Youth employment in Australia: A comparative analysis of labour force participation by age group

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In the aftermath of the Global Financial Crisis (GFC), concern regarding youth unemployment in Australia and in many other countries has been escalating, and justifiably so. However, the proposed policy solutions – where they exist – may not be the most effective. This paper undertakes a comparative analysis of Australian labour-force engagement by age group over the past two decades, specifically by levels of labour force participation and unemployment rates. It finds that policy levers to address the challenges of population ageing, as identified in four Australian government Intergenerational Reports, by increasing female and mature labour-force participation and increasing immigration, combined with a lack of employment demand post the GFC, may have been detrimental, at least in recent history, to youth engagement in the labour force.

In 1996, economist Mark Wooden undertook a review of trends in the Australian youth labour market between 1966 and 1995 and described the period as one of “enormous change” marked by a decline of the full-time labour market for young people and the rise of part-time and casual employment. In his conclusion, Wooden (1996, p.158) contemplated “whether and in what ways will the future labour market experience of today’s youth cohort differ from that of previous cohorts”. Responding to those questions, this paper, beginning
where Wooden finished in 1995 and concluding in 2015, examines the experience of younger cohorts in comparison with other age groups in the labour market over the past two decades.

Since 1995, the Australian youth labour market has undergone further change as many of the trends identified by Wooden (1996) have continued to unfold. The most significant change has been the continued decline in the youth full-time labour market. The proportion of young people engaged in full-time employment has declined from 40% of all young people aged between 15 and 24 in 1995 to 29% in 2015. In contrast, part-time employment for young people increased over the period from 20% in 1995 to 30% in 2015 (Bowman, Borlagdan & Bond 2015). The youth cohort during this period has come to be defined by the precariousness they encounter in the labour market. Indeed, they are a central part of the “new precariat” for whom insecure and non-standard employment has become the norm in a flexible, deregulated economy like Australia (Standing 2011). Since the Global Financial Crisis (GFC), a heavy contingent of Australian politicians, business groups and non-government organisations has come to see youth unemployment as an endemic crisis. This rhetoric matches the harsh reality for the just under 290,000 young Australians aged between 15 and 24 who are looking for work, including 60,000 long-term unemployed young people.

**Background**

While there has been a long-held assumption that “[y]ouths have always entered the labour force in precarious positions, expecting to have to prove themselves and learn” (Standing 2011, p.66), this has not always been the case for young Australians making the transition from school to work. For young Australians in the 1950s and the early 1960s, “the wide availability of full-time work provided a steady transition into the world of adults” (Cuervo & Wyn 2011, p.8). During this period, the life course pathway for young people was to leave schooling at the age of 15 and enter the full-time labour market. For these youth cohorts, job security was an expectation as Cuervo and Wyn (2011, p.7) note, “once they had arrived to their preferred employment, there the unchallenged expectation was of upward mobility in the workplace”. In contrast to the contemporary labour market, young people’s prospect of being
unemployed was exceptionally low during this period. In the following decades, however, the linear transition from school to work came to an end. From the late 1960s onwards, young cohorts in Australia would enter the labour market in increasingly precarious positions as the post-war boom came to an end in both Australia and in economies in the global North amidst the effects of a global recession and the transformation to service-oriented economies (Bessant & Cook 1998). Of these events, the most significant was the gradual erosion of the primary sector and manufacturing industries, which were heavily reliant upon the unskilled labour of young people and which were then replaced by the service industries that demanded professional, skilled labour (Cuervo & Wyn 2011).

