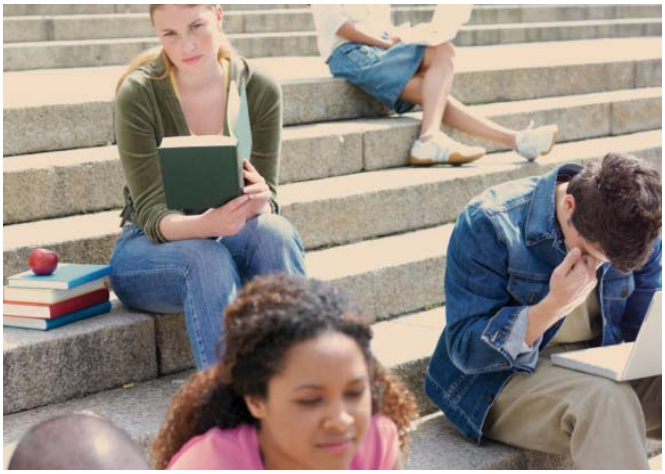

LONGITUDINAL SURVEYS OF AUSTRALIAN YOUTH

**BRIEFING PAPER 23**

# Young people in an economic downturn

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Longitudinal Surveys of Australian Youth

## OVERVIEW

Following the collapse of the US investment bank Lehmann Brothers in September 2008, the world economy began a downward spiral, with many countries falling into recession. Australia experienced significant stock market losses and unemployment rates began to climb.

This briefing paper considers how young people fared in previous downturns and discusses how structural labour market changes over the past 20 years have affected young people this time around. It also looks at the qualitative evidence from respondents in the Longitudinal Surveys of Australian Youth (LSAY), exploring common themes in how they perceived the economic downturn had affected their work and study intentions in 2009.

We find that, although Australia experienced a relatively mild downturn, young people bore almost the entire weight of the full-time job decline (including apprenticeships), and a disproportionate share of the increase in unemployment. Those unable to find a job or who have been made redundant are at risk of remaining unemployed for a significant time, with potential longer-term scarring effects.

Recent structural changes to the labour market, such as rising educational participation, appear to provide some protection for young people. However, full-time work for 15 to 19-year-olds has become even more concentrated in industries more sensitive to economic changes such as building and construction, and retail.

# INTRODUCTION

An economic downturn is not a unique event. We are able to draw on evidence from previous economic downturns to see how young people fared in the early 1990s following the 1987 stock market crash, and in the late 1970s and early 1980s following the oil crisis of 1973 and the energy crisis of 1979 and see what was different in the most recent downturn (2008). This paper considers the structural labour market changes which may have made the latest downturn a different experience for young people. The paper concludes with early evidence showing how young people fared this time around, and provides a foundation for future analyses using the Longitudinal Surveys of Australian Youth (LSAY) to better understand the effects of economic conditions on youth transitions.

For the 2.8 million young Australians aged 15 to 24 years, the months following September 2008 represented their first experience of poorer economic conditions. Experience from previous downturns suggested that the key issues for young people would be:

- an increase in unemployment rates, and an increase in the duration of unemployment
- a decline in full-time work opportunities, including apprenticeships and traineeships
- an increase in the proportion of young people returning to, or continuing, full-time study
- an increase in part-time and casual employment at the expense of permanent, full-time employment.

We approached our analysis by first considering the influence of four long-term and mostly interrelated changes in the patterns of youth work and study:

- an increase in the proportion of young people in full-time study
- a decline in the proportion of young people in full-time work
- a change in the occupational mix of full-time employment for young people
- an increase in the proportion of full-time students working.

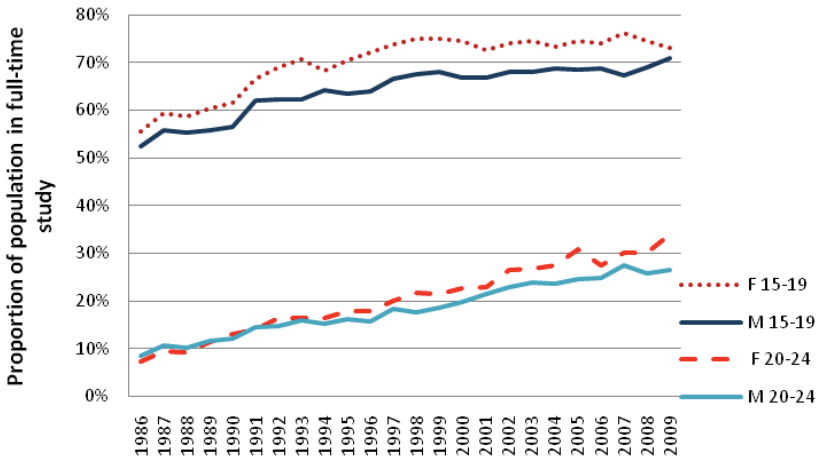
# LONGER-TERM CHANGES AFFECTING THE LIKELY IMPACT OF AN ECONOMIC DOWNTURN ON YOUNG PEOPLE

## AN INCREASE IN THE PROPORTION IN FULL-TIME STUDY

Since the 1980s, there has been a marked increase in the educational participation of young people—particularly in the 20 to 24 age group—rising from just under 10% in 1986, to around a third in recent years.

An interesting feature of figure 1 is that the proportion of 15 to 19-year-olds in full-time education has been fairly stable over the 10 to 15 years before the most recent downturn.

**Figure 1 Proportion of youth population in full-time study, by gender and age**



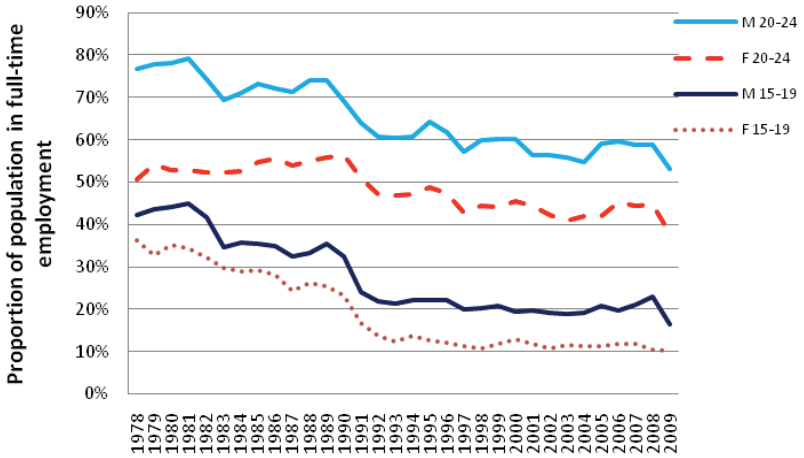

Source: ABS, cat.no.6291.0.55.001, Labour force, Australia, detailed—electronic delivery, Jan 2010, data shown for monthly data: August 1986–2009.

## A DECLINE IN THE PROPORTION OF YOUNG PEOPLE IN FULL-TIME WORK

As a corollary to increased participation in full-time study for young people, there has been a corresponding downward trend in the proportion of young people in full-time work.

Figure 2 illustrates that full-time employment for those aged fewer than 25 years is trending downwards.

**Figure 2 Proportion of youth population in full-time employment, by gender and age**




Source: ABS, cat.no.6291.0.55.001, Labour force, Australia, detailed—electronic delivery, Jan 2010, data shown for monthly data: August 1986–2009.

