

# RENEWING AUSTRALIA'S PROMISE

## REPORT CARD 2016

**Every generation seeks to create a better life for their children. Whether it's a higher quality education, the chance to own their own home, or just having the opportunities they may have missed out on themselves – all Australians want to leave a legacy of a brighter future for the next generation.**

But under a cloud of rising debt, soaring house prices and the struggle to find secure, full-time employment, today's young Australians are facing a very real possibility that their generation will be the first to be worse off than their parents.

While today's young people are doing well in some areas, they face several escalating challenges. High youth underemployment, an education system that is struggling to adapt to changing needs and rising housing costs remain among the mounting challenges that present a growing threat to an otherwise exciting future.

Australia's current youth population is the engine that will drive future prosperity and they are hungry for the chance to create a better world. But their capacity to contribute to Australia's economic development is dependent upon them receiving high quality education that focuses on developing the skills that will be needed to thrive in the future job market.

### The economic cost is real:

**If youth unemployment and underemployment rates were the same as for the rest of the population, more than 125 million additional hours would have been worked in 2015, generating up to \$11.3 billion in additional GDP.**

<sup>1</sup> FYA estimate using ABS data. Further details of the methodology in the appendix.

As the proportion of Australians paying income tax continues to decline, the need for action grows. By 2054 there will be only 2.7 workers for every retiree in Australia, down from 4.5 in 2015. For our nation to be able to support this aging population, our young people need to be thriving.

A lack of attention to the urgent need for investment means Australia is failing to take full advantage of our single most valuable resource – our young people.

This new report serves as an urgent reminder: far more needs to be done to address these challenges, to set up young Australians for a changing future and equip them to take our country forward. To turn the growing risks into opportunities, young people need to be placed at the centre of the national policy discussion.

**Our nation's leaders must commit to investing in the next generation, placing young people at the heart of economic policy, to ensure the next generation is prepared to drive social and economic progress in Australia for decades to come.**

# Will young Australians face a brighter future than the generation before?

● Indicator has improved

● Unchanged or the changes are ambiguous

● Worse



## Education



### School completion

▶ **1.6 times** more likely to have completed high school



### University graduation

▶ **1.7 times** more likely to hold an undergraduate degree, though many are not working in the fields to which their qualifications relate



### Education standards

▶ Australia **has fallen** down the international rankings for reading, science and maths



### Education costs

▶ A 3-year bachelor's degree in 2016 cost **2.5 times more** than it did in 1991. Between 1974 and 1989 degrees were free.



## Work and incomes



### Income

▶ While real wages for young Australians have increased by **20%**, that's only around half the average growth in wages received across all ages between 1985 to 2015



### Unemployment

▶ Youth unemployment rates aren't improving, staying **the same** as in 1985



### Gender pay gap

▶ Young women continue to face **the same** gender wage gap as their mothers'



### Underemployment

▶ **3.4 times** the number of young Australians are underemployed compared to 1985



### Job security

▶ **2.8 times** as many young people are employed in part-time positions compared to 1985



## Housing



### Housing affordability

▶ A house in Sydney costs **10 times** the average annual income in 2015, up from 4 times the average annual income in 1985