The “death” of the full-time labour market for young people occurred following the restructuring of the economy and its labour market in the late 1980s, which led to a recession in the early the 1990s. In 1988, almost two-thirds of young people aged between 15 and 19 were in full-time work; however by 1998, only a third were in full-time employment. At the height of the recession, youth unemployment was 25% (Cuervo & Wyn 2011). The scars of the recession and high unemployment “produced a generational change in culture with young people becoming aware that without a secondary or tertiary qualification they had minimal chances to gain access to meaningful and/or rewarding employment” (Cuervo & Wyn 2011, p.16). This was met by a government agenda, which sought to not only alleviate the demand for further education but also maximise productivity and competitiveness by more closely aligning education and employment outcomes and focus on senior secondary school retention and completion for all Australians (Cuervo & Wyn 2011). Such changes would ensure that “every young Australian should be in education, training or employment” (Keating 1994, p.13). This phrase would become a mantra that would be repeated by successive prime ministers and treasurers, outlining youth policy in Australia. Together, these changes resulted in a de-standardisation of the transition from school to work, as Cuervo and Wyn (2011, p.11) observe:

... structural change with an emphasis on greater efficiency and productivity and policies aiming to increase school retention rates to produce a more qualified workforce, including parental perception that educational credentials
It is during this period that “youth policy became synonymous with education and training policy, with an emphasis on the promotion of the nation’s human capital, with the creation of higher skills from its workers” (Cuervo & Wyn 2011, p.18). Youth were viewed from a policy perspective as the “future” and as a “natural resource” to be invested in (Bessant & Cook 1998). This is part of a youth policy framework in Australia, which has focused upon transitions prefaced on the idea that young people make a series of linear transitions from schooling to post-school qualifications and finally to the full-time labour market, at which time they are deemed to have made the “successful adult transition”. This is part of a way of both identifying risk associated with being young in a neo-liberal, deregulated labour market and fostering social inclusion for those who do not make the “successful transition”, i.e. from school or post-school qualifications to unemployment (Woodman & Wyn 2013). This is in spite of decades of research that has demonstrated that transitions for young people in the contemporary labour market are anything but linear. Woodman and Wyn (2013) suggest that the centrality of transitions in youth policy at the time “offered the possibility of managing the youth employment crisis while reinforcing the possibility and desirability of a normative standard of transition within youth and education policies”.

The transitions-focused framework still underlies current approaches to youth policy in Australia, as evidenced by the response to youth unemployment following the Global Financial Crisis. Although the crisis had a limited impact upon Australia’s economy compared to other global economies, the crisis did affect the labour market, leading to a rise in unemployment. While the unemployment rate for both the overall working age and youth populations increased following the crisis, the overall unemployment rate has declined; the youth unemployment rate, however, has stayed persistently high in the aftermath of the crisis (Junankar 2015). Prior to the crisis beginning in late 2008, youth unemployment had been trending downwards throughout the first half of the 2000s in tandem with the resources boom. In early 2008, the youth unemployment rate was 8.8%, which was close to the low youth unemployment
rates of the 1970s. Almost eight years later, the unemployment rate is 13.6% (Brotherhood of St Laurence 2015; Bowman, Borlagdan & Bond 2015). These figures highlight the fact that even though prime-age workers make up a greater proportion of the labour market, there was a “disproportionate impact of the crisis on the jobs held by youth” (ILO & OECD 2014, p.26). Furthermore, while it is largely accepted that young people fare worse in recessionary times because of the types of industries they are employed in (Junankar 2015), they “experience a faster and stronger turnaround when economic conditions improve” (Bowman, Borlagdan & Bond 2015, p.9). However, this has not been the case post GFC. This scenario is further complicated when considering the fact that Australia did not experience a recession following the GFC, yet youth unemployment rates, while not at the high levels of early 1990s, resemble recessionary youth unemployment rates. In response, the Coalition government introduced a “youth employment strategy” predicated on the transitions-focused youth policy framework as a part of the Budget (2015), which included the “Youth Work Transition” program for those “at risk of long-term welfare dependence”.