Table 1 uses August monthly data[1] to illustrate that full-time employment between 2008 and 2009 fell by 19.8% for 15 to 19-year-olds and by 10.1% for 20 to 24-year-olds. The corresponding decline for the working population was 2.8% (refer table 3).

**Table 1: Full-time employment for 15 to 19 and 20 to 24 age group, Aug 08 to Aug 09**

| | 15–19-year-olds | | | | 20–24-year-olds | | |
|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | % change | | 2008 | 2009 | % change |
| Male | 171.5 | 123.8 | -27.8 | Male | 446.9 | 414.6 | -7.2 |
| Female | 74 | 73.1 | -1.2 | Female | 332.5 | 286 | -14.0 |
| **Total** | **245.5** | **196.9** | **-19.8** | **Total** | **779.4** | **700.6** | **-10.1** |

Source: ABS, cat.no.6291.0.55.001, Labour force, Australia, detailed—electronic delivery, Jan 2010, data shown for monthly data: August 2008–2009.

## A CHANGE IN THE OCCUPATIONAL MIX OF FULL-TIME EMPLOYMENT FOR YOUNG PEOPLE

Over the past 20 years we have seen major changes in the occupational structure of the Australian labour market, with increased employment in the service industries, and declines in manufacturing and primary production. This has also translated into an increase in part-time and casual employment opportunities for young people (discussed later in this briefing paper) and the disappearance of pathways from school into full-time manufacturing work for young men.

In any economic downturn, different industries are affected to varying extents. The economic downturns of the 1970s and 1980s, brought about by the oil crisis, saw rising fuel prices and consequently transport and goods (retail) more affected than some other industries. In the current economic downturn, brought about by collapses in the banking sector, we saw the financial services sector being particularly vulnerable. While this sector does not employ large proportions of young people, the flow-on effects into other sectors resulted in young people in most industries being affected.

1 August 2008 was chosen as the reference point because this was just before the September 2008 economic downturn.

Table 2 shows the distribution of youth employment in 1998 and 2008. Full-time employment for 15 to 19-year-olds continues to be concentrated in construction, manufacturing and retail, despite an overall decline in people employed in manufacturing across all age groups. This is important, because construction and manufacturing are industries which have traditionally been hard hit in economic downturns. Full-time employment for 20 to 24-year-olds is less concentrated, with larger numbers working in these sectors.

**Table 2 Distribution (%) of full-time employment for 15 to 19 and 20 to 24-year-olds, 1998 and 2008**

| | 15–19-year-olds | | 20–24-year-olds | |
|---|---|---|---|---|
| | 1998 | 2008 | 1998 | 2008 |
| Number in full-time employment[1] | 205 000 | 246 000 | 702 000 | 779 000 |
| **Distribution by industry[2]** | % | % | % | % |
| Agriculture, forestry & fishing | 6 | 2 | 4 | 2 |
| Mining | 0 | 2 | 1 | 2 |
| Manufacturing | 17 | 14 | 16 | 10 |
| Electricity, gas, water & waste services | 0 | 0 | 1 | 1 |
| Construction | 13 | 26 | 9 | 13 |
| Wholesale trade | 7 | 2 | 6 | 3 |
| Retail trade | 17 | 13 | 12 | 13 |
| Accommodation & food services | 11 | 8 | 7 | 7 |
| Transport, postal & warehousing | 2 | 3 | 3 | 4 |
| Information media & telecommunications | 2 | 1 | 2 | 2 |
| Financial & insurance services | 1 | 2 | 6 | 5 |
| Rental, hiring & real estate services | 2 | 2 | 2 | 2 |
| Professional, scientific & technical services | 4 | 4 | 8 | 8 |
| Administrative & support services | 3 | 2 | 4 | 3 |
| Public administration & safety | 1 | 2 | 3 | 5 |
| Education & training | 2 | 1 | 4 | 3 |
| Health care & social assistance | 2 | 3 | 6 | 8 |
| Arts & recreation services | 1 | 1 | 1 | 2 |
| Other services | 8 | 11 | 6 | 6 |
| **Total+** | **100** | **100** | **100** | **100** |

Notes: (1) Number employed as at August quarter of each year; (2) Distribution based on average employment for the year; + data are subject to rounding errors.

Source: ABS, Employed persons (ST E05_Aug94_ANZSIC06) by ANZSIC06 subdivision, sex, age, status in employment—from August 1994.

Table 3 shows the change in aggregate full-time employment between the August quarters of 2008 and 2009 (the two quarters showing the greatest change). As can be seen, there was an overall decline in full-time employment of 2.8% but some industries were more affected than others.

To further explore the impact of the economic downturn, we can look at the distribution of youth unemployment and the likely effect of the aggregate employment changes, on the assumption that each age group maintains its share of employment by industry.[2] This will show the vulnerability of the age cohorts by their distribution across industries. If we do these hypothetical calculations, we find that young people in full-time employment tend to work in industries that were more negatively affected by the downturn such as construction (mostly young males affected), retail (mostly young females affected) and accommodation and hospitality (males and females equally affected).

The 15 to 19-year-olds are more vulnerable than the 20 to 24-year-olds because they are new entrants to the labour market, and the change in distribution of their full-time employment across industries between 1998 and 2008 has increased their vulnerability.

2 Refer to the appendix for details on calculations.

**Table 3 Change in full-time employment (all ages) between the August quarter 2008 and 2009 (%)**

| Industry | Percentage change |
|---|---|
| Agriculture, forestry & fishing | 1.9 |
| Mining | -4.8 |
| Manufacturing | -4.7 |
| Electricity, gas, water & waste services | 4.6 |
| Construction | -5.7 |
| Wholesale trade | -0.3 |
| Retail trade | -5.9 |
| Accommodation & food services | -6.2 |
| Transport, postal & warehousing | -1.9 |
| Information media & telecommunications | -9.8 |
| Financial & insurance services | -3.3 |
| Rental, hiring & real estate services | -11.4 |
| Professional, scientific & technical services | 0.3 |
| Administrative & support services | 4.4 |
| Public administration & safety | -1.5 |
| Education & training | -0.6 |
| Health care & social assistance | 5.7 |
| Arts & recreation services | -10.0 |
| Other services | -10.4 |
| **Total** | **-2.8** |

Source: ABS, Employed persons (ST E05_Aug94_ANZSIC06) by ANZSIC06 subdivision, sex, age, status in employment—from August 1994, calculations based on changes between August 2008 and 2009 quarters.

**Table 4 The vulnerability of young people; impact of the change in employment, August quarter 2008 to 2009, holding age shares constant ('industry effect')**

| | 1998 weights | 2008 weights |
|---|---|---|
| 15–19-year-olds | -4.3 | -4.9 |
| 20–24-year-olds | -3.3 | -3.4 |
| All working-age persons | -2.8 | -2.8 |

Note: Refer to Appendix A for details of calculations in table 4.

Source: ABS, Employed persons (ST E05_Aug94_ANZSIC06) by ANZSIC06 subdivision, sex, age, status in employment—from August 1994, calculations based on changes between August 2008 and 2009 quarters.

From table 4 we observe that the 'industry effect' accounts for only the 4.9 percentage points out of the 19.8 percentage points (see table 1) of the decline in full-time employment for the 15 to 19-year-olds between August 2008 and August 2009. Similarly, the 'industry effect' accounts for 3.4 percentage points out of the 10.1 percentage points (see table 1) of the decline in full-time employment for 20 to 24-year-olds over the same time period. From this we can conclude that the 'industry effect' has been minimal, because within all industries young people are far more likely to be laid off than older workers because they are new entrants to the workforce with less experience and skills than their older counterparts.