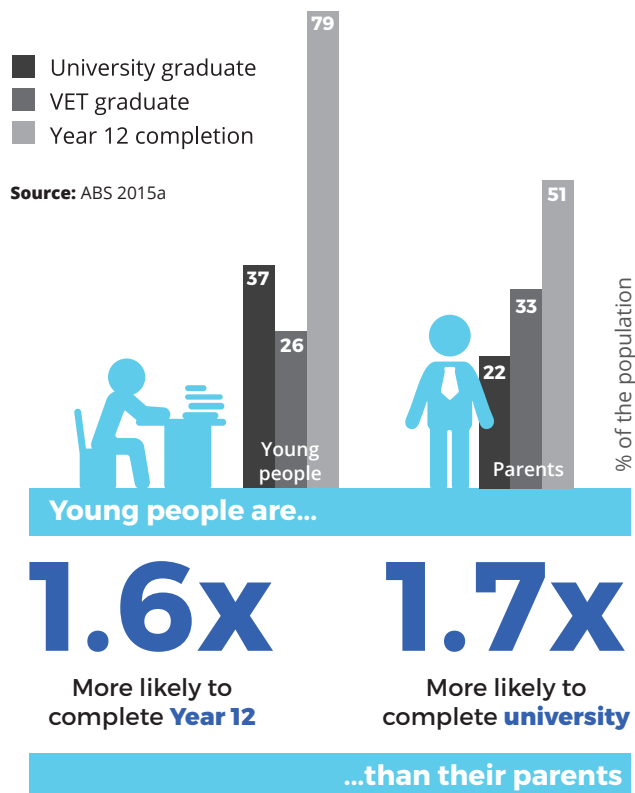
## Government spending



▶ This could be the first generation to contribute **more** to government spending than they receive

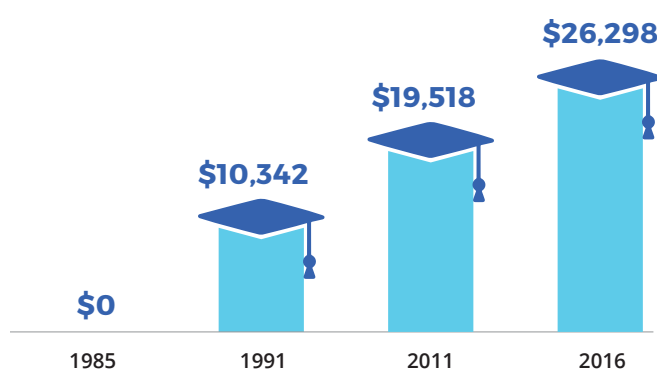
## Transitions from education to work are becoming more complex and uncertain

Young people are spending more time in education than previous generations



They are paying more than double the cost for higher education than the generation before - and much more than the free education obtained by their parents' generation

Average cost of a 3 year undergraduate degree (inflation adjusted):

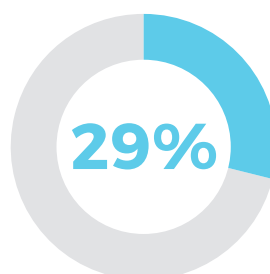


Sources: Chapman and Higgins 2013 and FYA estimate using band 2 student contribution amounts. Further details in the appendix.

Yet there is evidence that the time and money spent dedicated to education isn't preparing them for work

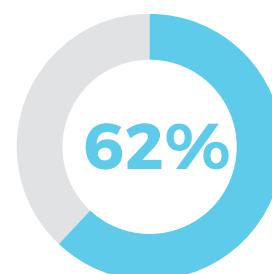
More than half of students and **71% of VET students are being trained** for jobs that will be radically affected by automation in the next 15 years.

Of newly employed graduates of bachelor degrees



had jobs where they felt their field of study wasn't important.

Of newly employed graduate VET students



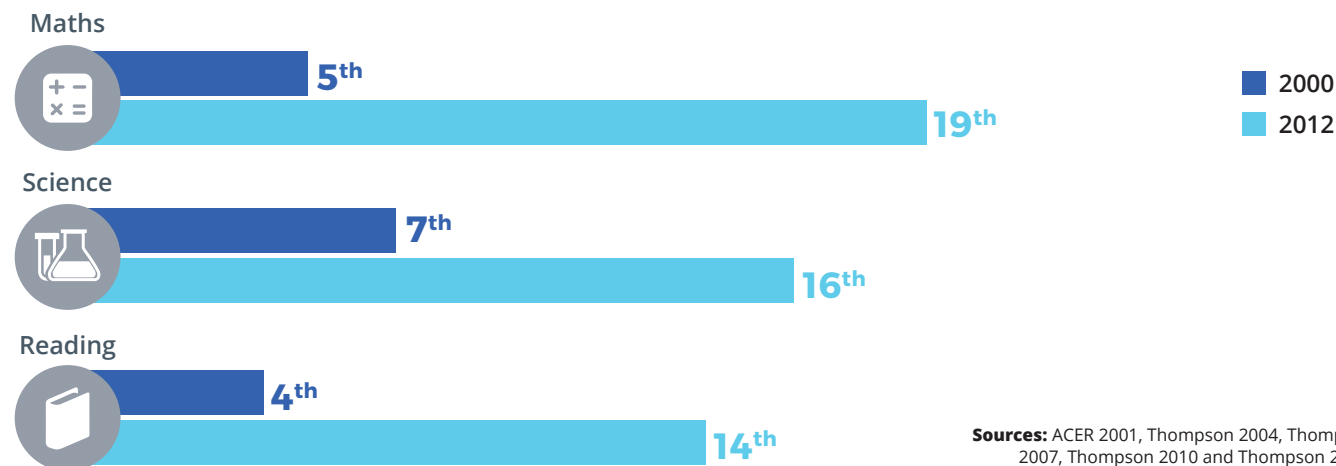
had jobs that were not relevant to their course.

