visas for technical and tradespeople each year (see **Table 16**). Ideally, such a move should be part of a more ambitious programme of connecting school leavers to work or further training and should be tied to more deliberate industry-specific plans for their workforce needs. Additional financial incentives to employers to take on apprentices may be required as part of this expanded programme.

Industry labour force plans

It is difficult to know what is driving current immigration policy settings, although it seems employers are lobbying Government for more liberal settings. Migration is the soft option if we think about the future of 'New Zealand Inc'. Simply continuing to import apparently skilled labour to fill current skill and labour shortages is an easy, short-term solution, but it avoids the broader society-wide issues of what to do about the skills deficit of hundreds of thousands of New Zealanders and of accommodating and catering for the needs of migrants. While individual employers are not to blame for the shortages of suitably skilled and focused workers, industry sectors cannot be so easily excused given that it is often industry groups lobbying for changes to immigration policy.[96]

Such lobbying is entirely valid, but if lobbyists are to argue for changes in public policy settings their case should be based, in part, at least on public good arguments. And such arguments should have a broader longer-term perspective than just the immediate interests of a business sector. Such a perspective should balance employers' calls for higher migration approvals with their efforts to provide training opportunities and work experience for New Zealand residents.

An excellent example of such a perspective is the workforce strategy produced by the Tourism Industry Association.[97] This strategy offers a long-term perspective of labour supply and demand issues affecting the sector. These are based on well-considered forecasts of the sector's growth and changing structures. The strategy concludes with 24 tangible action points. The experiences and expectations of employers are offered as the basis for the strategy's focus and priorities, but little attention has been paid to the experiences and expectations of employees.

In contrast, industry sectors such as aged care, construction and dairy farming, which feature prominently in work visa approvals, do not appear to have any well-developed industry-wide labour force plans.[98] While most sectors have industry training organisations (ITOs) to plan for and to some extent provide for their industry's training needs, the broader questions of industry responses to immigration policy are outside their brief. The absence of any overall view of what an industry needs and expects in terms of workers, along with where it expects to recruit them from means training efforts and targets can be disconnected from attempts by industry lobbyists to increase the supply of migrant workers.

There is also something of a disconnect between the expectations and needs of school leavers and training and tertiary education providers on one hand, and between these providers and employers on the other. Ideally, the strategy, planning and contracting work of TEC closes these gaps. In most cases, school leavers leave school with some idea of the occupation they wish to pursue or the industry they want to work in, but no idea of the actual job they will first do when they finish their training or education. But in the case of the most marginalised school leavers, even this initial sense of direction may not be present. Overall, this means school leavers and others in training and education are gaining knowledge and skills that may or may not be useful for the job market they hope to engage in.

Two useful examples of where attempts have been made to bridge this gap between students' career aspirations and employer' expectations of skills and work readiness are Onehunga High School's building and construction pre-apprenticeship training programme for Year 12 students, and Auckland Council's Māori and Pasifika Trades Training Programme as part of its Southern Initiative.[99]

Ideally, some effort should be made by industry-wide organisations to develop industry-specific labour force plans. Although TEC is now requiring ITOs to develop

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industry training plans as part of their funding/investment model, the required content of such plans still appears generalised and high level.[100] And while efforts at developing a workforce development strategy by the tourism industry provides an excellent starting model for industry labour force plans, this strategy still lacks specific content to identify the budgets and programmes required to deliver on the identified priorities.

Promoting the content of an industry workforce plan is beyond the scope of a report such as this, but such a plan might identify the following:

- forecasts of future labour needs and, based on these, forecasts of the required number of new entrants into the industry along with the desired skill levels of these new entrants
- training requirements to equip new entrants with the necessary skills, and to update and improve skill levels of the existing workforce
- pathways and providers to ensure new entrants and the existing workforce have the necessary skills
- identification of who could be targeted as likely new entrants, and the mechanism for their recruitment—specifically whether this recruitment is through entry-level training or immigration.

6.6 Making immigration policy settings more public

As noted above, net migration numbers and particularly the granting of migrant visas have risen over the past three years to the highest on record. The scale of these increases cannot simply be due to a poor calibration of existing policies. For example, total approvals for visas for new migrants rose from an average of 84,000 for the decade to June 2013 to an average of 114,000 over the subsequent three years—an increase of 36%. An increase of this order is not simply the result of more people applying for residency or other migrant status under old policies that offer little discretion to decline their applications. Unless there is evidence to the contrary, this recent rise in migrant numbers must be seen as due to a shift in policy—a decision made either by politicians or bureaucrats to allow more people to migrate to New Zealand.

As already noted, this policy shift has not been signalled through any public announcement or debate. It also appears to have taken place with little or no regard to the impacts of such migration on labour markets, or on demand for infrastructure and housing—especially in Auckland.

Even rudimentary forecasts of labour demand suggest New Zealand will experience skill and labour shortages over the next decade. The public policy question we face is therefore not one of whether or not migration should occur, but at what scale it should be kept to and for what purpose. If one of the purposes of immigration policy is to ensure sufficient people to fill the jobs created by a modern, growing economy, there should be closer alignment between medium-term immigration policy settings and labour market conditions. There is no evidence of such alignment in the present approach.