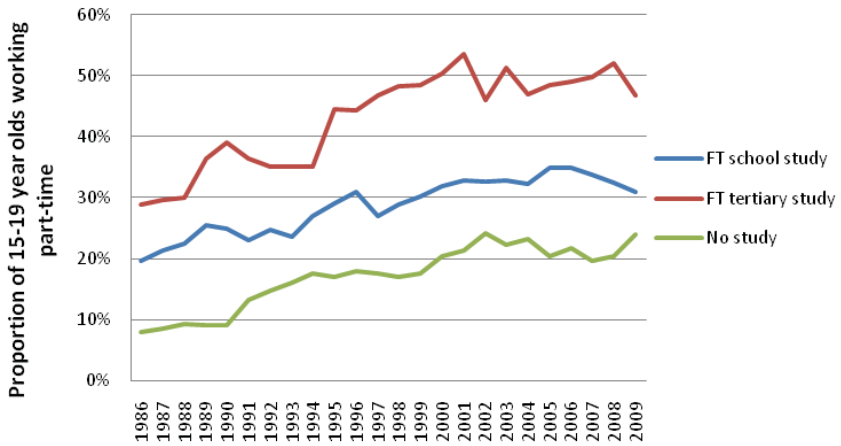
## AN INCREASE IN THE PROPORTION OF FULL-TIME STUDENTS WORKING

Around a third of school students combine school and work (Anlezark & Lim forthcoming) and, in 2006, nearly 71% of full-time domestic undergraduate students reported working during semester (Bradley 2008). School students work on average slightly fewer hours a week (average 11 hours a week) than their university counterparts (average 15 hours).

Financial circumstances, opportunity and the desire for financial independence from their parents all play a role in motivating young people to combine work and study. This provides a good source of labour for employers looking for casual, flexible staff, typically in the areas of retail and hospitality.

Figure 3 shows an increasing proportion of both school and full-time university students aged 15 to 19 years working part-time.

**Figure 3 Proportion of 15 to 19-year-olds working part-time by study status**




Source: ABS, cat.no.6291.0.55.001, Labour Force Survey, Labour force status (ST LM3) by sex, age (15–24)—from April 1986–2009, data shown for August quarter in each year, sourced April 2010.

This increasing trend to combine work and study can be explained on the demand side by the changing structure of the Australian workforce, with employers seeking more flexible, casual workers. On the supply side, there is a plentiful supply of young people who are staying on at school or in post-compulsory study for longer, and who see part-time work as a means of gaining some financial independence. Much of the part-time employment combined with school and post-school study bears little connection with young people's chosen careers (Anlezark & Lim forthcoming).

The issue of interest here is whether the availability of part-time work for students declines in a downturn. On one hand, business activity declines in a downturn. On the other, employers may increase the proportion of casual and part-time employees as a means of minimising risk. These employees are much more flexible and easier to lay off if economic circumstances worsen. Even if this is the case, students may find the competition for the part-time jobs more challenging because those job seekers who were looking for full-time work may be prepared to take part-time jobs. More financially stable students may be inclined to wait until the labour market improves before considering part-time employment.

# IMPACT OF THE ECONOMIC DOWNTURN

In this section of the paper we look at some qualitative evidence regarding how young people perceived the downturn to affect their work and study intentions, and explore the common themes arising from the impact the downturn has had on these young people.

## QUALITATIVE EVIDENCE ON HOW THE ECONOMIC DOWNTURN AFFECTED YOUNG PEOPLE

Between July and September 2009, verbatim responses were collected from respondents of the 10% pilot sample of the Longitudinal Surveys of Australian Youth from three cohorts. Respondents from the Y06 cohort (at an average age of 18.7 years in 2009) and the Y03 and Y98 cohorts (average ages of 21.7 and 25.5 years respectively in 2009) were asked an open-ended question in relation to the economic downturn:

> *In what specific ways, if any, have your decisions or intentions about work or study changed because of changes in the economic climate over the past year?*

**Table 5 Extract of comments on how work and study intentions have changed as a result of the economic climate—asked July to September 2009 of LSAY pilot respondents**

| |
|---|
| **Impact on employment** |
| *Because of changes in the economy I lost my job at [the video store] so now I don't have money to do the things I had planned such as study this year.* – late teen |
| *I am very apprehensive about quitting and finding work in my area (Sunshine Coast) because I have heard it has the highest unemployment rate in our state.* – mid-20s |
| *I lost my job due to the economic climate; I have been evicted from my home as I had no money to pay the bills.* – mid-20s |
| *I've noticed a change in employment in the sense of feeling less secure because I'm the only casual so I'd be the first to go if the situation arose.* – early 20s |
| **Impact on getting an apprenticeship or traineeship** |
| *I couldn't get an apprenticeship so I continued with my studies.* – late teen |
| *The job that I wanted to get into (boat building) has hardly any work available, so I decided to take a gap year instead of taking an apprenticeship straight away.* – late teen |
| *While I was working as a legal secretary I was considering doing a traineeship but they had to let me go so I didn't get to do it. I am a bit put off the idea of trying that again in case I get half way through it and they have to let me go again and it would be a waste of time and effort.* – late teen |
| *I am trying to get an apprenticeship but the problem I have is that they are employing younger kids so that they can pay them a lesser amount where as I have to get paid adult wage.* – early 20s |
| **Impact on study** |
| *Lots of employers are not taking on people so this has caused me to consider going to TAFE next year, as my employment options are now much narrower due to the economic downturn.* – late teen |
| *I've turned my journalism degree into a double degree of accounting and journalism to broaden my employment options.* – early 20s |
| **Impact on finding work** |
| *I found it difficult to find work when I looked for two weeks this year, so this coupled with the fact that I was able to return to my old casual job at the pub, has made me not … change my job.* – late teen |
| *It has made me want to give up on looking for a job because there is no work in the area I am living in, and if there is work available, it doesn't last very long.*– late teen |
| *It took me a long time to find a full-time job, and I'd had a few jobs since leaving school before I was able to get full-time hours. I think it was directly because of the changes in the economy.* – late teen |
| *I am more concerned about finding a job when my contract is up – I may have to lower my expectation of what I will accept for work … if the worst comes to the worst I'll accept something that doesn't have to do with the career I want.* – early 20s |
| *I have two jobs, performing and hospitality work. I kept the hospitality job because it's hard to find work and they are flexible enough to allow for my performance work.* – early 20s |

The respondents' comments illustrate that in 2009 young people were feeling the effects of the economic downturn: work was harder to come by, often not in areas they wanted to work, and there was an underlying threat of unemployment. Some young people turned to study because of the poor labour market conditions, while others changed the courses they were studying to improve their employment chances. Young people were finding it particularly difficult to get an apprenticeship or traineeship.