Sources: FYA 2015, Graduate Careers Australia 2015 and NCVER 2015

## And standards in education are declining compared to other OECD countries

There is evidence that the quality of education may be declining. While long-term data is not available, the evidence since 2000 is that Australian high school students' performance in reading, science and mathematics has slipped in comparison to their OECD peers

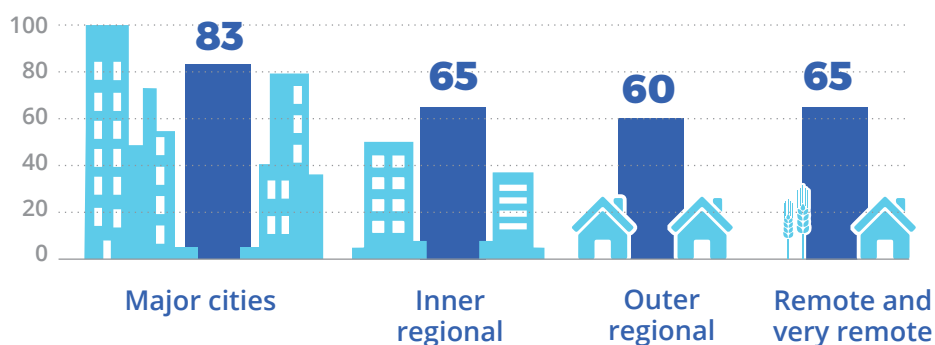
### Australia's ranking compared to the best in the world:



## Some young people are already falling behind

In 2015, 20 to 24 year olds that live outside of major cities were **at least 18% less likely** to have completed year 12 or an equivalent qualification than those living in major cities.

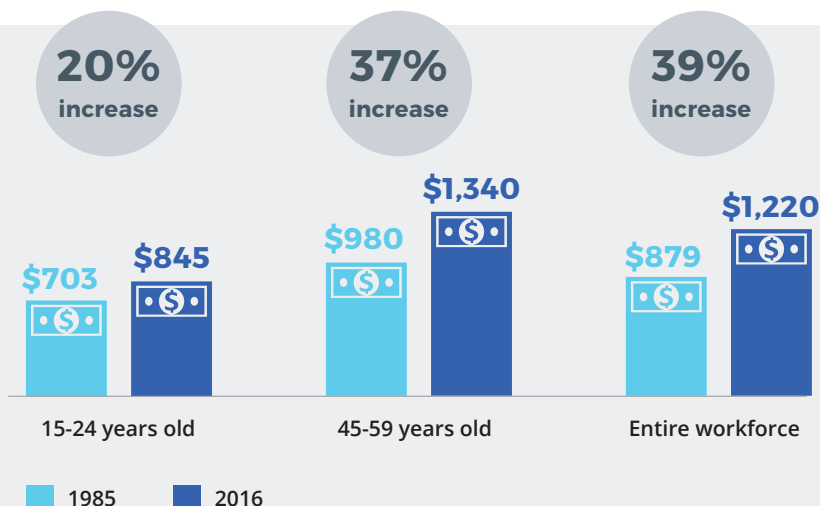
### Year 12 completion rates:



Source: ABS 6227.0 Education and Work Australia, May 2015. Further details in the appendix