The likelihood of these programs to alleviate youth unemployment is poor as both the International Labour Organisation (ILO) and Organisation for Economic Co-operation and Development (OECD) advise “the youth employment crisis will not be overcome without stronger employment growth” (ILO & OECD 2014, p.10). They suggest an immutable and interdependent relationship between growth and improved employment opportunities for youth unemployment. In Australia, however, the youth cohort is not understood as an important driver of economic growth. As reflected in the last four Intergenerational Reports (IGRs), which inform and justify future policy development on issues surrounding productivity, participation and population, the youth cohort and future generations are conspicuously absent. Rather, the reports have argued for greater labour force participation and increased productivity from its older working population in combination with higher levels of skilled migration as a way of addressing future economic growth and demographic change (Churchill, Denny & Jackson 2014). Specifically, the IGRs have advocated for an increase in the preservation age to access superannuation benefits from 55 to 60 years and raising the age-
pension age, as well as introducing a range of superannuation tax concessions
to entice ongoing participation in the labour force (Commonwealth of Australia
2002, 2007, 2010; Treasury 2015). In line with this policy framework, there have
been specifically funded programs, such as Restart, announced in the 2014–2015
Budget, a wage subsidy for workers over the age of 50 to increase labour force
participation.

In the next section of the paper, youth employment and labour force
participation are examined using population-level data in comparison with the
rest of the working-age population, delineated by five-year age groups, to
consider trends in youth employment and the impact of these policy
frameworks.

Method and data
To determine whether youth employment has improved or deteriorated over
the two decades since June 1995, comparative analysis of age-specific labour
force participation and employment with the equivalent total rates is
undertaken to identify any change over time and the resultant effectiveness
of any policy intervention over the same period. Measures of the level of
employment include the labour force participation rate¹ and the
unemployment rate.² Not included in this analysis is underemployment
where employed persons want, and are available for, more hours of work
than they currently have. To enable comparative analysis over time, the
change in percentage point difference between both the labour force
participation rate and the unemployment rate for each age group³ and the
overall rate as well as the prime working age (those aged 15 to 64 years) rate
is used. To account for change in employment demand contributing to the
rates of participation and employment by youth and other age groups,
analysis of population growth and employment growth is also undertaken
using the employment to population ratio.⁴ To balance the demand–side
analysis with a supply–side viewpoint, investigation of change in the size of
age cohorts is considered as well as their respective level of confidence in
obtaining work in the labour market.
Over a 20-year period between June 1995 and June 2015, the greatest changes in labour force participation rates have occurred among the youngest and oldest segments of the Australian working-age population. As Figure 1 illustrates, during this period age-group-specific labour force participation rates compared with the overall participation rate have changed markedly for those aged 15 to 19 and 55 to 64, and to a lesser degree those aged 20 to 24. Comparatively, the labour force participation rates for all other age groups have varied little, with the prime working-age group (those aged 15 to 64) rate consistently around ten percentage points greater than the total rate and incrementally increasing in recent years.

For young people aged between 15 and 19, the percentage point difference compared with the overall rate has increased over time from 6.7 percentage points less than the total labour force participation rate in July 1995 to 12.0 percentage points less than in July 2015. This trend reflects the increased participation in education and training for this age group and the relative level of confidence the cohort has in securing employment in the workforce. For younger Australians aged between 20 and 24, the labour force participation
rate percentage point difference compared to the total labour force participation rate has deteriorated slightly since 1995, from 19 percentage points greater than the total rate in July 1995 to 14.7 percentage points greater in July 2015. Again, this can be explained by increased participation in education and training by this age group as well as the relative level of confidence in gaining employment.

In contrast, the participation rate among older Australians has increased over this period. For those people aged between 55 and 64, the percentage point difference with the total rate has improved dramatically, closing the differential completely. In July 1995, the percentage point difference was 18.9 lower than the overall rate. By July 2015, the labour force participation rate for 55- to 64-year-olds was 0.2 percentage points greater than the overall rate. This is consistent with policy intervention to increase both female and mature-age labour force participation rates, coupled with the raising of the superannuation preservation age and age-pension age (for women). In addition, the impact of the GFC on the value of superannuation investments has prolonged the planned exit from the labour force by older workers.