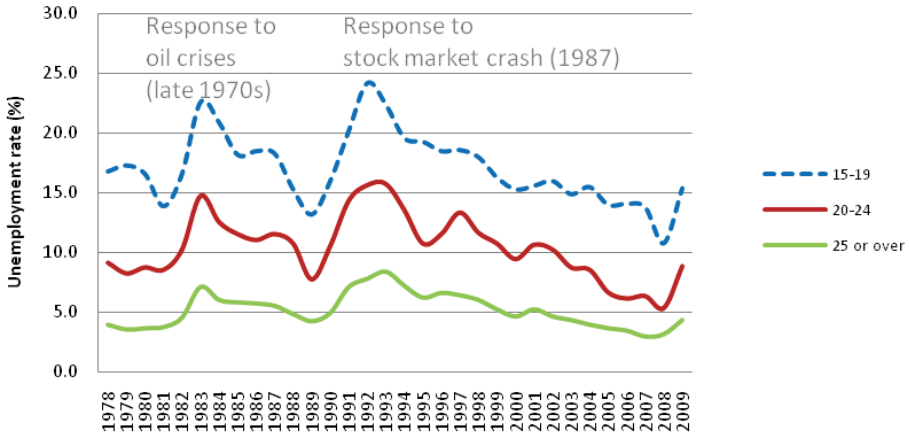
## AN INCREASE IN UNEMPLOYMENT RATES AND AN INCREASE IN THE DURATION OF UNEMPLOYMENT

Marks and Fleming (1998) looked at youth unemployment between 1980 and 1994 (during the 1987 stock market crash and subsequent world recession in the early 1990s) using a cohort of young people aged 16 to 19 years in 1985 from the Youth in Transition survey. They found that young men were more vulnerable to unemployment during poorer economic conditions. This may relate to young men working in occupations which are more strongly linked to economic cycles such as in the construction and mining industries. Marks and Fleming also noted that some young women withdrew from the labour market in less favourable economic times.

While many young people experience short spells of unemployment, some young people are at risk of long-term unemployment or entrenched underemployment, which can increase their chance of subsequent and ongoing unemployment or scarring. Fortunately, as Buddlemeyer and Hérault (2010) found, most unemployment appears to be a short-term rather than a long-term problem for young people which, they suggest, causes 'grazes' rather than 'scars'. Anlezark (2011) argues that fewer than 10% of young people are at risk of long-term unemployment.

Figure 4 shows Australian unemployment rates over the last 30 years, with spikes in unemployment coinciding with economic downturns in 1983 and 1992, and the beginning of a spike starting in 2008. Most notably, young people appear to bear the brunt of economic downturns, with much sharper rises in unemployment rates in economic downturns, and longer periods of recovery relative to more experienced older workers. New entrants to the labour market find it particularly difficult to get a first job during periods of economic downturn and we see young people aged 15 to 24 over-represented in the unemployment statistics, comprising a third of all unemployed persons, but only 10% of the population.

**Figure 4 Unemployment rate by age: 1978–2009**

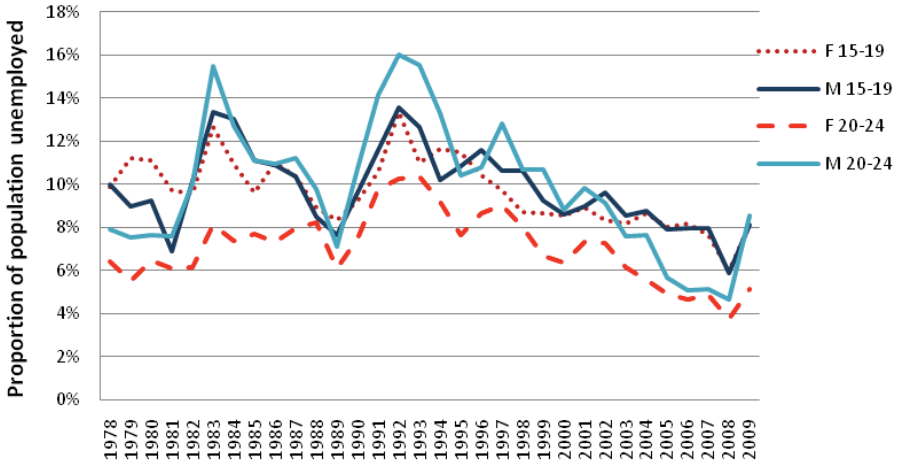



Source: ABS, cat. no.6291.0.55.001, Labour force, Australia, detailed—electronic delivery, August monthly reported only, LM8, September 2009.

The impact of the downturn can be seen clearly from the rapid increase in unemployment rates of 15 to 19 and 20 to 24-year-olds between August 2008 and 2009. Figure 5 shows the proportion of young people unemployed as a proportion of the population rather than of the labour force. Arguably, this is a more relevant measure because it focuses on the whole cohort.

Again, we see an immediate spike after August 2008. The least affected group has been 20 to 24-year-old women but we know that this group often withdraws from the labour market in less favourable economic times (Anlezark 2011). Of note is that the 2009 unemployment rates (whether measured as a percentage of the labour force or of the population) are far lower than the peaks associated with earlier recessions, and start from a lower base.

**Figure 5 Proportion of youth population unemployed by age and gender: 1978–2009**

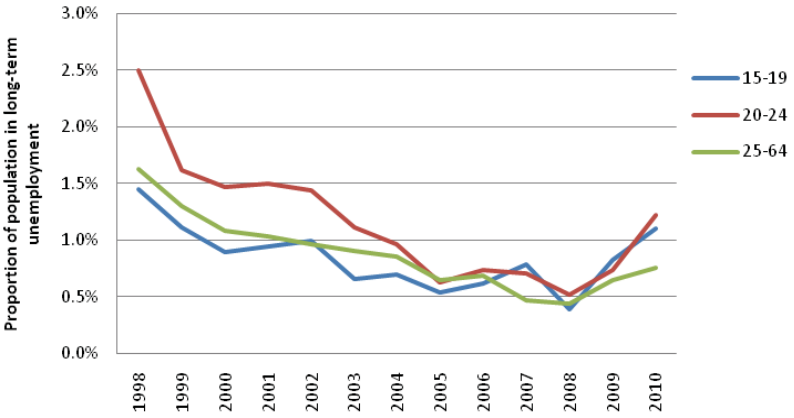



Source: ABS, cat.no.6291.0.55.001, Labour force, Australia, detailed—electronic delivery, Jan 2010, data shown for August 1986–2009.

## Duration of unemployment

The number of long-term unemployed (which we take to be for longer than 12 months) increases between 2009 and 2010. Figure 6 expresses the number of long-term unemployed as proportion of the relevant population by age.

**Figure 6 Proportion of population in long-term unemployment by age**




Note: 2010 is estimated population consistent with July 2009 as population estimates for 2010 were not available at the time of writing.

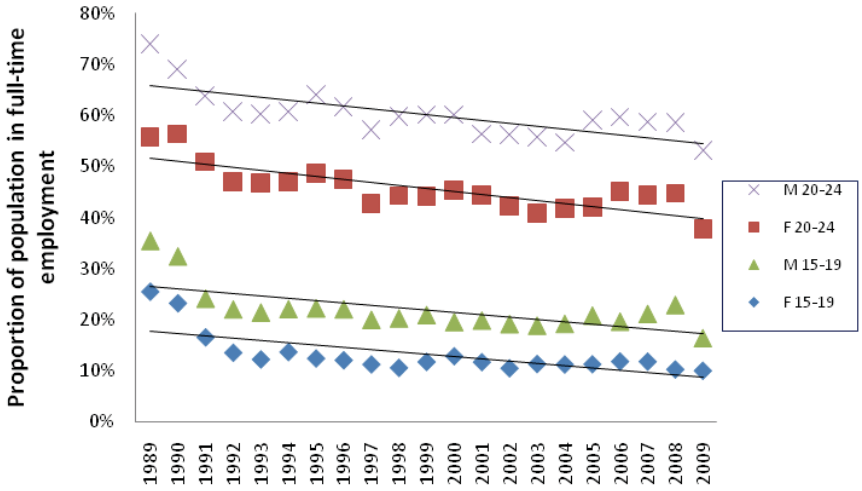
Source: ABS, Unemployed persons (ST LM3) by age, sex, state, duration of unemployment—from September 1997, data for month of July used each year, except 2010 where latest (April 2010) available is used.

