

Chapter 1: Background to the inquiry

EXPLANATION OF THE TERMS OF REFERENCE

1.1 The Committee's inquiry into the factors influencing the employment of young people has involved examining a diverse range of issues. The aim has been to identify those areas where changes can and should be made to improve the employment prospects for young people. It has not been another inquiry into youth **unemployment** although an understanding of the youth labour market and an appreciation of the level of youth unemployment are essential background to the inquiry.

1.2 For the purposes of the inquiry the Committee has defined young people as those within the age range from 15 to 24 years old. This is consistent with the definition of youth recognised by the United Nations, the Australian Bureau of Statistics (ABS), the Department of Employment, Education, Training and Youth Affairs (DEETYA) and the majority of submissions to the inquiry.

1.3 In the course of the inquiry the Committee travelled widely and spoke to over 300 secondary students in locations across the country from Hobart to Darwin, Sale to Broome and Kalgoorlie to Caboolture. This is as much a report about the views and needs of young Australians such as those students as it is a report about the views and requirements of the Australians who may employ them. A full account of the conduct of the inquiry is at Appendix I.

1.4 The young people the Committee spoke to were generally very optimistic but only a minority had very definite career plans. A large proportion of the students had part-time jobs and most groups of young people, particularly outside the capitals the Committee visited, expressed the view that 'if you want a job you can get one'. This view was confirmed by other witnesses in some regional centres and all the remote places the Committee visited where seasonal and skilled and semi-skilled labour shortages are persistent problems. It is inevitable in an inquiry that the views of the most confident and articulate are the most easily heard. The Committee accepts that 'if you want a job you can get one' is not the reality for large numbers of young people in many parts of Australia. This report will do something about that.

WHAT DO EMPLOYERS WANT IN A YOUNG PERSON?

1.5 It is obvious from looking at the employment statistics that young people are at a disadvantage in the labour market compared with older workers. As a broad generalisation, employers clearly consider, despite the lower levels of youth wages, that young people are not competitive in terms of skills and other qualities. To see how the relative competitiveness of young people in the labour market might be improved, it is important to gain an understanding of what employers are looking for in potential young employees.

1.6 The Committee is in no doubt that, above anything else, employers want employees to have the right attitude, that is a willingness to work, a desire to learn, punctuality, honesty and appropriate personal behaviour and presentation.

Employers then look for relevant basic skills such as literacy and numeracy, team work and communication, problem solving and the ability to use equipment and technology such as office and business machines. Many small business employers like to add an understanding of profit — that an employee needs to earn more than they cost.

1.7 Employers consistently rate the attitudinal qualities higher than skills and many state that given an employee who has the right attitude they are willing to provide training and skills.

What employers are really saying they want is the attitude. What they are wanting is the preparedness to work more than lip-service—being able to take personal responsibility....If the kid does not have the right attitude to start with, you cannot teach them anything about work skills.¹ (Ms Kirsten Palmer, Melbourne Region Director, WorkPlacement Inc.)

The attitudes and expectations of employers and young people are considered in greater detail in Chapter 2.

FEATURES OF THE YOUTH LABOUR MARKET

Employment trends

1.8 Over the last 15 years there have been major structural changes in the labour market for young people aged 15 to 24 years old. (*see* Table 4.1 and Figures 1.1 and 1.2) Overall there has been a decline of nearly 32 per cent in the number of full-time jobs available for young people in this age group which has been offset by growth in the number of part-time jobs. **Total full-time and part-time employment for 15 to 24 year olds has fallen by 3 per cent since 1982. By comparison, total full-time employment has grown 16.2 per cent and total full-time and part-time employment has grown 31.2 per cent.** There has also been a relative shift between the 15 to 19 year and 20 to 24 year old age groups over this period.

1.9 The decline in the number of full-time jobs has been particularly severe for teenagers falling 59.2 per cent over 15 years. Growth in the number of part-time jobs has failed to offset the decline in the number of full-time jobs and total employment of teenagers has declined by 10.6 per cent over 15 years.

1.10 The 20 to 24 year old age group has fared better with growth in the number of part-time jobs more than offsetting a 16 per cent decline in the number of full-time jobs. However, the total number of jobs for this age group has increased by only 2.1 per cent over 15 years.

