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Martin O'Brien

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Martin O'Brien

School of Economics and Information Systems
University of Wollongong
NSW 2522

Ph: 61 2 42214701
Fax: 61 2 42213725
Email: martinob@uow.edu.au

Abstract

The youth labour market, comprising the age subgroups 15-19 and 20-24 years, forms a unique segment of the Australian labour market. The issue of youth employment has received attention most recently in 2005 in relation to industrial relations reforms (Work Choices legislation). Because of their relative inexperience, youth are seen as particularly vulnerable and in a weak bargaining position in the case of increasing prevalence of individual bargaining. We start with a review of the labour market for youth in 2005 for males and females compared to prime aged (25-44 years). We then explore specific features of youth employment such as industry representation, earnings and trade union membership, compared to the prime aged group. These results are then assessed in the light of industrial relations reforms in the Work Choices legislation.

THE YOUTH LABOUR MARKET IN AUSTRALIA – IMPLICATIONS FROM WORK CHOICES LEGISLATION

Introduction

The youth labour market, comprising the age subgroups 15-19 and 20-24 years, forms a unique segment of the Australian labour market. It is therefore that the youth labour market has received attention from a number of researchers (for example, Wooden 1996, Biddle and Burgess 1999, Lewis and Mclean 1998, among many others). The youth labour market also receives much commentary in the media, typically due to relatively very high unemployment rates compared to other age groups. The issue of youth employment has received attention most recently in 2005 in relation to proposed industrial relations reforms (Work Choices legislation). Because of their relative inexperience, youth are seen as particularly vulnerable and in a weak position when bargaining individually with employers. We start with a review of the labour market for youth in 2005 for males and females compared to prime aged (25-44 years). We then explore specific features of youth employment such as industry representation, earnings and trade union membership, compared to the prime age group. These results are then assessed in the light of the Work Choices legislation.

Labour Force and Education Characteristics

Table 1 displays selected labour force and education statistics for youth and prime aged males and females in 2005. As established elsewhere by previous research, the youth labour market is characterised by relatively high unemployment rates, low labour force participation rates, and low full-time employment to population. However, these seemingly alarming statistics are partly explained by high participation in full-time education, especially the teenage group, meaning a relatively

small labour force size compared to other age groups. Of note is that the unemployment rate has fallen by over 5% in the last decade for the teenage group but still remains at least twice the rate of that for prime aged unemployment. A gap in the unemployment rate of around 2-4 % with the prime age group remains for the 20-24 year age group.

As expected, females display higher part-time employment to population ratios than males in 2005 in all age groups. Full-time employment participation increases with age while part-time employment plays a particularly large role for the two youth age groups. Furthermore, this part-time employment to population has increased by over 5% in the past decade for males aged both 15-19 and 20-24 years, and by around 10% for females aged 20-24 years. Part of the relatively large reliance on part-time employment can be explained in conjunction with education and the continuing trend for many students to also be part-time employed in order to fund their education. Between one third and around one half of full-time students in 2005 work part-time. Obviously this influence diminishes for many as students leave education and enter the full-time labour market. The role of part-time employment is largely absent by prime age for males, but remains quite significant for females, presumably allowing a mix between labour market and family duties. However, this simple explanation ignores the demand side. That is, the dearth of full-time jobs for potential young workers leading to higher participation in education as a substitute for full-time employment (Lewis and Mclean 1998).

Table 1 - Selected Labour Force and Education Characteristics – Youth and Prime Aged – 2005

	15-19 years		20-24 years		Prime age	
	Male	**Female**	**Male**	**Female**	**Male**	**Female**
Labour force participation rate	59.2	61.4	85.2	77.2	91.4	73.8
Employment to population (%)	49.8	53.1	78.3	71.8	87.6	70.0
FT Employment to population (%)	22.3	11.6	59.2	42.5	80.3	40.7
PT Employment to population (%)	27.6	41.5	19.1	29.3	7.3	29.3
% in FT Education	66.0	71.5	22.8	29.4		
% of FT students part-time employed	33.6	45.4	45.7	52.1		
Unemployment rate	15.9	13.5	8.1	7.0	4.2	5.1

Source: *Labour Force, Australia, Detailed - Electronic Delivery, Quarterly*, May 2005, ABS cat. 6291.0.55.001

Youth Employment Characteristics – Industry Representation

Let us have a closer look at some selected features of youth employment characteristics. First, a snapshot of where employed youth are concentrated by industry gives an indication of the extent to which they are segregated in particular areas of employment. Table 2 displays the industry representation coefficients for youth and prime aged. The industry representation coefficient (Moir 1982) gives an indication of a group's relative employment distribution across industries. It is calculated as follows:

$$\text{Industry representation coefficient} = \frac{E_{ikt}*100}{E_{it}} / \frac{E_{kt}}{E_t}$$

where E_{ikt} = the number of workers in age-sex group k and industry i at time t.