Since 2008, there has been a very evident upward trend of long-term unemployment, rising much more sharply for the younger cohorts. This differential impact occurs because these tend to be new entrants to the labour market (van Wanrooy et al. 2009) and find it harder to gain employment flows directly into long-term employment.

## A DECLINE IN FULL-TIME EMPLOYMENT OPPORTUNITIES, INCLUDING APPRENTICESHIPS

The fall in full-time employment levels from 2008 indicates that the economic downturn had an immediate effect on full-time employment for young people. As can be seen from figure 7, there was a significant fall in full-time employment most notably for both males in the 15 to 19-year-old group and females in the 20 to 24-year-old group between August 2008 and 2009. Those in the 15 to 19-year-old group were somewhat protected from the downturn because more of them are in education and training.

**Figure 7 Proportion of youth population in full-time employment, by gender and age with trend lines**

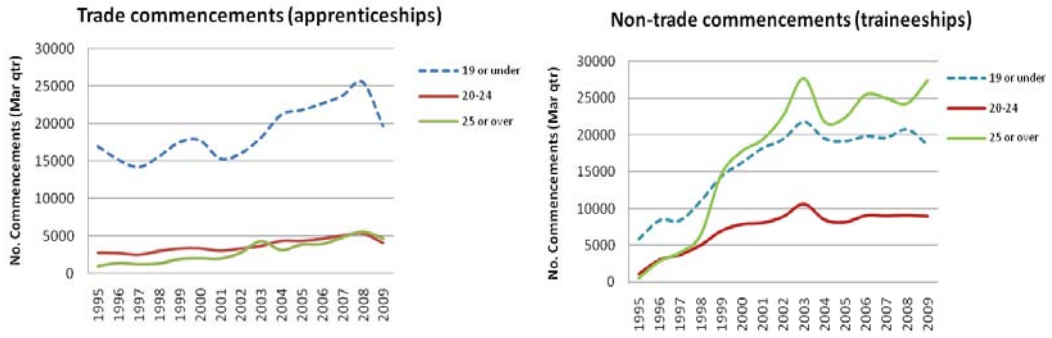



Source: ABS, Labour Force Survey, Labour force status (ST LM3) by sex, age (15–24)—from April 1986, data shown for August quarter in each year.

Apprenticeships are particularly sensitive to economic cycles (see Kapuscinski 2001; Toner 2003; Karmel & Mlotkowski 2008). Historically, the concentration of apprenticeships in industries in which employment itself is cyclical (such as building and construction)—coupled with falls in economic conditions—results in declines in the number of apprenticeship commencements. New starts in apprenticeships appear to fall ahead of national unemployment rates, and take a long time to recover from an economic downturn. The high youth unemployment rates in the early 1980s prompted the government to introduce a new training model aimed at unemployed youth—the traineeship. Traineeships are in industries that are less likely to be as affected by the cyclical downturn.

From figure 8 we see that 15 to 19-year-old apprentices have been particularly affected by the most recent economic downturn. We also see that traineeship commencements have fallen for 15 to 19-year-olds, although the number of commencements for 20 to 24-year-olds has held up, and the number over the age of 25 years has increased strongly.

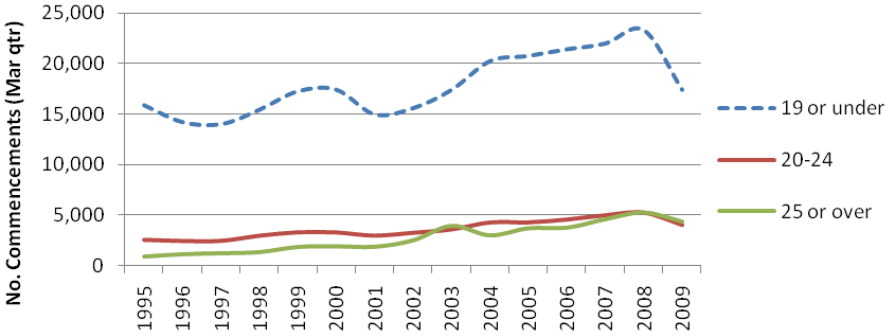
**Figure 8 Apprentice and trainee commencements by age (1995–2009, March quarter)**




Source: NCVER, National Apprentice and Trainee Collection, unpublished.

One of the features of the Australian apprenticeship and traineeship system is that it is possible for part-time workers and existing workers to get traineeships. In addition, part-time traineeships for young people typically are associated with full-time study. Thus we get a clearer picture of the implications for young people seeking full-time work by excluding existing workers and part-time workers from the statistics on apprenticeship and traineeship commencements (accounting for about a third of all apprentices and trainees). Figures 9a and 9b reproduce data from figure 8, but exclude existing and part-time workers.

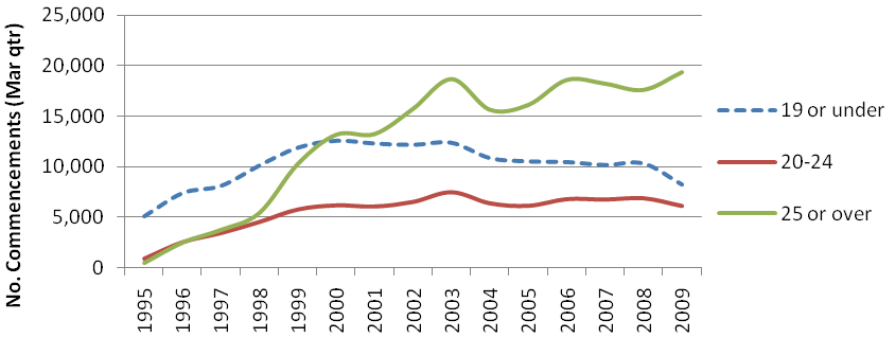
**Figure 9a Apprentice and trainee commencements by age (1995–2009, March quarter), excluding existing and part-time workers (trades)**




Source: NCVER, National Apprentice and Trainee Collection, Sept. 2009 estimates, unpublished.

Here we see a similar picture for apprentice commencements (comparing figure 8 with figure 9a), but a more moderated picture for trainees (comparing figure 8 with figure 9b), suggesting much of the growth in recent years for traineeships has been for existing workers. Indeed, reported apprentice and trainee activity in 2009 (NCVER 2010) indicates that existing worker commencements in traineeships only increased by 13.4% between 2008 and 2009. An increase in existing worker traineeships is not going to help new entrants to the labour market.

**Figure 9b Apprentice and trainee commencements by age (1995–2009, March quarter), excluding existing and part-time workers (non-trades)**




Source: NCVER, National Apprentice and Trainee Collection, Sept. 2009 estimates, unpublished.