There will almost inevitably be a tension between the needs and expectations of workers who are New Zealand residents and those of recent migrants seeking or taking up work. This tension should be recognised in the public policy debate, with the priorities to be pursued and the policy settings to be adopted identified explicitly. To ignore such tension risks the public debate being ill-informed and becoming more divisive. Such a debate would reflect badly on the diverse and generally tolerant country New Zealand has become and is not worthy of us.

Conclusions and recommendations

This report has focused on the position of younger workers in the post-GFC labour market and on Government's response to the challenges these young people are facing to find and keep jobs. The main points from the investigation undertaken in this report are:

- **The GFC disproportionately impacted on younger workers, especially those under 20.** Total employment among this group fell from around 150,000 people in jobs in 2007 to 122,000 in 2009 and a low of 102,000 in 2012 and 2013. By mid-2016, this total employment had only recovered to 115,000 workers—23% lower than prior to the GFC.
- **Unemployment among 15- to 19-year-olds has perhaps been disguised by an apparent structural fall in their officially defined rate of labour market participation.** This rate fell from an average of 54% between 2003 and 2007 to an average of 45.7% from 2012 to 2016. This 8.3% fall represents approximately 25,000 people. If this number was included in the ranks of the unemployed instead of being 'officially defined away', the employment rate for 15- to 19-year-olds would lift from its official rate of around 20% to over 30%.
- **Over the past decade, the total number of NEETs has stayed at around 75,000 people, although the proportion over 20 has increased and the proportion under 20 has decreased** due to changes in Government's training policies. (NEETs are defined as 15- to 24- year-olds not in employment, education or training.)
- **Of the 75,000 people out of work training or education, only two-thirds (around 50,000) receive a welfare benefit.** This somewhat contradicts claims made by some uninformed media commentators who suggest that it is too easy to get on the dole.[101]
- **As the job market improved, post-GFC, younger workers have not seen the same recovery in their employment prospects.** Of the 250,000 jobs added into the economy since the GFC, just over 1% (around 3,000) have gone to 15- to 24-year-olds.
- This experience of disproportionate job losses for under-20s from the GFC and limited sharing in the subsequent recovery is shared with Australia and some parts of Europe. It has so far been interpreted as a cyclical rather than a structural change.[102] **There is consistent evidence that the impact of these higher unemployment rates among an age cohort that was in its late teens around the time of the GFC will scar these people and leave them disadvantaged in the labour force for some time.**[103]
- **Young people not in employment have, in effect, stayed at school longer or continued past school into training or tertiary education.** The proportion of 15- to 19-year-olds staying at school rose from 52% in 2006 to 56% in 2015, and remaining at just under 180,000 students since 2010. It is possible this trend started before the GFC and may represent a structural change where young people and their families make a decision to invest more time and effort into training before entering the workforce.
- **Participation in training and tertiary education by younger adults (under 25s) is not just a matter of choice but also of the opportunities offered by Government policies and priorities.** These policies and priorities have

changed significantly over the past five years with little public awareness. The most important changes are:

- a sharp decline in apprentice numbers between 2008 and 2012 (of one-third, 17,000 people) and slow recovery since 2012
- an increase since 2012 of around 5,000 people (almost 50%) in the number of under-20s in entry-level training programmes offered by private training establishments (PTEs)
- a complete collapse in the number of people over 20 in these programmes since 2012
- **a 25% decline in the number of tertiary students receiving student support assistance, with the Government reducing student support budgets by $176 million per year.**

- **Since 2012, the Government has essentially shifted its training emphasis exclusively to those under 20 at the expense of those over 20**. This shift is consistent with a broader welfare reform agenda almost entirely directed to reducing long-term benefit dependency, and mainly by focusing on the behaviours and choices of at-risk school leavers. The fact that there is consistently around 50,000 20- to 24-year-old NEETS and that this age group is likely most affected by cutbacks in student support payments, points both to the lack of success in earlier training efforts (as 15- to 19-year-olds) and to a lack of interest in this age group from Government. This lack of interest is perhaps reflected in the Government's Better Public Service targets, which set an objective of lifting the proportion of under 19-year-olds with Level 2 NCEA to 85%.[104]

- **There is a noticeable although not conclusive link between educational failure and benefit dependency among 18- to 24-year-olds.** There is certainly evidence that those leaving school with few, if any, formal qualifications will struggle to gain secure well-paid employment. This is probably to be expected in a job market that requires higher and higher skill levels. But at the same time, **it is clear that the ethnicity, geography and the relative poverty or wealth of the community in which a child grows up do influence who ends up at the bottom of the labour market—with few relevant skills, and either unemployed or in precarious low-paid work.** For example, a school leaver who attended a school in the wealthiest 30% of schools is 3.4 times more likely to leave school with University Entrance than a student leaving from the poorest 30% of schools. These gaps show little signs of narrowing and point to the structured nature of inequality in our education system. Such inequality is subsequently transferred into tertiary education and the job market.

- **Net migration reached a record level of 71,000 during the year to 30 June 2016.** Over the past three years net migration has averaged 52,700. While some of this net flow is due to returning expatriate New Zealanders, the largest impact is from increasing number of migrants from other countries. Over the past three years, an annual average of 114,000 visas were approved for people to settle or work in New Zealand, against an annual average of 84,000 for the previous decade. **Clearly, the immigration tap has been turned up since 2013** (see **Appendix 6** for background data).