## Young workers are receiving smaller increases in their pay packets than older Australians

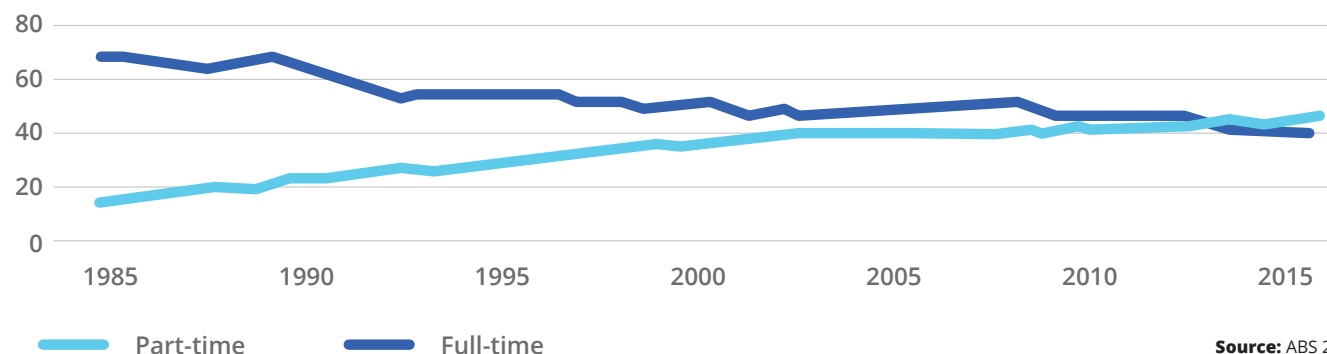
Weekly earnings (Full-time employees, median weekly earnings in main job, real, 2016):



Sources: ABS 2013a, ABS 1985 and FYA estimates using ABS data. Further details in the appendix

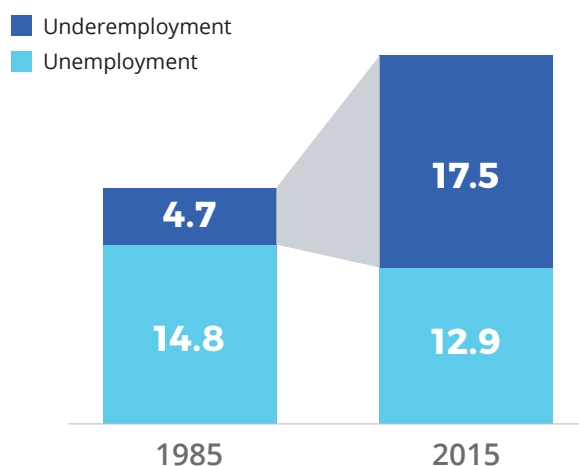
## Work is becoming more insecure – there are now more part-time than full-time young workers

Proportion of 15-24 year olds in part-time and full-time work (% of labour force):



## Many more young Australians are working fewer hours than they would like

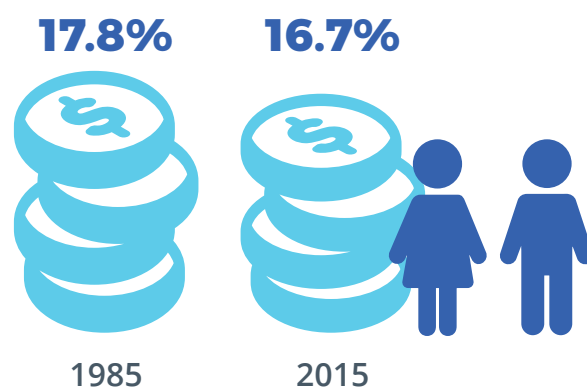
Youth unemployment and underemployment rates (15-24 year olds, %):



## The situation is worse for some. For example, women are more likely to be underemployed and the gender pay gap is still the same