Initial indications by Karmel and Misko (2009) suggested that the most recent downturn had a lesser effect on traineeships than apprenticeships because of the industries affected and the substitution of existing modestly skilled workers at the expense of younger new entrants for traineeships. This is an attractive proposition for employers because of relatively high wage subsidies, the ability to retain existing staff, and their relatively low risk, given that most have a training duration of around two years (apprenticeships are typically three to four years). The exclusion of existing and part-time workers in figure 9b demonstrates that the rise in overall commencements has been underpinned by increases only in the over-25 age group, demonstrating this substitution effect. The 19 years and under age group has been particularly badly affected.

Another possible impact of the economic downturn is an increase in the number of out-of-trade apprentices—apprentices who have lost their job. However, Karmel and Misko (2009) argue that this is not a major issue and, indeed, completion rates for traineeships have increased in the downturn.

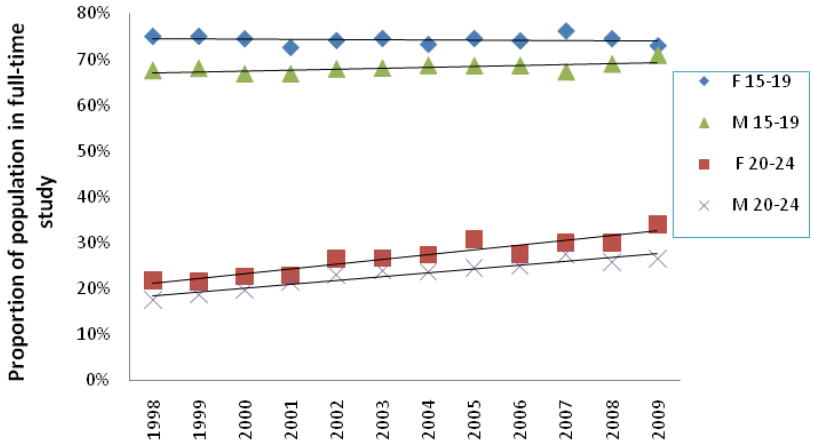
## AN INCREASE IN THE PROPORTION OF YOUNG PEOPLE RETURNING TO, OR CONTINUING, FULL-TIME STUDY

In an economic downturn, when employers are less likely to take on new starters, it is not surprising that we see an increase in the proportion of young people returning to, or continuing in, full-time study. As illustrated in the qualitative evidence (table 5), young people retreat into education and training because of limited immediate employment opportunities, as well as seeing the longer-term benefits of increased educational attainment.

There is solid evidence from previous longitudinal research (see for example Chapman & Tan 1992; Miller 1992) that wage returns from education and training during an economic downturn appear to be higher than in more prosperous times for degree holders, but not for trade qualifications.

In figure 10 we plot the recent trend in full-time study, with a view to isolating the impact of the downturn.

**Figure 10 Proportion of youth population in full-time study, by gender and age with trend lines**




Source: ABS, Labour Force Survey, Labour force status (ST LM3) by sex, age (15–24)—from April 1986, data shown for August quarter in each year.

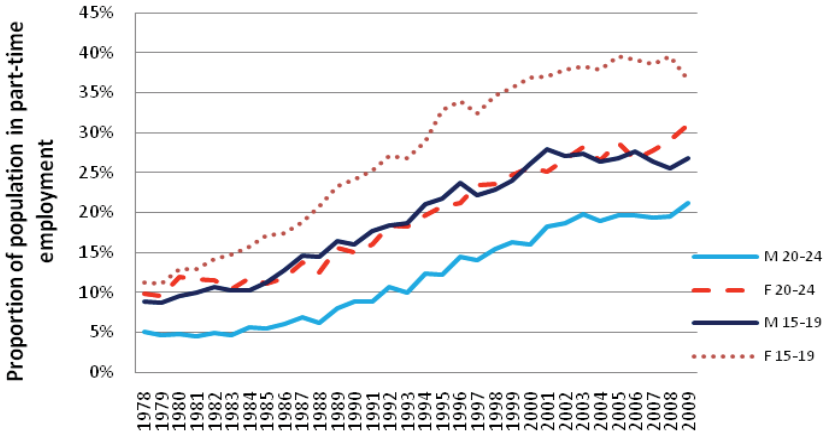
The deviations from the long-term trends do not provide convincing evidence that the downturn has led to significant increases in young people in full-time study. The most marked increase is observed for 20 to 24-year-old females and we also see a small increase for 15 to 19-year-old and 20 to 24-year-old males. We see a decline for 15 to 19-year-old females but, with three-quarters of them in full-time study, perhaps we are close to saturation for this group.

## INCREASED AVAILABILITY OF PART-TIME EMPLOYMENT

Figure 11 illustrates part-time employment trends over the last 30 years, expressed as a proportion of the population for 15 to 19-year-olds and 20 to 24-year-olds. It clearly demonstrates a trend of increasing part-time employment across both of these age groups, but particularly for the younger (15 to 19) age group. Of interest here is the rise in part-time employment in the last 12 months for males across both age groups, and females aged 20 to 24 years, but a sharp decline for females aged 15 to 19 years.

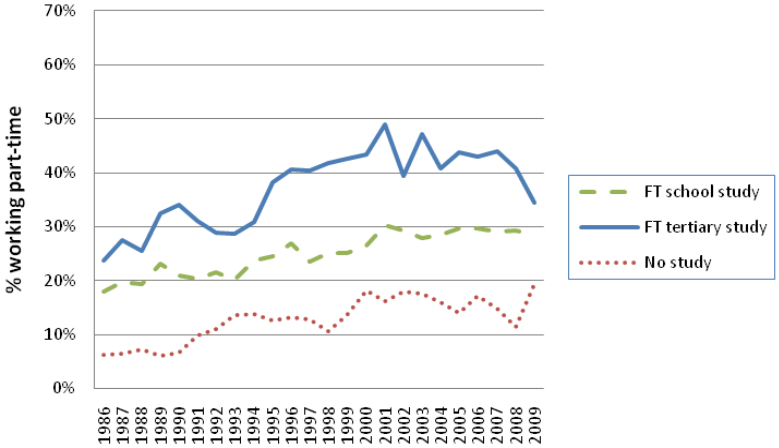
When looking at part-time employment, it is important to separate out those who are combining work and study because working students can mask underlying trends. Figures 12a to 12d split the data by age groups, sex and whether or not they are studying.

**Figure 11 Proportion of youth population in part-time employment**



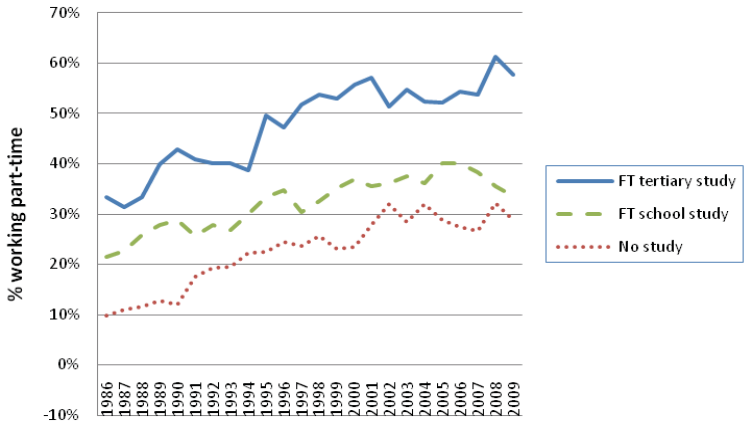

Source: ABS, cat.no.6291.0.55.001, Labour force, Australia, detailed—electronic delivery, Jan 2010, data shown for August 1986–2009.