1 *Transcript of Evidence*, p. 187.

Table 4.1: Full-time and part-time employment of 15-19 and 20-24 year olds June 1982-1997²

	Full-time	Part-time	Total
15-19 year olds	200,000	374,500	574,700
<i>change over 15 years to June 1997 (%)</i>	-59.2	146.1	-10.6
<i>change over 5 years to June 1997 (%)</i>	-16.1	23.0	5.9
20-24 year olds	712,000	255,700	967,800
<i>change over 15 years to June 1997 (%)</i>	-16.0	156.2	2.1
<i>change over 5 years to June 1997 (%)</i>	-7.2	26.5	-0.2
15-24 year olds	912,200	630,200	1,542,500
<i>change over 15 years to June 1997 (%)</i>	-31.9	150.1	-3.0
<i>change over 5 years to June 1997 (%)</i>	-9.3	24.4	2.0
Total Employment	6,222,600	2,195,500	8,418,100
<i>change over 15 years to June 1997 (%)</i>	16.2	107.7	31.2
<i>change over 5 years to June 1997 (%)</i>	7.5	18.2	10.1

1.11 It is not overstating the case to say that full-time teenage employment has collapsed while full-time employment for 20 to 24 year olds has also declined to an alarming extent. The decline in full-time employment of young people is a major social and economic change which has taken most Australians by stealth. It is likely to continue while casualisation of employment is also rising in the labour market for people over 25 years old.

1.12 Changes in the composition of the labour market have seen the most severe declines occurring in entry level jobs once the domain of teenagers entering the labour market. Employment growth for teenagers in skilled trades has been strongly negative, falling more than 33 per cent in about ten years.³ Banking was once an industry which gave large numbers of teenagers their first job as a teller but technology has transformed the industry and the entry level jobs have disappeared. In the insurance industry the proportion of employment for under 21 year olds has fallen from about 18 per cent of the workforce to about 5 per cent since 1987.⁴ Technology and policies favouring privatisation, corporatisation and outsourcing have also transformed the state and federal public sectors at the cost of large numbers of entry level jobs.

2 DEETYA, *Submission No. 71.2*, p. 2. The figures provided on page 3 of DEETYA's primary submission (*Submission No. 71*) were updated at the Committee's request while the report was being drafted. A comparison between the July 1996 and June 1997 data shows that the full-time employment situation for young people has deteriorated further in the last 12 months.

3 DEETYA, *Submission No. 71*, p. 6.

4 Mr John Burge, Chairman, Finance and Administration Industry Training Advisory Board, *Transcript of Evidence*, p. 261.