- **Yet this immigration policy shift appears remarkably disconnected from the poor fortunes of younger workers in the labour market and the persistence of 75,000 under-25s not in employment, education and training.** Of 221,000 applications for working visas received by the Department of Immigration during the year to 30 June 2016, almost 95% (209,000) were approved. Of those, just one-third had prior job offers at the time of application. As well, labour market checks to ensure that applicants met skill criteria were recorded against just 13% (less than 28,000) of successful applicants.

- **Of 209,000 working visas approved during 2015/16, almost 10,000 were for occupations such as labourers, aged care workers and retail assistants that could have been filled by the 75,000 under-25s not in work.** In addition, around 6,000 of the 11,000 approvals for people as managers included people to work as managers of cafés or shops or as dairy farm workers.
- **The need to approve visas for 16,500 technicians and tradespeople over the year to 30 June 2016 should be considered in the light of the fall in apprentice numbers** by 17,000 between 2008 and 2012.
- **Future workforce forecasts point to a continuing need for immigration to provide not only essential skills in short supply, but also workers to fill the places left by an aging population.** However, persistent unemployment among younger workers and the difficulty many have in finding a place in the labour market suggest their needs are not being given sufficient importance when decisions are made around immigration policy settings. In framing our recommendations for this report, we believe this lack of importance (which could conceivably even be described as indifference) should change.

Our recommendations are as follows:

1. **Addressing educational inequality:**
   Young adults who end up unemployed or marginally employed upon leaving school have generally struggled to learn at school, have left with few qualifications and often struggled to be functionally literate and numerate.[105] This disadvantage is structural, embedded in the way we run our schools—and enduring, in that it shows few signs of change. **There is a clear ethnic, regional and socio-economic basis to this inequality, given that Māori and Pacific Island students in poor communities are three to five times more likely to suffer from poor educational outcomes**. Addressing both the underlying source of this inequality and its effects within the compulsory school system should be the first priority of education policy.
2. **Connecting school to work:**
   The interface between school and work is critical to the success of young people in gaining and retaining meaningful employment. This interface needs to be managed radically differently if school leavers without basic skills are to meet the expectations and needs of employers. This radical change should involve **a more deliberate pathway for school leavers into identified employment or further training**. In essence, it should become the expectation of school leavers and the wider society that **no school leaver leaves school to nothing**—no job, no training, no income. Training and educational programmes up to Level 3 should be freely available and not subject to course fees for participants without previous Level 3 qualifications. **Young adults under 20 should be provided with income support to train, regardless of the level of the course they are pursuing and where their family is unable to support them. The running down of the student support programme over the past five years should be reviewed as a first stage in this policy shift**.

3. **More apprenticeships and younger apprentices:**
Consistent with this training-first approach for under 20s, there should be a far greater emphasis on apprenticeships and other forms of specific skills-based and work-based training options. In particular, **an emphasis should be paid to placing school leavers directly into apprenticeships**, rather than waiting until they reach their 20s to gain such entry (see **Table 5**).

4. **Explicit and public immigration policy settings:**
Immigration policy settings need to be more explicit and more transparent, and based on strong prior evidence of labour market requirements. Ideally, these settings should have a three-year horizon and be reviewed annually on a rolling basis. Advocates for policy changes through this review process should be required to provide sound evidence of the need for change. This evidence should include **proof of skill gaps and the inability to fill these gaps** through the use of training programmes for New Zealand-resident workers.

5. **Industry specific workforce plans:**
While New Zealand's skills needs and shortage are likely to be widespread over the next 10 to 15 years, there appear to be sectors with either a number of specific and unique skill needs, or with a clear perspective or forecast of future labour demand. Some sectors appear to be prominent in seeking higher immigration levels to meet current skills and labour shortages, but perhaps have not been effective in planning for their skill needs and providing local training and recruitment opportunities for young New Zealanders. Ideally, **skills and labour recruitment through immigration should be a secondary response following a first resort to structured and industry-directed training pathways.** Such an approach requires industry collaboration and the development of industry-specific workforce plans. It will, most likely, also require some level of Government leadership. Sectors where such an approach appears to be of benefit include the aged care sector, the building construction sector, dairy farming, and the tourism-related hospitality sector.

There may be a tendency or impulse to blame migrants for the difficulties tens of thousands of young New Zealanders are facing to find and retain worthwhile employment. Many migrants are themselves vulnerable to the risks associated with poorly paid, casualised work that is often also taken up by younger, unskilled New Zealanders. The fault, if there is one, lies not with migrants but with migration policies that appear to pay scant regard to local labour market conditions. As a first step in improving conditions for the most vulnerable in the labour market, some effort should be made to regularise the residency and work status of those with temporary visas, especially if they have a strong work history and solid relationships with employers and local communities.

The challenge going forward is to ensure that our labour market policies are designed to meet the needs of all those already living in New Zealand in order to maximise their contribution to New Zealand society. As a first step toward such a position, we need to hold an open and frank debate around the challenges we face and the implications of the options before us. We believe New Zealand's leadership, both in government and in opposition, are well placed to lead such a debate dispassionately, amicably and inclusively.