E_{it} = the number of workers in industry i at time t.

E_{kt} = the number of workers in age-sex group k at time t.

E_t = total employment at time t.

An industry representation coefficient over(under) 100 indicates that that group is over(under)represented in that industry. Summary measures of a group's segregation include the industry representation coefficient's coefficient of variation and the index of dissimilarity. The coefficient of variation is commonly used in statistics to compare relative dispersion or variation across different groups. A relatively dispersed or uneven pattern of representation across industries, indicating a group's high concentration in some industries and low concentration in others, will be indicated by a relatively high coefficient of variation. The index of dissimilarity (ID) (Cortese et al 1976) has historically been used to measure gender segregation (Watts 1992) but can easily be tailored to measure segregation of our age groups. The ID represents the share of an age group that must be removed (without replacement) to achieve zero segregation, where zero segregation implies that each industry contains the same proportion of the age group in question, equal in turn to the that age group's total age-share of employment ($\bar{a}_k = \frac{E_{kt}}{E_t}$) (see O'Brien 2005 for further detail).

Starting with the summary measures of employment segregation, both the coefficient of variation and ID confirm that the youth age groups, particularly teenagers, are highly segregated by industry employment. The ID for teenagers indicates that over one third of males and just over a half of females would have to be removed from their employment (without replacement) in order to achieve zero segregation. A closer examination of the individual industry representation coefficients indicates that youth are particularly highly concentrated in the Retail Trade, and Accommodation, Cafes and Restaurants industries. Because of the extremely high relative concentration in these sales and hospitality related industries, they are underrepresented in most other industries, particularly in Mining, Transport and Storage, Government Administration, and Education. Young females generally have a higher concentration than younger males in Services industries while the opposite is true in Agriculture, Manufacturing, and Construction industries.

Table 2 - Industry Representation Coefficients – 2005

Age	15-19 years		20-24 years		Prime age	
Industry	Male	Female	Male	Female	Male	Female
Agriculture	87	41	87	26	100	51
Mining	32	5	79	14	176	34
Manufacturing	87	25	126	42	143	65
Electricity, Gas and Water	57	17	123	15	143	63
Construction	167	7	188	21	165	34
Wholesale Trade	107	26	101	61	136	82
Retail Trade	273	353	137	161	70	85
Accommodation, Cafes and Restaurants	156	294	151	209	72	102
Transport and Storage	49	12	81	49	138	71
Communication Services	28	22	105	56	141	87
Finance and Insurance	18	18	71	148	103	159
Property and Business Services	42	38	95	121	106	114
Govt Admin	30	27	49	63	86	127
Education	24	24	31	87	53	150
Health and Community Services	10	52	21	126	40	173
Cultural and Recreational Services	109	137	139	173	92	116
Personal Services	56	165	60	127	98	116
Total	100	100	100	100	100	100
Coefficient of Variation	0.88	1.40	0.46	0.69	0.36	0.43
Index of Dissimilarity (ID)	0.36	0.52	0.20	0.25	0.16	0.17

Source: *Labour Force, Australia, Detailed - Electronic Delivery, Quarterly*, May 2005, ABS cat. 6291.0.55.001, author's calculations

Youth Employment Characteristics – Earnings, Leave Entitlements, Trade Union Membership

Further selected aspects of youth employment are explored in Table 3. Namely, average earnings, access to paid leave, and trade union membership. As expected, male earnings are higher than female and earnings increase with age. This latter finding is of course expected due to youth's relative lack of experience and human capital. It is also clear in Table 3 that youth also have lower access to paid leave, associated with their higher propensity for non-standard, particularly, casual employment. This is feature is particularly visible for youth employed part-time, with over 85% of youth aged 15-19 years, and over 70% of those aged 20-24 years, not covered by paid leave provisions. Finally, youth display relatively lower levels of trade union membership, with fewer than 1 in 5 youth employees belonging to a trade union.