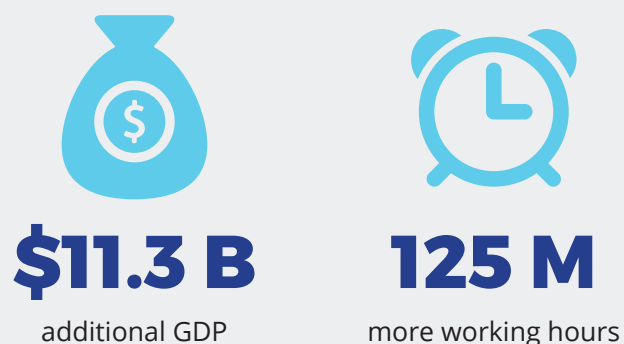
### Gender Pay Gap

(Difference as % of Male FT Earnings)



## Every young person that is left out of the workforce or is working less than they would like costs Australia.

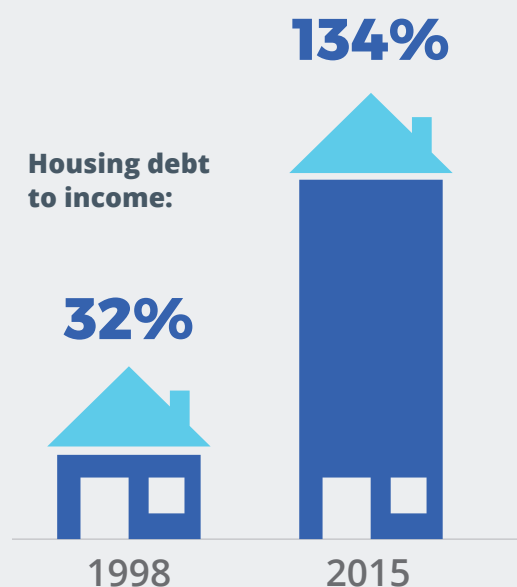
If the rates youth unemployment and underemployed was the same as the rest of the workforce it could generate:



## Young people are facing escalating challenges such as increasing debt and bearing the costs of an ageing population

### Young people are taking on more debt to buy a house – leaving them more vulnerable to changes in their income and mortgage stress

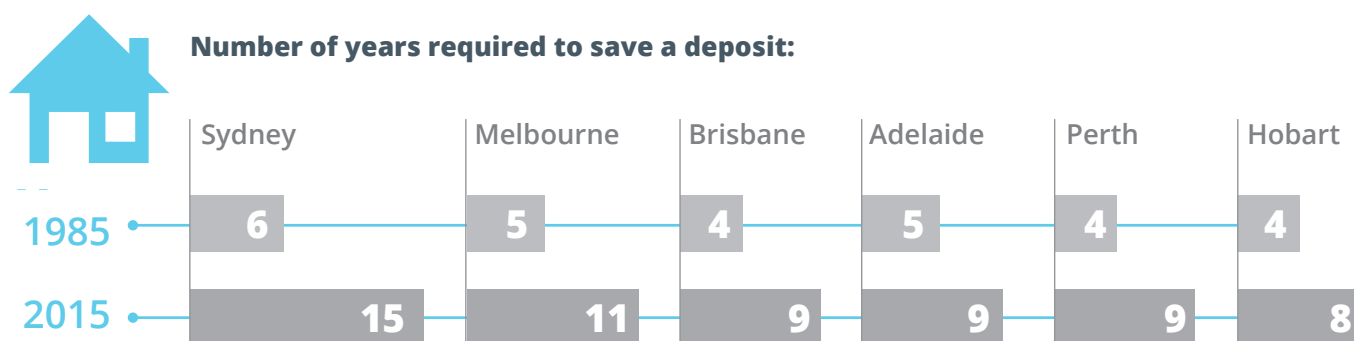
In 1988 the average home loan was **32%** of the average disposable household income by 2015 it was **134%**.



Source: RBA 2016

### It's much harder for young people to enter housing markets as house prices have risen much faster than incomes over the last 30 years

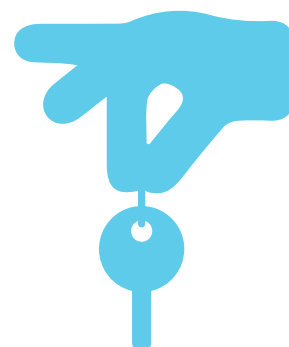
For example, in 1985 the average Sydney home buyer took **6 years** to save their deposit, and the average home cost **six times** the average full-time annual income in NSW. In 2015, the average Sydney homebuyer took **15 years** to save their deposit and the average home cost **13 times** average full-time annual income in NSW.