**Unemployment rate**

*Figure 2. Unemployment rate percentage point difference with overall unemployment rate, by age group, Australia, 1995 to 2015*

Since 1995, the percentage point difference between age-specific unemployment rates and the overall unemployment rate has remained consistent for all age groups, apart from those aged 65 and older, with the differential improving considerably over the past two decades. However, given the comparatively low levels of labour force participation, this improvement is relatively insignificant. Even so, the improvement suggests that those who want to remain in the workforce after the age of 65 are able to do so.

For both youth cohorts, those aged 15 to 19 and 20 to 24, the cohort unemployment rate has been consistently greater than the overall unemployment rate for the past two decades with the percentage point difference for those aged 15 to 19 averaging 10.7 since 1995 and for those aged 20 to 24, averaging 3.2 percentage points greater than the overall rate. All other age groups’ unemployment rates have been lower than the overall rate for the same period, as illustrated in Figure 2. Importantly, however, given that unemployment rates are measured as a proportion of the labour force, those rates are influenced by the level of participation in the labour force, which gives a clearer indication of the level of confidence a cohort may have in gaining employment.

**Employment growth rate**

*Figure 3. Growth rates: employment and labour force and the employment to population ratio, Australia, 1995 to 2015*

Participation in the labour force (and subsequent employment) is influenced by the demand for employment. As is illustrated in Figure 3, the rate of employment growth generally exceeded the rate of growth in the size of the labour force (the supply of labour) for most of the period, resulting in increases in the employment to population ratio. In 2009, however, there was a decline in both the employment growth rate and the size of the labour force, which was caused by the economic downturn resulting from the Global Financial Crisis (GFC) as well as some effects resulting from the ageing population. Importantly, the decline in the rate of employment growth during this period was greater than the decline in the growth rate of the supply of labour, apart from a brief hiatus during the Commonwealth Government Building the Education Revolution (BER) stimulation package. This has consequences for participation and unemployment as is evident by the employment to population ratio in Figure 3. Prior to 2009, this increased demand for employment was met by increased participation and employment by those in the 55 to 64 age group. During the year to June 2015, both the labour force and employment growth rates increased, resulting in an improved employment to population ratio for the first time since 2011. These improvements should bode well for youth employment, provided appropriate policy measures are in place.

**Labour supply**

*Figure 4. Supply of labour: population by age group, 1995 to 2015*

The size of a labour force cohort is influenced by two factors, the size of the cohort of the population and participation in the labour force. As is evident in Figure 4, the size of the youth cohorts has increased marginally over time, whereas the size of the cohort aged 55 to 64 has increased considerably, as has that of those aged 45 to 54, but to a lesser degree. While the size of the cohort aged over 65 has increased at a greater rate, the low level of participation in the labour market for that age group renders this growth insignificant. The growth in the size of the older age groups, however, also predicates an increasing number of older workers eventually exiting the workforce, creating opportunities for youth and future generations.

The rate of participation in the labour force provides an indication of the level of confidence a person has in securing employment. As in Figure 5, the rate of growth in the size of the labour force for each age group has varied the greatest for those aged 15 to 19 and 20 to 24 (with variance of 6.45 and 5.05 percentage points respectively), fluctuating between growth and decline, with the most pronounced change during times of strong or poor economic performance. While the labour force growth rate for those aged 55 to 64 had the highest average growth rate over the period (4.85%), the group also experienced a high variance of 5.2 percentage points consistent with economic performance and policy intervention. The rate of growth in the size of the labour force for all other age groups has varied little comparatively.