APPENDIX 1: People receiving student support payments by age–2006 to 2015[106]

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Under 20	11,390	13,020	14,016	18,414	20,333	20,714	20,142	17,444	17,065	15,925
20 - 24	21,281	23,186	25,534	32,773	39,452	42,001	41,332	36,105	33,555	31,551
25 - 29	9,882	9,579	10,145	13,100	15,624	16,075	15,932	13,879	12,689	12,520
30 - 34	5,415	5,012	4,833	5,590	6,306	6,506	6,331	5,705	5,128	4,926
35 - 39	3,679	3,486	3,316	3,760	4,095	3,973	3,713	3,268	3,175	2,961
40 - 44	2,725	2,709	2,556	2,892	3,151	3,254	3,101	2,808	2,515	2,233
45 - 49	2,040	2,111	2,170	2,543	2,826	2,751	2,548	2,303	2,188	1,951
50 - 54	1,329	1,415	1,438	1,668	1,907	1,873	1,907	1,805	1,743	1,524
55 - 59	772	820	811	992	1,197	1,202	1,080	1,014	908	835
60 - 64	406	489	499	555	649	641	591	564	563	579
65 and over	512	652	384	346	405	287	231	204	143	46
Total	59,431	62,479	65,702	82,633	95,945	99,277	96,908	85,099	79,672	75,051

APPENDIX 2: Proportion of students attending school more than 75% of the time by local authority area–2015[107]

Local Authority Area	%	Local Authority Area	%	Local Authority Area	%
Far North District	86.4	Napier City	92.9	Marlborough District	93.7
Whangarei District	90.1	Central Hawke's Bay District	92.5	Kaikoura District	85.2
Kaipara District	89.5	New Plymouth District	93.9	Buller District	96.8
Thames-Coromandel District	91.3	Stratford District	93.6	Grey District	93.4
Hauraki District	94.1	South Taranaki District	93.0	Westland District	93.4
Waikato District	91.5	Ruapehu District	90.4	Hurunui District	95.6
Matamata-Piako District	92.9	Wanganui District	91.6	Waimakariri District	95.2
Hamilton City	91.7	Rangitikei District	93.1	Christchurch City	93.3
Waipa District	94.0	Manawatu District	96.5	Selwyn District	96.0
Otorohanga District	90.9	Palmerston North City	95.5	Ashburton District	93.7
South Waikato District	84.5	Tararua District	95.2	Timaru District	94.8
Waitomo District	89.5	Horowhenua District	90.9	Mackenzie District	95.1
Taupo District	92.5	Kapiti Coast District	94.3	Waimate District	92.7
Western Bay of Plenty District	92.3	Porirua City	90.8	Waitaki District	92.8
Tauranga City	91.9	Upper Hutt City	94.5	Central Otago District	94.9
Rotorua District	89.9	Lower Hutt City	92.8	Queenstown-Lakes District	92.4
Whakatane District	89.4	Wellington City	94.1	Dunedin City	93.6
Kawerau District	81.6	Masterton District	94.3	Clutha District	96.2
Opotiki District	80.0	Carterton District	97.4	Southland District	94.4
Gisborne District	87.4	South Wairarapa District	92.9	Gore District	95.3
Wairoa District	86.5	Tasman District	95.9	Invercargill City	93.2
Hastings District	91.6	Nelson City	94.6	New Zealand	93

Auckland Board Area	%	Auckland Board Area	%	Auckland Board Area	%
Rodney	95.2	Waiheke	92.5	Mangere-Otahuhu	88.8
Hibiscus and Bays	96.2	Waitemata	92.2	Otara-Papatoetoe	90.3
Upper Harbour	94.8	Whau	91.9	Manurewa	87.1
Kaipatiki	95.6	Albert-Eden	95.8	Papakura	90.3
Devonport-Takapuna	96.1	Puketapapa	94.4	Franklin	94.4
Henderson-Massey	92.4	Orakei	96.6	All Auckland	93.4
Waitakere Ranges	95.4	Maungakiekie-Tamaki	90.3		
Great Barrier	87.5	Howick	96.0		

APPENDIX 3: Prop. of school leavers leaving without NCEA Level 1 qual. by local authority area–2015[108]

Local Authority Area	%	Local Authority Area	%	Local Authority Area	%
Ashburton District	10.3%	Lower Hutt City	12.2%	Stratford District	10.5%
Buller District	12.2%	Mackenzie District	6.3%	Tararua District	11.2%
Carterton District	16.7%	Manawatu District	6.6%	Tasman District	13.2%
Central Hawke's Bay District	10.6%	Marlborough District	7.8%	Taupo District	14.1%
Central Otago District	7.5%	Masterton District	8.2%	Tauranga City	11.5%
Christchurch City	11.9%	Matamata-Piako District	15.6%	Thames-Coromandel District	16.2%
Clutha District	7.6%	Napier City	8.9%	Timaru District	7.0%
Dunedin City	6.5%	Nelson City	9.5%	Upper Hutt City	10.0%
Far North District	16.3%	New Plymouth District	8.8%	Waikato District	25.1%
Gisborne District	13.8%	Opotiki District	31.4%	Waimakariri District	10.7%
Gore District	9.5%	Otorohanga District	15.7%	Waimate District	9.5%
Grey District	11.7%	Palmerston North City	11.7%	Waipa District	8.4%
Hamilton City	11.6%	Porirua City	14.0%	Wairoa District	23.9%
Hastings District	8.7%	Queenstown-Lakes District	4.0%	Waitaki District	9.8%
Hauraki District	12.8%	Rangitikei District	11.1%	Waitomo District	16.0%
Horowhenua District	15.7%	Rotorua District	12.1%	Wanganui District	12.4%
Hurunui District	10.4%	Ruapehu District	21.5%	Wellington City	4.4%
Invercargill City	12.2%	Selwyn District	5.2%	Western Bay of Plenty District	10.4%
Kaikoura District	8.1%	South Taranaki District	12.4%	Westland District	11.3%
Kaipara District	13.0%	South Waikato District	17.4%	Whakatane District	17.5%
Kapiti Coast District	5.7%	South Wairarapa District	13.9%	Whangarei District	14.3%
Kawerau District	22.7%	Southland District	11.7%	New Zealand	11.6%