**Figure 12a Proportion of 15 to 19-year-old males working part-time by study status**



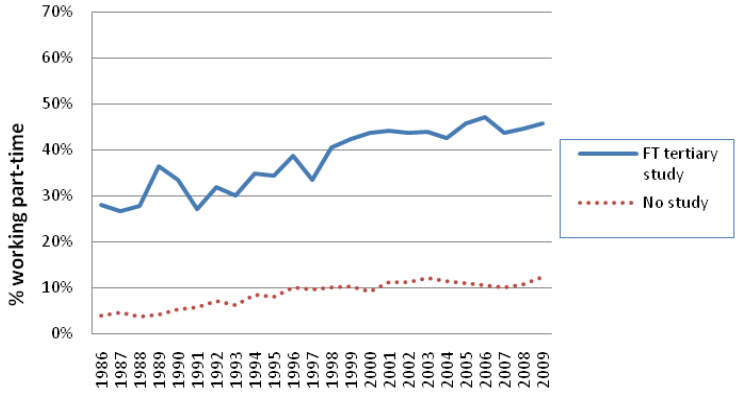

Source: ABS, Labour Force Survey, Labour force status (ST LM3) by sex, age (15–24)—from April 1986, data shown for August quarter in each year.

**Figure 12b Proportion of 15 to 19-year-old females working part-time by study status**



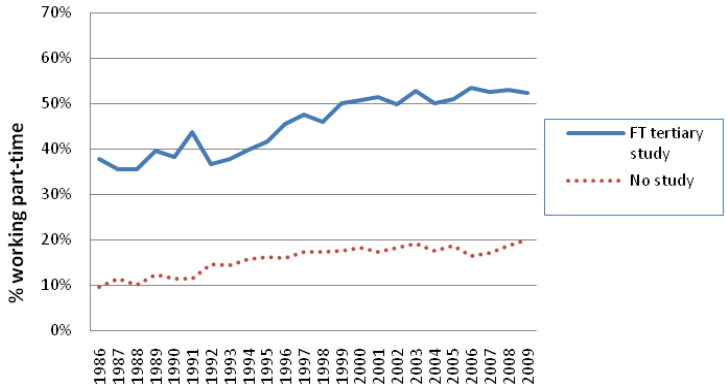

Source: ABS, Labour Force Survey, Labour force status (ST LM3) by sex, age (15–24)—from April 1986, data shown for August quarter in each year.

**Figure 12c Proportion of 20 to 24-year-old males working part-time by study status**




Source: ABS, Labour Force Survey, Labour force status (ST LM3) by sex, age (15–24)—from April 1986, data shown for August quarter in each year.

**Figure 12d Proportion of 20 to 24-year-old females working part-time by study status**




Source: ABS, Labour Force Survey, Labour force status (ST LM3) by sex, age (15–24)—from April 1986, data shown for August quarter in each year.

Figures 12a to 12d suggest that some of the decline in full-time employment was converted to part-time employment, particularly for non-students, resulting in an increase in part-time employment among non-students, and a fall in part-time work for students.

When explored by gender, the increase in the number of young men in part-time employment and not studying suggests that they are moving into part-time employment from full-time employment, and taking part-time jobs away from students.

However, this is not the case for young women. It also appears that there has been a substitution between young men and women. We see a significant increase in part-time work among 15 to 19-year-old males but a decline for the females of the same age (see figure 11).

The qualitative comments contained in table 5 highlight the difficulties faced by young people in finding 'good' (career) full-time jobs, with many young people accepting inferior jobs, particularly casual work, rather than facing unemployment.

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Longitudinal Surveys of Australian Youth

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The Longitudinal Surveys of Australian Youth is a research study that follows young Australians as they move from school into further work and study. It provides valuable information to better understand young people's pathways from school and what influences their choices. The analytical and research work of the program is managed by NCVER.

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# APPENDIX

## CALCULATION OF IMPACT OF CHANGE IN EMPLOYMENT

Technical note: Are young people vulnerable to changes in employment?

The purpose of this analysis is to see whether young people are concentrated in industries which are more vulnerable to a downturn.

Let $E_{ij}$ be employment for the ith age group and jth industry. Then

$$E_i = \sum_j E_{ij}$$

$$= \sum_j \frac{E_{ij}}{E_j} E_j$$

taking % changes we get

$$\%\Delta E_i = \Sigma_j w_{ij} \left\{ \%\Delta \left( \frac{E_{ij}}{E_j} \right) + \%\Delta E_j \right\} \text{ where } w_{ij} = \frac{E_{ij}}{E_i}$$

If we assume that the ith age group maintains its share of employment in each industry, the first term is zero and so we get

$$\%\Delta E_i = \sum_j w_{ij} \{\%\Delta E_j\}$$

The following data were used for the calculations in table 4.

**Table 6 Distribution of employment by industry sector and change between Aug 2008 and Aug 2009***

| | Employed full-time ('000s) 2008 | | | Proportion of persons in full-time employment 2008 | | Change employed persons Aug 08–Aug 09 |
|---|---|---|---|---|---|---|
| **Industry** | **15–19** | **20–24** | **All persons** | **15–19** | **20–24** | **All persons** |
| Agriculture, forestry & fishing | 26 | 58 | 1337 | 0.01945 | 0.04338 | 0.01916 |
| Mining | 9 | 41 | 794 | 0.01134 | 0.05164 | -0.04848 |
| Manufacturing | 125 | 260 | 4577 | 0.02731 | 0.05681 | -0.04694 |
| Electricity, gas, water & waste services | 5 | 27 | 567 | 0.00882 | 0.04762 | 0.04630 |
| Construction | 181 | 327 | 4277 | 0.04232 | 0.07646 | -0.05658 |
| Wholesale trade | 24 | 82 | 1682 | 0.01427 | 0.04875 | -0.00292 |
| Retail trade | 309 | 410 | 3261 | 0.09476 | 0.12573 | -0.05873 |
| Accommodation & food services | 224 | 243 | 1606 | 0.13948 | 0.15131 | -0.06192 |
| Transport, postal & warehousing | 31 | 112 | 2320 | 0.01336 | 0.04828 | -0.01944 |
| Information media & telecommunications | 20 | 69 | 899 | 0.02225 | 0.07675 | -0.09836 |
| Financial & insurance services | 14 | 123 | 1655 | 0.00846 | 0.07432 | -0.03284 |
| Rental, hiring & real estate services | 20 | 52 | 742 | 0.02695 | 0.07008 | -0.11409 |
| Professional, scientific & technical services | 39 | 224 | 3135 | 0.01244 | 0.07145 | 0.00332 |
| Administrative & support services | 27 | 98 | 1017 | 0.02655 | 0.09636 | 0.04412 |
| Public administration & safety | 18 | 131 | 2681 | 0.00671 | 0.04886 | -0.01457 |
| Education & training | 25 | 94 | 2564 | 0.00975 | 0.03666 | -0.00578 |
| Health care & social assistance | 43 | 211 | 3194 | 0.01346 | 0.06606 | 0.05728 |
| Arts & recreation services | 24 | 58 | 538 | 0.04461 | 0.10781 | -0.10000 |
| Other services | 90 | 143 | 1618 | 0.05562 | 0.08838 | -0.10398 |
| **Total** | **1254** | **2760** | **38463** | **0.03260** | **0.07176** | **-0.02754** |

Note: * data are subject to rounding errors.