**Figure 5. Supply of labour: labour force growth rates, by age group, 1995 to 2015**

Discussion

The findings from this paper show that since 1995 employment for youth has fared comparatively worse than employment for all other age groups. The findings illustrate a consistent trend over the past two decades, with a slight deterioration evident since the economic boom and bust of the late 2000s: young people aged between 15 and 24 have had considerably higher levels of unemployment and lower levels of participation relative to all other age groups. The findings also suggest that older age groups, to the detriment of the youth cohort, have benefited from increases in employment demand in the labour market over the 20-year period. Furthermore, this suggests that young Australians have not benefited from a strengthening economy in terms of labour market participation and brings into question claims from the ILO and OECD about the impact of economic growth on youth unemployment.

Also evident from this analysis is that once a cohort reaches the age of 25 they have higher levels of confidence in gaining employment, as demonstrated by a relatively higher labour force participation rate, and a greater likelihood of securing employment, as demonstrated by relatively lower unemployment rates than the overall rate. This is likely to be explained by increased completion rates in terms of education and training and also the gaining of relevant work experience, indicating that “successful adult transition” has occurred – but at what cost? This raises the question of how policy levers are failing those in Australia who want to enter the workforce at a younger age, i.e. aged 15 to 24.

The dominant policy position to increase labour force participation in response to the challenges of an ageing population has been to increase participation by mature-age and female workers, with scant policy positions for youth participation (Churchill, Denny & Jackson 2014). The policy positions include increasing the preservation age to access superannuation benefits to 60 and raising the age-pension age, as well as a range of superannuation tax concessions to entice ongoing participation in the labour force (Commonwealth of Australia 2002, 2007, 2010; Treasury 2015). Policy positions to increase female labour force participation focus on improving the ability to combine both work and parenting.
Regardless of these policy positions, increases in labour force participation rates by mature age and female workers are expected to stabilise given that the historic increases are attributable to cohort, period and age effects (Euwals, Knoef & Van Vuuren 2011; Parr 2012). This scenario should create opportunities for Australian youth, particularly given that the large, ageing workforce cohorts will eventually exit the labour force (Churchill, Denny & Jackson 2014).

However, these opportunities are conditional on two things: first, that current youth successfully avoid the scars of the GFC and are labour market ready when the time comes; and second, that over-reliance on immigration is resolved.

In the instance of projected skill and labour shortages, current government policy is increasingly turning to immigration as a solution, particularly through its skilled migration stream and temporary work visa programs. As noted by Department of Immigration and Citizenship (2011, p.28) the decision to move to a demand-driven program in early 2008 highlighted a significant and growing mismatch between the skills and experience on offer and those demanded by the Australian labour market, suggesting that there is not a lack of labour per se, but a mismatch between supply of skills, knowledge and experience and demand. Pincus and Sloan (2012) argue that immigration has the potential to undermine the workings of the labour market which would otherwise self-correct skill and labour shortages. A slowdown in the size of the working-age population should require governments to increase the effectiveness of education and training provisions and policy governing working conditions to encourage increased participation in the labour market. However, as immigration provides an immediate (relative) solution to labour demand, this is at the expense of a more effective training policy (Birrell 2010; McDonald & Temple 2010), and, as a policy position, is counterproductive to the investment in education and training of Australia’s youth (Robinson & Lamb 2012).

The impact of this policy focus is clear. As pointed out by Borland (2013), Australia’s changing unemployment rate between 2008 and 2013 was almost entirely explained by poor economic performance, but at the same time the size of the labour market increased considerably as a result of a corresponding
increase in net overseas migration. Birrell (2014) points out that since 2003 Australia has experienced a massive increase in net overseas migration (NOM), largely attributable to a shift in immigration policy and, to a lesser degree, to a change in the methodology used by the Australian Bureau of Statistics to calculate NOM. The restructured immigration policy is designed to meet employment demand by outsourcing the size and characteristics selection of skilled migrants to employers through the opening up of both the permanent entry visa and temporary entry visa subclasses to employer sponsorship.