Auckland Board Area	%	Auckland Board Area	%	Auckland Board Area	%
Albert-Eden	5.7%	Manurewa	22.8%	Waiheke	9.7%
Devonport-Takapuna	2.1%	Maungakiekie-Tamaki	18.9%	Waitakere Ranges	33.3%
Franklin	14.7%	Orakei	3.1%	Waitemata	4.7%
Henderson-Massey	9.6%	Otara-Papatoetoe	16.1%	Whau	12.8%
Hibiscus and Bays	7.4%	Papakura	23.2%	All Auckland	9.4%
Howick	3.8%	Puketapapa	8.7%		
Kaipatiki	6.3%	Rodney	10.7%		
Mangere-Otahuhu	13.6%	Upper Harbour	3.2%		

APPENDIX 4: Proportion of school leavers leaving with NCEA Level 3 qualification or better by local authority area–2015[109]

Local Authority Area	%	Local Authority Area	%	Local Authority Area	%
Ashburton District	43.2%	Lower Hutt City	49.3%	Stratford District	37.8%
Buller District	55.4%	MacKenzie District	47.9%	Tararua District	46.6%
Carterton District	33.3%	Manawatu District	50.6%	Tasman District	46.6%
Central Hawke's Bay District	42.4%	Marlborough District	48.5%	Taupo District	32.2%
Central Otago District	49.1%	Masterton District	52.8%	Tauranga City	50.2%
Christchurch City	57.5%	Matamata-Piako District	34.5%	Thames-Coromandel District	36.9%
Clutha District	48.8%	Napier City	51.0%	Timaru District	54.0%
Dunedin City	61.0%	Nelson City	55.9%	Upper Hutt City	52.2%
Far North District	38.8%	New Plymouth District	47.5%	Waikato District	26.7%
Gisborne District	39.3%	Opotiki District	24.1%	Waimakariri District	40.7%
Gore District	49.3%	Otorohanga District	31.3%	Waimate District	38.1%
Grey District	27.0%	Palmerston North City	51.4%	Waipa District	57.2%
Hamilton City	50.8%	Porirua City	45.7%	Wairoa District	19.3%
Hastings District	58.7%	Queenstown-Lakes District	68.2%	Waitaki District	46.3%
Hauraki District	45.5%	Rangitikei District	47.2%	Waitomo District	29.2%
Horowhenua District	28.5%	Rotorua District	51.8%	Wanganui District	54.8%
Hurunui District	47.9%	Ruapehu District	26.4%	Wellington City	70.2%
Invercargill City	48.8%	Selwyn District	55.3%	Western Bay Of Plenty District	40.6%
Kaikoura District	40.5%	South Taranaki District	39.5%	Westland District	33.9%
Kaipara District	39.9%	South Waikato District	36.8%	Whakatane District	41.2%
Kapiti Coast District	57.6%	South Wairarapa District	44.3%	Whangarei District	46.6%
Kawerau District	28.9%	Southland District	39.5%	New Zealand	52.8%

Auckland Board Area	%	Auckland Board Area	%	Auckland Board Area	%
Albert-Eden	78.3%	Manurewa	30.6%	Waiheke	62.5%
Devonport-Takapuna	81.2%	Maungakiekie-Tamaki	37.5%	Waitakere Ranges	50.0%
Franklin	39.0%	Orakei	77.1%	Waitemata	74.1%
Henderson-Massey	53.1%	Otara-Papatoetoe	42.5%	Whau	54.0%
Hibiscus and Bays	61.1%	Papakura	36.8%	All Auckland	60.7%
Howick	72.1%	Puketapapa	60.7%		
Kaipatiki	56.1%	Rodney	49.9%		
Mangere-Otahuhu	53.4%	Upper Harbour	75.6%		

APPENDIX 5: Key dairy industry statistics–2010 to 2015[110]

June years	2011	2012	2013	2014	2015	2016	Change -2011-15
Dairy stock numbers	4,528,736	4,634,226	4,784,250	4,922,806	5,018,333		11%
Dairy herds	11,735	11,798	11,891	11,927	11,970		2%
Total effective hectares	1,638,706	1,638,546	1,677,395	1,716,464	1,746,156		7%
Milk processed *(millions litres)*	17,339	19,129	18,833	20,657	21,253		23%
Dairy farm related work visas	1,775	1,900	2,138	2,765	3,358	3,137	89%
Total jobs - annual average	21,495	22,665	22,635	24,005	24,750		15%
Work visas as a % of total jobs	8.3%	8.4%	9.4%	11.5%	13.6%		

APPENDIX 6: Key migration flows–2007 to 2016[111]