Figure 1.1: Change in employment by age over 15 years: June 1982 - June 1997

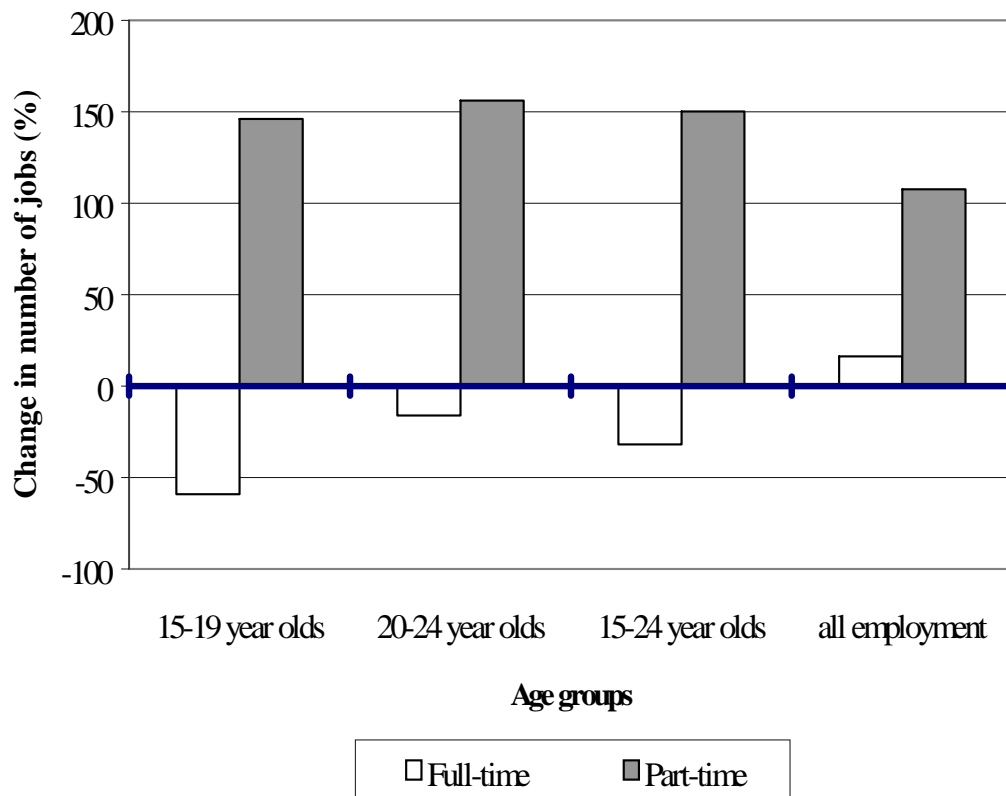
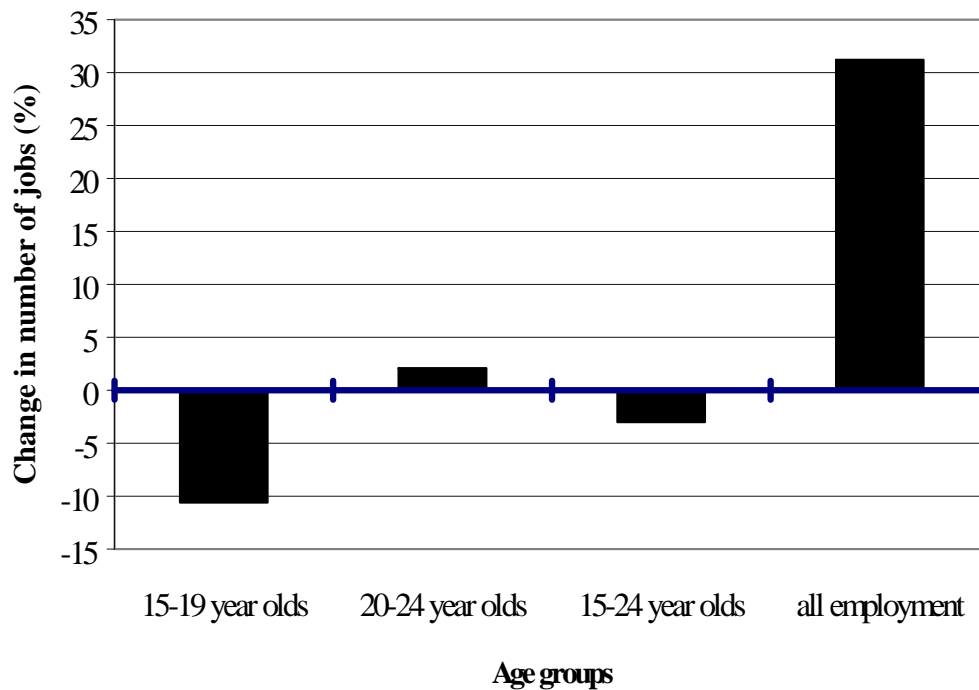


Figure 1.2: Overall change in employment⁵ by age over 15 years: June 1982 - June 1997



⁵ Full and part-time aggregated.

1.13 The decline in full-time employment for young people perhaps reflects to some extent the rise in high school retention rates and higher participation in tertiary and further education. As well, the decline in full-time employment opportunities undoubtedly has encouraged many young people to pursue their education further. Encouraging participation in all levels of education is a policy which this Committee strongly supports. In May 1983 the proportion of teenagers in full-time education was 48 per cent. This had risen to 69.4 per cent by June 1997.⁶ Higher rates of participation in education have deferred the entry of many young people into the full-time labour force such that, despite the collapse in the number of jobs, the trend number of full-time unemployed teenagers in June 1997 was 82,800 compared to 101,300 in 1981.⁷