Since 2005, overall employment growth has exceeded total NOM, providing some justification for the introduction of the employer-led immigration policy. However, since the introduction of the new immigration policy and the subsequent GFC in 2008, NOM has considerably exceeded employment growth, not including the two BER years of 2010 and 2011, resulting in a far larger labour market than employment demand. In the five years to 2015, NOM exceeded employment growth by over 30,000. Even so, for the first time since 2011, employment growth during 2015 exceeded total NOM, explaining recent improvements in both labour force participation and employment rates. (See Figure 6.) Provided employment growth continues to exceed net overseas migration into the future, opportunities for young Australians to engage successfully in the workforce should improve.

Figure 6. Employment growth, net overseas migration and net overseas migration (working-age population), Australia, June 30 1995 to June 30 2015

Conclusion

While efforts to improve youth employment outcomes focus on skill deficiencies, work ethic and the education system to produce job-ready workers, the reality is that poor economic performance and high levels of skilled migration are impacting on the ability of young Australians to enter the labour market for the first time. We know that once a person reaches the age of 25, confidence in gaining and securing employment is evident through both improved labour force participation and unemployment rates. This suggests that the focus on transitions from school to work is not only failing young people, but is also conceptually out dated. In the current economic and demographic conditions in Australia, a reliance on the transitions framework, which underlies youth policy in Australia, has seen businesses and employers neglect to engage and invest in young people. What is needed is better integration and training and workforce development through strategic workforce planning policies.

Opportunities for youth in Australia are dependent on a number of factors, predominantly: economic performance generating employment demand; ageing workforces; a shift of education and training policy; and provision towards encompassing employability skills as well as practical workplace experience and knowledge, including intergenerational knowledge transfer.

While it is well known that the transition from education to work has become more complex and less linear with increasing demands in the workplace for additional skills, knowledge and abilities beyond what is provided in the post-school education and training system, policy attempts to address this issue have been misguided. This is in contrast to evidence of successful policy initiatives that have improved labour force participation among older Australians. While participation in education and training has improved, there is also evidence that this has not translated into improved employment outcomes for young Australians, ultimately suggesting a mismatch between education provision and employment opportunities. As stated by Churchill, Denny and Jackson (2014), “there is an urgent need for both the preparedness and realignment of the relationship between education provision and employment”. The labour market experience of youth cohorts today and in the
future must differ from that of previous cohorts. To account for these experiences, policymakers might need to abandon the transitions framework in favour of a “generational frame” to provide policy solutions for a generation “who are studying longer, taking longer to find suitability in the job market if they find it at all ... as they struggle to balance the new pressures the generational conditions they face have placed on them” (Woodman & Wyn 2015, p. 272).

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Endnotes

1 The proportion of the civilian population of the same group who are either employed or actively seeking employment expressed as a percentage.

2 The proportion of the labour force, of the same group, who are actively seeking employment and able to start work, expressed as a percentage.


4 The employment to population ratio is calculated by the number of people employed to the total population and is a measure of economic activity.

5 The age group of 65 years and older has been excluded from this figure as the percentage point difference has averaged at 56 percentage points less than the total rate since 1995.

6 The ABS method for measuring NOM is referred to as the ‘12/16-month rule’ where incoming
overseas travellers (who are not currently counted in the population) must be resident in Australia for a total period of 12 months or more during the 16-month follow-up period to then be included in the estimated resident population. Similarly, those travellers departing Australia (who are currently counted in the population) must be absent from Australia for a total of 12 months or more during the 16-month follow-up period to then be subtracted from the estimated resident population. Previously, NOM was measured using a continuous approach, the ‘12/12 month rule’.

7 Net overseas migration by age data was not available for the year ending June 2015 at the time of publication and therefore working age comparison is not possible.

8 This data is limited to that available at time of writing. Net overseas migration working age data was not available for the 2015 financial year. NOM working age data is only available since the 2005 financial year.