June years	Net migration of NZ citizens to Australia	Net overall migration of NZ citizens	Arrival of non-NZ citizens into NZ	Net overall migration of non-NZ citizens	Total net migration
2007	-25,575	-53,945	64,233	39,070	-14,875
2008	-32,166	-67,457	67,198	40,266	-27,191
2009	-28,686	-56,345	68,130	40,184	-16,161
2010	-16,740	-30,976	61,198	31,572	596
2011	-30,495	-60,399	65,719	34,351	-26,048
2012	-39,668	-79,175	66,795	36,175	-43,000
2013	-32,660	-64,401	69,392	41,062	-23,339
2014	-12,251	-24,309	80,209	54,322	30,013
2015	-5,998	-11,642	94,249	68,716	57,074
2016	-3,480	-6,619	103,260	77,642	71,023

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1 Radio New Zealand report of 14 April – available at http://www.radionz.co.nz/news/rural/301474/english-stands-by-'hopeless'-comments

2 http://www.stuff.co.nz/national/politics/78891399/Bill-English-describes-some-Kiwis-looking-for-work-as-pretty-damned-hopeless

3 'Immigrant workers needed due to NZer's work ethic, drug use - PM' at http://www.radionz.co.nz/news/political/312562/immigrants-needed-due-to-nzers'-work-ethic,-drug-use-pm

4 Source: Statistics New Zealand – Household Labour Force Survey database.

5 These figures are based on annual averages to reduce seasonable variability which because of 15-19 years olds' engagement in education can be quite high.

6 Source: Statistics New Zealand – Household Labour Force Survey database.

7 Ibid.

8 The Household Labour Force Survey's definition of being unemployed changed in June 2016 to exclude people who merely looked online for a job (without applying) as actively seeking work. This change reduced the number of people defined as being unemployment by around 12,000. See http://www.stats.govt.nz/browse_for_stats/income-and-work/employment_and_unemployment/improving-labour-market-statistics/hlfs-revisions-key-labour-est.aspx

9 For example, the estimated error rate for estimates of the number of people reported as being under-employed is + or – 8,000 on an overall estimate of around 100,000 people – see http://www.stats.govt.nz/infoshare/SelectVariables.aspx?pxID=ea74d36c-4b83-4e8b-8f38-1e867a81d623

10 It is difficult to know where the balance of influence lies in decisions by young adults to remain at school or to engage in further training or tertiary education. In considering these influences it is important not to forget our history or the extent to which labour market settings and social framing present choices. Central to the present framing of youth unemployment is the idea of transition – that high rates of youth unemployment are a consequence of the difficulty some teenagers have in transitioning into the adult world of labour markets and economic independence. The 'problem' under such a framing is the individual and their lack of skills and/or poor work readiness. Under such framing the individual is required to 'invest' in themselves or their own human capital to be able to compete in the labour market. This gives rise to a school to work transition industry such as pre-apprenticeship courses at polytechs or foundation programmes at universities where young people are trained up sufficiently to be further trained or educated. The 'problem' here is not institutions in education and training and in the labour market (such as previously with zero hours contracts) that limit opportunities and discriminate against some young people because of their ethnicity or social background. See Cuervo and Wyn (2011), Denny and Churchill (2016) and Woodman and Wyn (2013) for a discussion of these questions from and Australian perspective.

11 Income disparity and rising income inequality is often explained by differences in human capital. Thus, someone who has invested in their human capital through taking time out of the labour force to train or gain an education are not only likely to be more productive but should expect a higher income as a consequence of their productivity and investment. Rising income inequality has been explained by the fact that technological progress raises demand for skilled labour and if this demand is not matched by investment in the requisite skills, wages for this skilled labour will rise and income inequality will increase. The answer, therefore, is to increase investment in education and thereby increase human capital – see Atkinson (2015) p.86 and Acemoglu and Autor (2012) p.428. Such a theory raises a number of questions including the balance of public policy and private decision-making around personal investment in human capital/education, the extent to which personal decisions around education are rationally made against an informed view of future earnings, and the relevance of education to the skills needed in the labour market at some future time.

12 The participation rate applied against the reported population of 15- to 19-year-olds is 53.7%, which is the average rate over the five years prior to the GFC – in this case taken as December 2002 to December 2007.

13 The working-age population reported in the Household Labour Force Survey is 3.7 million people of whom 660,000 are aged over 65 so strictly speaking outside of the core working-age population. By mid-2016 almost one-in-four of this over 65s population was working.

14 The Household Labour Force Survey figures show a four quarter average of 15- to 19-year-olds in work falling from 116,900 for the year to June 2015 to 114,900 for the year to June 2014. Over the same period the 15- to 19-year-old population is estimated to have grown from 314,400 to 316,900 people.

15 Source: Statistics New Zealand – Household Labour Force Survey database. Rolling four quarter averages are reported in this graph.

16 Statistics New Zealand Household Labour Force Survey.

17 Ibid. Rolling four quarter averages are reported in this graph.

18 Enrolment data from Education Counts website at https://www.educationcounts.govt.nz/statistics/tertiary-education/participation. Employment data from Household Labour Force Survey.

19 Education Counts website.

20 Education Counts website.

21 Ibid.

22 Customised data provided to The Salvation by Tertiary Education Commission requested under the Official Information Act.