Presumably, the findings from Tables 2 and 3 are related. That is, low earnings, absence of paid leave and low trade union membership would be interrelated with the high concentration of youth in the Retail and Hospitality industries.

Table 3 - Selected Characteristics of Employment – 2004

	15-19 years		20-24 years		Prime age	
	Male	**Female**	**Male**	**Female**	**Male**	**Female**
Mean weekly earnings – total ($)	268	201	571	490	991	670
Mean weekly earnings – full-time ($)	445	419	672	651	1030	865
Mean weekly earnings – part-time ($)	139	135	281	257	469	404
% without leave - total	63.1	72.0	35.5	37.6	17.7	25.8
% without leave – full-time	23.3	18.4	19.4	13.0	14.0	10.1
% without leave – part-time	91.9	88.5	81.6	73.2	65.5	46.8
% trade union members – total*	13.0	15.3	17.8	15.3	28.7	23.8
% trade union members – full-time*	13.2	16.1	19.1	16.1	29.9	26.7
% trade union members – part-time*	12.9	15.1	13.9	14.1	15.2	20.3

Source: *Employee Earnings, Benefits and Trade Union Membership*, ABS cat. 6310.0. (1999 and 2004)
* - denotes 1999 estimate

The Youth Labour Market and Work Choices Legislation

A number of the above results are relevant to youth in the context of Work Choices legislation. Three of the Principle Objects of this legislation warrant attention:

> "(d) ensuring that, as far as possible, the primary responsibility for determining matters affecting the employment relationship rests with the employer and employees at the workplace or enterprise level; and
>
> "(e) enabling employers and employees to determine to choose the most appropriate form of agreement for their particular circumstances; and
>
> ………..
>
> "(k) protecting the competitive position of young people in the labour market, promoting youth employment, youth skills and community standards and assisting in reducing youth unemployment"
> (Workforce Relations Amendment (Work Choices) Act 2005, pp 4-5)

The first 2 Principle Objects (d and e) imply an increased level of bargaining between employee and employer directly. Younger workers are more likely to be employed on a casual basis, less likely to be familiar with their rights and entitlements, and less likely to bargain forcefully with their employers. The very fact that youth have low trade union membership, coupled with their relative inexperience in the labour market, means that they will be in a relatively vulnerable bargaining position with employers if negotiating wages and conditions under Australian Workplace Agreements (AWAs).

The third Principle Object (k) regarding the protection of the competitive position of youth in the labour market may be construed as an attempt to keep youth wages and employment conditions at a relatively low level. The Australian Fair Pay Commission appears to be designed to deliver smaller wage increases to award and low paid workers (Waring, de Ruyter and Burgess, 2006), which includes youth and covers the minimum wage rate for youth workers.

What is for certain is that because of their industrial employment concentration, many youth will be affected by what happens in the Retail and Hospitality industries. Of particular concern would be that the already lower rates of pay and that penalty rates for unusual hours, weekends and public holidays could be diluted under the Australian Fair Pay and Conditions Standard (Waring, de Ruyter and Burgess, 2005). Furthermore, research by van Barneveld (2005) suggests that many AWAs in the hospitality sector do not conform to a no disadvantage test. However, since they are already heavily casualised youth are unlikely to be further disadvantaged by the removal of unfair dismissal protection.

Conclusion

The survey of labour market data in Australia shows that youth display relatively high unemployment rates, low full-time labour force attachment, high concentration in Retail and Hospitality industries, high rates of casualisation, low earnings and trade union membership. Furthermore, the Work Choices legislation does not appear to improve the quality of youth employment, with its focus on one on one bargaining and maintaining the "competitive" (presumable low paid) position of youth in the labour market. However, it must be remembered that a significant proportion of youth are participating in full-time education with their present employment position serving to support them in their transition toward a preferred position in their chosen professional field. Therefore, for youth engaged in employment as part of a transitory phase of their lives while in full-time education the impact will not be long lasting. These issues are of concern to the relatively unskilled youth not pursuing education, being subject to poorer employment conditions and standards and falling real wage

rates through time. Therefore, while the merit of Work Choices legislation on efficiency grounds is highly questionable, the main concern for youth and the labour market in general will be the proliferation of an inequitable income distribution.

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