Concentration of youth employment

1.14 The employment of young people, particularly teenagers, is heavily concentrated in a small number of industries and occupations. The employment growth rates for young people in these industries and occupations have not delivered employment growth commensurate with the employment growth rate for the total population. For example, a small decline over ten years in manufacturing employment has masked a massive decline in employment in manufacturing for young people.⁸

Teenagers

1.15 In May 1997 retail trade accounted for half (50.3 per cent) of total teenage employment and two-thirds (67.3 per cent) of teenage jobs were concentrated in just three industries. The other two are manufacturing (8.2 per cent) and accommodation, cafes and restaurants (8.9 per cent).⁹ Growth rates for teenage employment appear to lag behind total employment growth in these industries.¹⁰

1.16 The concentration of teenage employment by occupation is even more extreme. In May 1997 six occupations accounted for 88.3 per cent of teenage employment. The six occupations are: elementary and intermediate clerical, sales and service workers and advanced clerical and service workers (56.0 per cent), labourers and related workers (19.6 per cent) and tradespersons (12.7 per cent).¹¹ Labourers and related workers was the only occupational group to provide teenagers with employment growth higher than for older workers.¹²

6 DEETYA, *Submission No. 71*, p. 10 and *Submission No. 71.2*, p. 3.

7 DEETYA, *Submission No. 71*, p. 10 and *Submission No. 71.2*, p. 3.

8 DEETYA, Down 2.1% overall, down 40.9% for teenagers and 22.6% for 20 to 24 year olds; see Figures 4 and 6, *Submission No. 70*, pp. 5 and 6.

9 DEETYA, *Submission No. 71.2*, p. 3.

10 DEETYA, *Submission No. 71*, p. 5.

11 DEETYA, *Submission No. 71.2*, p. 3.

12 DEETYA, *Submission No. 71*, p. 5.

20 to 24 year olds

1.17 Employment for 20 to 24 year olds is not as concentrated in industries or occupational categories as it is for teenagers. Even so, in May 1997 nine industries: manufacturing; retail trade; accommodation, cafes and restaurants; finance and insurance; personal and other services; property and business services; education; health and community services; and cultural and recreational services accounted for 75.3 per cent of jobs held by this age group.¹³ Cultural and recreational services, personal and other services and retail trade are the only industries to provide 20 to 24 year olds with employment growth higher than for older workers.¹⁴

UNEMPLOYMENT

1.18 The age range from 15 and 24 years represents a period of great change in which the vast majority of people make the transition from full-time education to employment. For many young people, regardless of the age at which they attempt to enter the labour market, this transition is difficult. 'Since the mid 1980s Australian unemployment rates among those under the age of 25 have been consistently two to two and a half times as high as among those aged 25 and over, whatever the absolute level of unemployment.'¹⁵ The labour market for young people is also characterised by a concentration of jobs in a small number of industries and higher levels of job mobility.

1.19 It is the Committee's view that the transition from full-time education to work is unnecessarily difficult for a great many young people. The youth unemployment statistics published regularly by the ABS tell the story of this difficult transition from full-time education to work. The full-time unemployment rates for the age groups 15 to 19 years and 20 to 24 years in June 1997 were 28.4% and 15.1% compared to 8.8% generally and 6.9% for the population aged 25 years and over. The percentage figures represent 206,100 young Australians looking for full-time work.¹⁶ The statistics indicate that there is a serious problem for many young people trying to enter the labour market and the percentage unemployment figures are an indicator of the extent of their relative disadvantage.

1.20 There has been some public discussion about the significance of youth unemployment statistics and, from time to time, other measures have been proposed. However, for consistency, youth unemployment should be measured and represented in the same way as other published unemployment statistics. Public debate tends to

13 DEETYA, *Submission No. 71.2*, p. 3

14 DEETYA, *Submission No. 71*, p. 6.

15 Richard Sweet, *Improving Young People's Preparation for work: A key area for Micro-economic reform*, Business Council of Australia Fifth Annual Micro-Economic Reform Conference, 10 September 1996, p. 7.