23 Ibid.

24 Data from Education Counts website at https://www.educationcounts.govt.nz/statistics/tertiary-education/participation

25 Ibid.

26 Ibid.

27 Budget figures are from Treasury's Budget Papers – Estimates and Appropriations – Vote Education.

28 Ibid.

29 Education Counts website reports total numbers for domestic tertiary students fell from 430,000 in 2009 to 273,000 in 2015 to 258,000 in 2015.

30 These per capita estimates include both the 'Student Achievement' budget and the 'Training for Designated Groups' budgets in Vote Tertiary Education appropriations.

31 Budget figures are from Treasury's Budget Papers – Estimates and Appropriations – Vote Tertiary Education.

32 Ibid.

33 Student Allowances are administered under the Student Allowances regulations 1998. The current threshold for parental income above which any allowance entitlement quickly abates is $1058.23. This figure was last updated in April 2012 and since then the average weekly wage/salary has risen 10% in nominal terms.

34 Budget figures are from Treasury's Budget Papers – Estimates and Appropriations – Vote Social Development.

35 Ibid.

36 The most recent comparison is based on 2013 data. Source: https://data.oecd.org/emp/labour-force-participation-rate.htm

37 Employment data from Household Labour Force Survey database and has been averaged over four consecutive quarters for each year. Migration data from Statistics New Zealand Infoshare migration data set.

38 These figures are taken from Statistics New Zealand's Household Labour Force Survey and are based on annual averages over four quarter for June years.

39 Source: Statistics New Zealand Household Labour Force Survey. Jobs figures are averaged over the previous four quarters.

40 Ibid.

41 Ibid.

42 Statistics New Zealand Infoshare migration data set.

43 Ibid.

44 Ibid.

45 Statistics New Zealand Household Labour Force Survey.

46 Borland (2015), O'Higgins (2012) and Caliendo and Schmild (2016).

47 Hyatt and Spletzer (2016) Parodi and Pastore (2012), and DeVaro (2005).

48 The principal legislation under which public education is administered is the Education Act 1989. Part 1 of the Act outlines every New Zealand resident's right to primary and secondary education between the ages of five and 19. The Act however does not state the overarching principles of public education or its broader expectations.

49 In 2011, 32,000 students were covered by the survey rising to 45,000 in 2015.

50 Education Counts website – Attendance in NZ Schools survey: https://www.educationcounts.govt.nz/publications/series/2503/attendance-in-new-zealand-schools-2015

51 Education Counts website – Stand downs, suspensions and exclusions at https://www.educationcounts.govt.nz/indicators/main/student-engagement-participation/Stand-downs-suspensions-exclusions-expulsions

52 Ibid.

53 See, for example, Ministry of Education (2016) *Attendance at New Zealand Schools – 2015*; pp.15-16. Available at https://www.educationcounts.govt.nz/__data/assets/pdf_file/0006/173796/Attendance-in-New-Zealand-Schools-2015.pdf

54 Education Counts website – Senior Student Attainment data set. Available at https://www.educationcounts.govt.nz/statistics/schooling/senior-student-attainment/school-leavers2

55 Ibid.

56 For some empirical evidence see Samoilenko and Carter (2015) and Dixon (2013).

57 Sources: Ministry of Social Development – Benefit Factsheets for September 2015 to June 2016 and Statistics New Zealand's Household Labour Force Survey – NEET's dataset. Reported figures have been averaged over four quarters.

58 The r^2 for Auckland is 0.46, while the rest of New Zealand it was just 0.22.

59 Achievement data is from the Education Counts website and the benefit data is from Ministry of Social Development's Benefit Factsheets which are available at https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html

60 Ibid.

61 See Arulampalam, Gregg and Gregory (2001).

62 See Gregg and Tominey (2005).

63 These estimates are based on Statistics New Zealand GDP series, using expenditure measures of GDP, the Household Labour Force Survey and the Labour Productivity Index.

64 This figure includes those who are deemed to be 'officially unemployed' and those who are outside of the labour market but could easily be included if work was available.

65 Forecasts of working age populations are based on an assumption of no net migration. Base figures for participation rates, the working age population and current job numbers are taken from the Household Labour Force Survey.

66 Ibid.

67 See Department of Immigration's data sets at https://www.immigration.govt.nz/about-us/research-and-statistics/statistics

68 Statistics New Zealand's Infoshare international visitors database.

69 Department of Immigration's data sets.

70 Ibid.

71 Ibid.

72 Ibid.

73 Ibid.

74 Grant Thornton (2010) forecasts future labour requirements for the aged care workforce. These forecasts suggest that overall demand for labour in aged care facilities could be between 42,000 FTE and 50,000 FTE by 2026 and that of these between 16,000 and 23,000 will be aged care workers. This would be an increase of 65% to 100%. Real demand for aged care and hence aged care workers will probably not emerge till after 2030 as the first Baby Boomers reach their mid 80s.

75 Consents for new dwellings in the greater Christchurch area fell from 6,309 in the year to 30 June 2015 to 5,779 in the year to 30 June 2016 – source Statistics New Zealand – building consent dataset.

76 See Radio NZ report of 5 May 2016 '*Labour shortage as Auckland construction 'goes off'*' at http://www.radionz.co.nz/news/regional/303098/labour-shortage-as-auckland-construction-'goes-off'

77 Of the approvals for 7,486 work visas for bar attendants, café/restaurant managers and workers, chefs, cooks and waiters during the year to 30 June 2016, 45% of those where the region was identified were in Auckland. Auckland has accounted for only 20% of the guest nights in travellers' accommodation over the past five years – source: Statistics New Zealand Accommodation Survey.