Sources: FYA estimates using data from: Abelson 2005, ABS 2015c, ABS 2015d, ABS 1986 and RBA 2016. Further details in the appendix

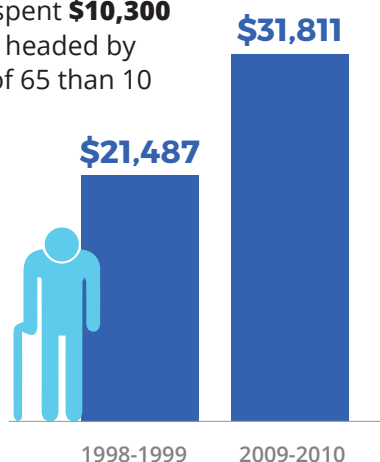
### Rental costs have also risen over the last decade making it hard for young people to achieve independence and security

Average rental costs have **increased by 44%** in last decade.



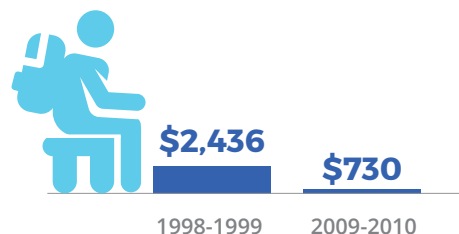
## Government spending on older Australians has increased while government spending on younger Australians has declined over the last 10 years

In 2010 government spent **\$10,300 more** on households headed by people over the age of 65 than 10 years earlier:



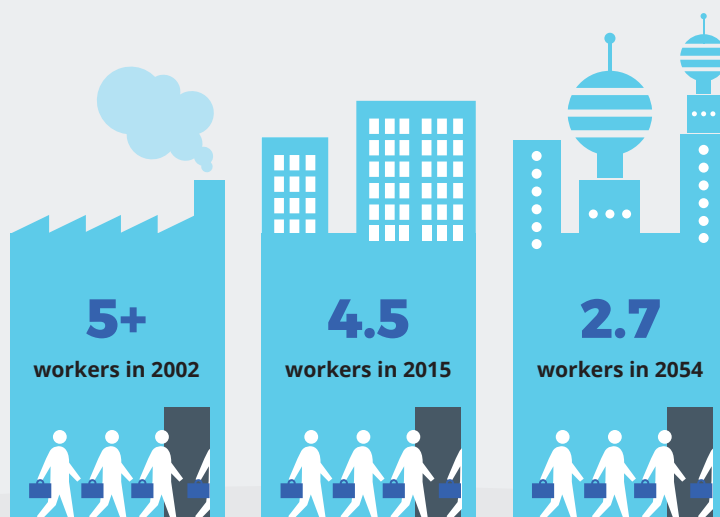
Source: Daley 2014

In 2010 government spent **\$1,700 less** on households headed by people under the age of 25 than 10 years earlier:



## As the proportion of Australians paying income tax continues to decline, the need for action grows

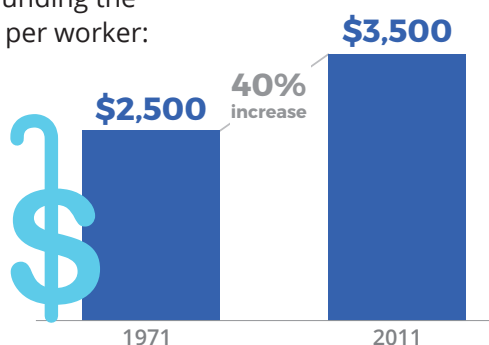
For every  
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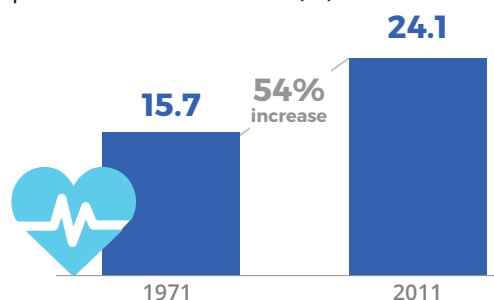
Source: Australian Government 2010, Australian Government 2015

## This generation may be the first to contribute more to government spending than they receive – a result of an ageing population, higher health costs and a smaller workforce supporting these growing pressures.