## IMPACT OF CHANGE IN EMPLOYMENT IN INDUSTRY SECTOR ON AGE FOR 1998 AND 2008

Let the weight be the average proportion employed in that industry averaged over the four quarters. The impact is then the sum of the weight multiplied by the change in employment between August 2008 and August 2009. The weights hold the age shares constant for each industry sector. Table 7 contains the calculations for 1998, and table 8 for 2008.

**Table 7 Calculation of impact of change in employment 1998, holding age shares constant***

| Industry | 1998 | | | |
|---|---|---|---|---|
| | 15–19-year-olds | | 20–24-year-olds | |
| | Weight | Weight change | Weight | Weight change |
| Agriculture, forestry & fishing | 0.05421 | 0.00104 | 0.03898 | 0.00075 |
| Mining | 0.00346 | -0.00017 | 0.00940 | -0.00046 |
| Manufacturing | 0.16609 | -0.00780 | 0.15141 | -0.00711 |
| Electricity, gas, water & waste services | 0.00231 | 0.00011 | 0.00661 | 0.00031 |
| Construction | 0.12918 | -0.00731 | 0.08945 | -0.00506 |
| Wholesale trade | 0.05767 | -0.00017 | 0.05500 | -0.00017 |
| Retail trade | 0.18916 | -0.01111 | 0.12356 | -0.00726 |
| Accommodation & food services | 0.10381 | -0.00643 | 0.07275 | -0.00450 |
| Transport, postal & warehousing | 0.03114 | -0.00061 | 0.03585 | -0.00070 |
| Information media & telecommunications | 0.01153 | -0.00113 | 0.02367 | -0.00233 |
| Financial & insurance services | 0.01384 | -0.00045 | 0.05117 | -0.00170 |
| Rental, hiring & real estate services | 0.01499 | -0.00171 | 0.01984 | -0.00226 |
| Professional, scientific & technical services | 0.04614 | 0.00015 | 0.07936 | 0.00026 |
| Administrative & support services | 0.03114 | 0.00137 | 0.03342 | 0.00148 |
| Public administration & safety | 0.01269 | -0.00018 | 0.03759 | -0.00055 |
| Education & training | 0.01384 | -0.00008 | 0.03516 | -0.00020 |
| Health care & social assistance | 0.02422 | 0.00139 | 0.06405 | 0.00367 |
| Arts & recreation services | 0.01153 | -0.00115 | 0.01566 | -0.00157 |
| Other services | 0.08305 | -0.00863 | 0.05848 | -0.00608 |
| **Total** | **1.00000** | **-0.04288** | **1.00139** | **-0.03345** |

Note: *data are subject to rounding errors.

**Table 8 Calculation of impact of change in employment 2008, holding age shares constant***

| Industry | 2008 | | | |
|---|---|---|---|---|
| | 15–19-year-olds | | 20–24-year-olds | |
| | Weight | Weight* change | Weight | Weight* change |
| Agriculture, forestry & fishing | 0.02073 | 0.00040 | 0.02101 | 0.00040 |
| Mining | 0.00718 | -0.00035 | 0.01486 | -0.00072 |
| Manufacturing | 0.09968 | -0.00468 | 0.09420 | -0.00442 |
| Electricity, gas, water & waste services | 0.00399 | 0.00019 | 0.00978 | 0.00045 |
| Construction | 0.14434 | -0.00817 | 0.11848 | -0.00670 |
| Wholesale trade | 0.01914 | -0.00006 | 0.02971 | -0.00009 |
| Retail trade | 0.24641 | -0.01447 | 0.14855 | -0.00872 |
| Accommodation & food services | 0.17863 | -0.01106 | 0.08804 | -0.00545 |
| Transport, postal & warehousing | 0.02472 | -0.00048 | 0.04058 | -0.00079 |
| Information media & telecommunications | 0.01595 | -0.00157 | 0.02500 | -0.00246 |
| Financial & insurance services | 0.01116 | -0.00037 | 0.04457 | -0.00146 |
| Rental, hiring & real estate services | 0.01595 | -0.00182 | 0.01884 | -0.00215 |
| Professional, scientific & technical services | 0.03110 | 0.00010 | 0.08116 | 0.00027 |
| Administrative & support services | 0.02153 | 0.00095 | 0.03551 | 0.00157 |
| Public administration & safety | 0.01435 | -0.00021 | 0.04746 | -0.00069 |
| Education & training | 0.01994 | -0.00012 | 0.03406 | -0.00020 |
| Health care & social assistance | 0.03429 | 0.00196 | 0.07645 | 0.00438 |
| Arts & recreation services | 0.01914 | -0.00191 | 0.02101 | -0.00210 |
| Other services | 0.07177 | -0.00746 | 0.05181 | -0.00539 |
| **Total** | **1.00000** | **-0.04912** | **1.00109** | **-0.03428** |

Note: *data are subject to rounding errors.

## CONCLUDING COMMENTS

An economic downturn will impact on young people, primarily because they tend to be new entrants to the labour market, and any group of new entrants is bound to be disproportionately affected by an unfriendly labour market. However, the increase in full-time study among the young does mean that the proportion of young people seeking full-time employment is lower than in previous downturns.

The other big structural change is the increase in the availability of part-time employment among young people. Much of this is associated with full-time study. While there are more casual part-time jobs for young people, there is more competition for these jobs as combining work and study is increasingly becoming the norm. This may squeeze out young people who are not studying and who are only able to find part-time work.

## HIGHLIGHTS

Structural labour market changes over the last 20 years include:

- A marked increase in young people's educational participation, with a decline in those aged 15 to 24 years in full-time work.
- Full-time employment for young people continues to be concentrated in construction, manufacturing and retail, despite an overall decline in people employed in manufacturing across all age groups. This is important, because construction and manufacturing are industries which have traditionally been hard hit in economic downturns.
- An increase in part-time employment particularly among students, with around a third of senior secondary and nearly three-quarters of tertiary students combining work and study.

The main issues for young people were fear of unemployment with work harder to find. This time around, specific issues include that:

- It was particularly difficult to obtain an apprenticeship or traineeship.
- Some undertook study because it was harder to find a job.
- Some changed their courses to improve employment prospects.

Labour force data at the time of the 2008 downturn demonstrated that:

- There was a decline in full and part-time employment because young people have less experience and skills.
- More young people were facing unemployment, and for longer durations.
- Full-time educational participation rose slightly, especially in the 20 to 24 years age group.
- The proportion of young people combining work and study fell because of increased competition for part-time work from those unable to gain full-time employment (predominantly males).
- Because apprenticeships were in industries more sensitive to economic cycles, they were more adversely affected than traineeships, which are also of shorter duration and offer wage incentives. However, many existing workers were taken on as trainees, reducing opportunities for younger people.
- Youth unemployment rose steeply and made a slow recovery.

LSAY Briefing Papers is a series produced by the National Centre for Vocational Education Research (NCVER) drawing on data from the Longitudinal Surveys of Australian Youth (LSAY), a research program managed jointly by NCVER and the Australian Government Department of Education, Employment and Workplace Relations. The aims of the series are to bring summaries of findings from LSAY research to a wider audience and to examine particular topics in brief.