78 New Zealand Treasury (2016) *New Zealand Economic and Financial Overview* 2016. p.15.

79 See Ministry of Social Development's website at https://www.msd.govt.nz/about-msd-and-our-work/work-programmes/welfare-reform and Welfare Working Group (2011) at http://igps.victoria.ac.nz/WelfareWorkingGroup/Index.html

80 These estimates are averaged over the previous four quarters (Mar-12 to Dec12 and Sep15 to Jun16) and are taken from Ministry of Social Development's Benefit Factsheets.

81 See the speech by Associate Minister of Social Welfare Jo Goodhew at the Superu Evidence to Action conference on 5th April 2016 as an example of these claims of success with no supporting evidence.

82 Budget Economic and Fiscal Update 2016 p.8 and p.124.

83 Benefit data is from Ministry of Social Development's Benefit Factsheets and jobless figures from Household Labour Force Survey.

84 Escudero (2015).

85 Martin (2015).
86 See Card, Kluve and Webber (2010).
87 Johri, R. et al. (2004).
88 See Esudero (2015) Card, Kluve and Webber (2010) and Carreras, Sala, and Speckesser (2015).
89 See Martin (2015).
90 See Barbier and Ludwig-Mayerhofer (2004) and Clasen and Clegg (2006).
91 This is in part Barbier and Ludwig-Mayerhofer's argument.
92 Ministry of Business, Innovation and Employment (2013) note that three quarters of young adults (16- to 21-year-olds) spent some time as NEETs but that 20% of this age group experienced much longer periods out of work and training.
93 This is the scarring thesis – that experiences of long-term unemployment in early adulthood leads to poorer employment outcomes and lower incomes later in life. See Arulampalam, Gregg and Gregory (2001), Gregg and Tominey (2005), Samoilenko and Carter (2015) and Cockx and Ghirelli (2016).
94 This $110 million is based on 2015 figures which show a total student allowance budget of $520 million which was paid to 75,000 students of whom almost 16,000 were aged under 20. Budget data from Treasury's budget documents and student numbers from Tertiary Education Commission's website.
95 This link has not been well established in recent research, although Samoilenko and Carter (2015) p.6 offer some useful older references to work linking unemployment with poor personal and social outcomes.
96 For example, the Tourism Industry Association says on its website, '*We advocate strongly to Immigration New Zealand/Ministry of Business, Innovation & Employment to make it easier for operators to employ and train foreign staff and also to encourage visitor visa liberalisation.*' Downloaded 18/09/16 from https://tia.org.nz/advocacy/currently-working-on/immigration
97 See *People and Skills 2025* at http://tourism2025.org.nz/assets/Uploads/People-Skills-2025.pdf
98 http://bcito.org.nz/news-and-publications
99 http://www.onehungahigh.school.nz/curriculum/pathways/building-and-construction, http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/CouncilProjects/Pages/southerninitiative.aspx
100 See TEC's guidelines for these plans at http://www.tec.govt.nz/Documents/Publications/Industry-Training-Plan-guidance-for-2015-and-2016.pdf
101 See, for example, Duncan Garner's opinion piece '*Hardworking Kiwis – not quite*' at http://www.stuff.co.nz/business/83329544/duncan-garner-hardworking-kiwis-not-quite
102 Borland (2015), O'Higgins (2012) and Caliendo and Schmild (2016).
103 See endnote 93.
104 See the education related Better Public Services targets: http://www.education.govt.nz/ministry-of-education/government-education-initiatives/better-public-services/about-better-public-services
105 For evidence of this structured link between poor numeracy/literacy and poor employment outcomes see the Ministry of Education (2016) *Indicator report: Reading/panui –primary schools* for a report on socio/economic, ethnic and geographic distribution of reading outcomes in primary schools. Available at https://www.educationcounts.govt.nz/indicators/main/education-and-learning-outcomes/reading-panui-primary-schooling. This link continues into secondary schools as demonstrated by Ministry of Education (2014) *Reading literacy achievement: senior secondary schooling*; which reported a slight decline (in 2012) in New Zealand's high relative position within the OECD in terms of literacy performance of 15 year olds and the social gradient attached to this performance within New Zealand. An earlier study demonstrated the impact of poor literacy on employment outcomes for 15- to 24-year-olds; see Lanes (2011).
106 Source: http://www.studylink.govt.nz/about-studylink/statistics/student-allowance-ytd-12.html#DistributionofStudentAllowancerecipientsbyageandgender5
107 Education Counts website at https://www.educationcounts.govt.nz/indicators/main/student-engagement-participation/1935
108 Education Counts website at https://www.educationcounts.govt.nz/statistics/schooling/senior-student-attainment/school-leavers2/university-entrance-standard-numbers
109 Ibid.

110 Employment data from Statistics New Zealand's Linked Employer-Employee Dataset and is averaged over four quarters for June years. Work visa data is from Immigration Department datasets. Other data is from LIC Dairy NZ (2015) *New Zealand Dairy Statistics 2014-15* which is available at http://www.lic.co.nz/user/file/DAIRY%20STATISTICS%202014-15-WEB-6%20NOV%2015.pdf

111 Statistics New Zealand's Infoshare international visitors database.

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