Cost of funding the pension per worker:



All government health expenditure as a proportion of tax revenue (%):



Source: AIHW 2016 and Cowan 2016

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FYA is Australia's only national for-purpose organisation dedicated to backing the next generation of young people who are going to rethink the world and create a better future. We work with young people from all over Australia aged 12-29 years, to prepare them for the future of work and social change.

We believe young people are not a problem to be helped or solved. They are ambitious, creative and capable of rethinking the world and solving tomorrow's problems today. And they can do it all with a social conscience that will let them build a better world in the process.

We work with partners across industry, government, education and the community sector to build young people's skills for the new work order, to back and accelerate their ideas, and to transform the way Australia views and works with young people so they can change the institutions, policies and practices that will shape our future.

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**Foundation for Young Australians**  
21-27 Somerset Place, Melbourne VIC 3000  
**T:** 03 9670 5436 **E:** [info@fya.org.au](mailto:info@fya.org.au)  
**[fya.org.au](http://fya.org.au)**

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## Appendix – Renewing Australia’s Promise:

### Report card 2016

Statistic	Method	Sources	Notes
Educational attainment	Young people are 20-24 year olds and their parents are 50-54 year olds for year 12 completion and VET graduation rates while young people are 25-34 year olds and their parents are 45-54 year olds for university graduation rates. VET graduates are individuals with a certificate III to a diploma qualification while university graduates are individuals with a bachelor's degree or above.	ABS 2015a	
Additional hours per year that would have been worked if 15-24 year olds had the same underutilisation rate as the rest of the labour force.	The difference in underutilisation rates between 15 to 24 year olds in the labour force and the rest of the labour force multiplied by the total number potential hours in the labour force for 15 to 24 year olds. The unemployment rates for 15-24 year olds is 12.9% compared with 6.0% of the population as a whole while underemployment rate for 15-24 year olds is 17.5% compared with 8.5% for the population as a whole.	ABS 2016a	
Additional GDP generated by reduced underutilisation of 15 to 24 year olds.	Annual GDP divided by total hours worked in a year was used to derive an estimation of GDP per hour worked. This estimate was then multiplied by the additional hours per year that would have been worked if 15-24 year olds had an underutilisation rate that was the same as the rest of the labour force.	ABS 2015b ABS 2016b	This methodology results in an upper bound estimate of the GDP impact of improved utilisation of 15 to 24 year olds because the GDP generated per hour worked is an average figure rather than one specific to 15 to 24 year olds, which may be lower than the rest of the work force given their level of experience.
Cost of three-year bachelor's degree in 2016	Calculated using the cost of annual student contribution amount for equivalent full-time student load in 2014, 2015 and 2016 composed entirely of band 2 subjects.	Australian Government Department of Education and Training 2016	This methodology assumes that the cost of a degree composed of band 2 subjects is a reasonable proxy for the average cost of a three-year degree. In reality the costs could be higher or lower depending on the degree.
Year 12 completion rates	Year 12 completion rates refer to Completion rates finishing year 12 or attaining an equivalent qualification (Cert III and above).	ABS 2015a	
Median weekly full time earnings by age group in 2016	Calculated using the long-term growth in wages between 1985 and 2013.	ABS 2013a	This methodology assumes median weekly wage growth between 2013 and 2015 were consistent with the long-term trend.
Number of years required to save a deposit	Calculated by dividing 20% of the average apartment or house price per capital city by 15% of the average annual post tax income. Assumes a savings rate of 15% per annum, a 20 per cent deposit and a compound interest rate of 12.0 % per annum in 1985 and 2.0% per annum in 2015.	Abelson 2005 ABS 2015c ABS 2015d ABS 1986 RBA 2016	As with the house price to income ratio, this is likely to be an upper bound estimate of the number of years required to save deposit because annual income for the state is likely to be lower than the income for the capital city. This approach was necessary due to limited data availability.