16 Some estimates, by including discouraged job seekers and young people marginally attached to the labour force and others, put this figure and the corresponding unemployment rate much higher than the official ABS estimate. *see* G S Dorrance and H Hughes, *Working Youth: Tackling Australian Youth Unemployment*, The Centre for Independent Studies, 1996, pp. 32-35.

focus on the teenage unemployment rate because teenagers are significantly more disadvantaged in the labour market than 20 to 24 year olds. Box 1.1 contains an explanation of the teenage unemployment rate and some alternative measures.

Box 1.1 Teenage unemployment rate¹⁷

Official estimates of teenage unemployment are obtained from the ABS monthly Labour Force Survey and the most commonly used measure of youth unemployment is the teenage full-time unemployment rate.

The teenage full-time unemployment rate is defined as the number of teenagers looking for full-time work as a percentage of those in the full-time labour force (ie. full-time and unemployed looking for work). This measure has been subject to some misunderstanding in recent years and is not, as many commentators have mistakenly inferred, a measure of the proportion of the total teenage population that is unemployed looking for full-time work. The full-time unemployment rate for teenagers has been consistently much higher than the rate for those aged 20 and over. In July 1996, the seasonally adjusted teenage rate was 25.1% compared with 7.9% for people aged 20 and over.

The concept that measures the proportion of the total teenage population looking for full-time work is the full-time unemployed to population ratio. Once again this ratio is much higher for teenagers than for people aged 20 and over. In July 1996, in seasonally adjusted terms, the teenage full-time unemployment to population ratio was 6.4% while the corresponding ratio for those aged 20 and over was 4.0%.

It should be noted that the labour force behaviour of teenagers is different to that of other population groups as a result of their level of attendance at educational institutions. As such their labour force activities should not be viewed in isolation from their education activities. Therefore, in order to get a complete insight into the nature of youth unemployment, other measures such as the “non-student unemployment rate” and the “unemployment to fully active ratio” should be examined. More details on these and other alternative measures of youth activity have been published by the Australian Bureau of Statistics in an article in the June 1996 edition of *The Labour Force*.

SKILL SHORTAGES

1.21 Despite this background of high unemployment and substantial structural change in the labour market, Australia continues to experience significant, and in some cases severe, skills shortages in some industries and occupations. Some submissions and presentations to the inquiry flagged prospective skill shortages in particular industries.. The Committee sought further information from industry associations about current and prospective skill shortages but did not obtain many responses. What information is available, particularly on prospective shortages, does not cover a comprehensive range of occupational areas. It is a concern to the

17 DEETYA, *Submission No. 71*, page 11.

Committee that young people are not, in most cases, aware of the opportunities indicated by the available information.

1.22 In the most extreme example, the Committee was told that there are 4,000 unfilled jobs Australia wide in the hotel industry at various skill levels, many providing entry level access to the industry. The opportunities include positions as porters, waiters, financial controllers and chefs. The skill shortages are particularly acute in Northern Queensland, Western Australia, Northern Territory and the Sydney and Melbourne central business districts.¹⁸ There is an acute shortage of 1,000 chefs Australia wide which, due to industry growth and high turnover in the occupation, is likely to persist for some time.¹⁹ The National Food Industry Training Council has predicted possible skill shortages in the fruit and vegetable and dairy sectors in Tasmania.²⁰

1.23 There is a shortage of welders and other skilled trades in the Riverina district in NSW despite widespread local advertising of the vacancies and attempts to recruit skilled workers from Victoria.²¹ The Committee was also told of difficulties in filling apprenticeships and traineeships in some rural and remote areas it visited such as Roma,²² Mt Isa,²³ Broome,²⁴ Carnarvon,²⁵ and Kalgoorlie.²⁶ More generally, the MTIA reported a wide range of skill shortages in the manufacturing industry including, but not limited to:

- technicians;
- engineers;
- several trades; and
- sales people with technical backgrounds.²⁷

There are also reports of widespread difficulties in filling apprenticeships and traineeships in manufacturing which suggests that the solution for skills shortages in manufacturing is more complex than just increasing training places. This issue is discussed in Chapter 4.

1.24 Skills shortages also exist in the pastoral and agricultural industries.²⁸ Despite poor seasonal conditions and depressed commodity prices in the pastoral sector, the Longreach Pastoral College in Queensland reported that it could find

18 Australian Hotels Association, *Submission No. 105*, p. 10. *Transcript of Evidence*, p. 782.

19 Australian Hotels Association, *Submission No. 105*, p. 11.

20 National Food Industry Training Council, *Submission No. 88*, p. 4.

21 Riverina Area Consultative Committee, *Submission No. 115*, p. 1.

22 Mr Kevin Jarick, Manager, Golden West Group Training Scheme Inc. *Transcript of Evidence*, p. 803.

23 Mr Scott Roberts, General Manager, Human Resources, Mt Isa Mines Ltd, *Transcript of Evidence*, p. 942.

24 Ms Robyn Hanigan, Employment and Training Field Officer, Broome Chamber of Commerce, *Transcript of Evidence*, p. 1489.

25 Mrs Lancy Collins, Vice Chairperson, & Mrs Rhonda Van Duyn, Manager, Skillshare Carnarvon Inc. *Transcript of Evidence*, p. 1564.

26 Mrs Leonie Lee, Senior Employee Relations Officer, Kalgoorlie Consolidated Gold Mines, *Transcript of Evidence*, p. 1626.

27 Metal Trades Industry Association of Australia, *Submission No. 124*, p. 14.

28 Rural Training Council of Australia Inc., *Exhibit No. 85*.

employment for many more young people than it graduates while it has extreme difficulty attracting students to its courses.²⁹

1.25 The Australian Chamber of Commerce and Industry provided the Committee with information relating to a wide range of skills shortages in Northern Australia.³⁰ Similarly, InfoComp Training provided the Committee with information detailing nationwide skills shortages in the printing, information technology, telecommunications and postal industries.³¹ DEETYA also publishes information on skills shortages including an occupational summary of job prospects.³²

1.26 This is not intended to be a comprehensive account of skill shortages across Australia. However, it does illustrate that there is a wide range of opportunities available for young people willing and able to acquire skills if they are prepared to move to where the jobs are located. In some cases this could involve moving to remote areas. It is of great concern to the Committee that, for the most part, the young people it spoke to at school forums during the inquiry were not at all well informed about the range of occupations they could pursue. They were even less well informed about which occupations offered them the best prospects for employment.

1.27 This report is as much focussed on how to ensure young people are well informed about career prospects and well prepared for employment as it is about increasing the number of jobs available for them.

THE STRUCTURE OF THE REPORT

1.28 In its inquiry the Committee has sought to identify all the factors which significantly influence the employment of young people. Whether the discussion is about social factors, primary, secondary, vocational or tertiary education, regulatory or economic factors which influence the employment of young people, none can be taken in isolation. Each factor, to some degree, may operate to exacerbate or mitigate the effects of other factors.

1.29 There is no quick or easy way to boost youth employment. Most of the Committee's recommendations are for action which, in the long term, will result in young people becoming more competitive in the labour market by achieving higher levels of skill and being more attuned to employers' requirements.

1.30 Most of the issues covered in this report can be categorised into those that affect the employability of young people that is, the extent to which they can fulfil employers' requirements and those that affect the number and type of jobs which employers can make available to young people. Some of the factors identified operate to influence both sides of the youth labour market.

29 Mr Frank Keenan, Director, Longreach Pastoral College, *Transcript of Evidence*, pp. 912 and 915.

30 Northern Australia Skills Shortages Project Volumes 1 and 2, *Exhibits Nos 81 and 82*.

31 InfoComp Training is the Telecommunications, Postal Services, Information Technology, Printing, Industry Training Advisory Body Ltd. *Exhibit No. 86*, pp. 27-30. *and see* Demand for skilled people in the IT&T industry toward the year 2000, *Exhibit No. 87*.

32 *DEETYA Job Futures*, *Exhibit No. 88*, This publication may also be accessed via the Internet at the DEETYA Home Page: <http://www.deetya.gov.au/>.

1.31 This general division of factors lends the remainder of the report its structure. Chapters 2 and 3 discuss the social and educational factors which affect the employment of young people, Chapter 4 discusses issues related to apprenticeships and traineeships and Chapter 5 deals with the complex issue of youth wages.