

Questions on Notice to FaCS - House of Representatives Inquiry into Increasing Participation in Paid Work

Ms Panapolous asks: Why has there been a fall in participation rates for males aged between 25 and 44 years over the past 20 years?

The major factors contributing to the decline in the participation rate for prime-age men include:

- the proportion of prime-age men involved in full-time study;
- the decline in full-time work relative to the size of the population of prime-age men;
- industry re-structuring - employment has grown strongly in service industries but has stagnated or declined in some male-dominated traditional industries characterised by full-time and less-skilled jobs such as Electricity, Gas and Water and Transport and Storage;
- the encouraged and discouraged worker effect - in which prime-age males move into and out of the labour force in response to changing economic and labour market conditions;
- changes in the real rate of payment of unemployment allowance along with changes in income tax rates - which may affect incentives for prime-age males to look for full-time work;
- « the movement of some prime-age men from receipt of unemployment allowance to disability support pension; and
- educational attainment of prime-age men - lower educational attainment and lower skill levels are associated with relatively lower participation rates.

As the FaCS submission indicates the male participation rate has fallen from 11A per cent in November 1982 to 72.0 per cent in November 2002 (in trend terms) which constitutes a fall of 5.4 percentage points. During the same period the participation rate for males aged 25 to 44 years (in original terms) has fallen from 95.1 per cent to 90.9 per cent. While this constitutes a fall of 4.2 percentage points, this is equivalent to a fall of only about 0.2 percentage points per year on average. Moreover, the participation rate for prime-age males is still relatively high when compared with other age groups (see table).

Participation Rates for Males and Females by Age Group

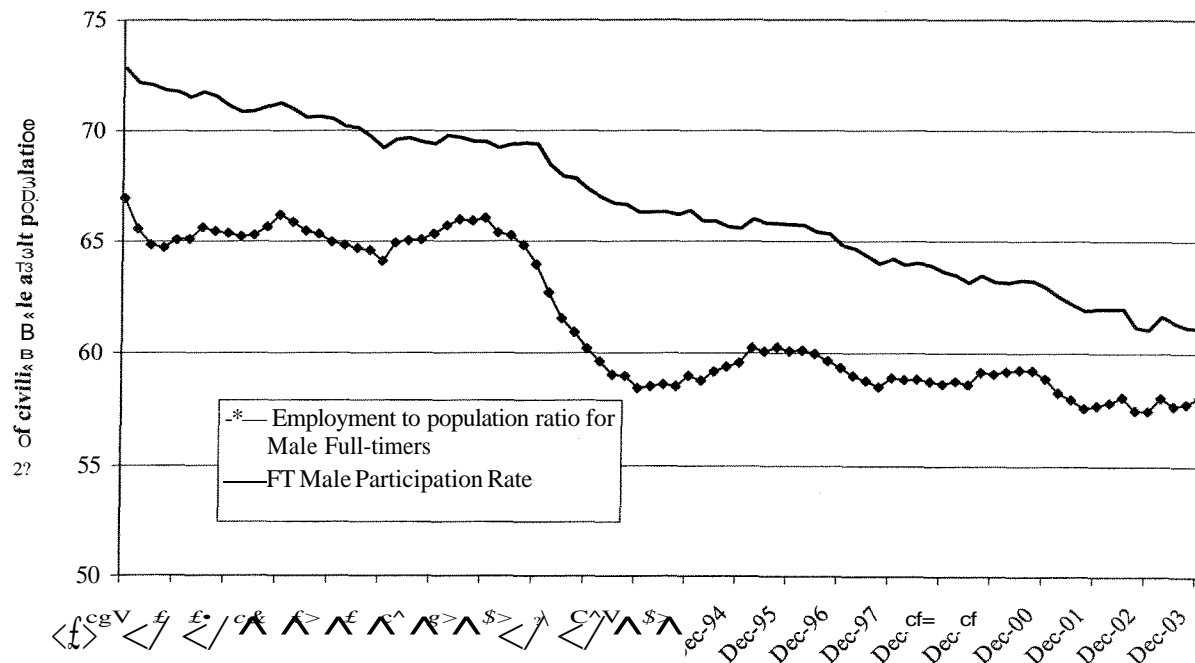
	November 1982 (%)	November 2002 (%)	Change (perc. pts)
Males			
15 to 19 yrs	60.6	57.1	-3.5
20 to 24 yrs	90.7	82.7	-8.0
25 to 44 yrs	95.1	90.9	-4.2
45 to 49 yrs	93.3	89.9	-3.4
50 to 54 yrs	89.5	86.1	-3.4
55 to 59 yrs	78.5	75.0	-3.5
60 to 64 yrs	48.3	46.7	-1.6
<i>Total</i>	<i>76.9</i>	<i>77.6</i>	<i>-5.3</i>
Females			
15 to 19 yrs	57.0	59.3	2.3
20 to 24 yrs	70.2	76.1	5.9
25 to 44 yrs	56.6	71.7	15.1
45 to 49 yrs	56.2	77.8	21.6
50 to 54 yrs	41.8	70.4	28.6
55 to 59 yrs	29.0	50.1	21.1
60 to 64 yrs	10.9	25.9	15.0
<i>Total</i>	<i>44.6</i>	<i>55.8</i>	<i>11.2</i>

Note: ABS Labour Force Survey (original data)

The data between November 1982 and March 1986 have not been adjusted for the effects of the ABS Labour Force redefinitions of April 1986 and April 2001.

ABS data indicates that the male full-time participation rate fell from 72.8 per cent in December 1982 to 61.0 per cent in December 2002. This fall mirrored the decrease in the male full-time employment to population ratio during the same period from 67.0 per cent to 57.4 per cent (see chart).

Male FT Participation Rate & Male FT Employment to Population ratio



Source: ABS Labour Force, Australia, Preliminary. Seasonally adjusted data have been adjusted for the period between December 1982 and March 1986 to account for the effects of ABS Labour Force Survey redefinitions using the methods of Connolly and Neo (2002).

The incidence of full-time employment for males has fallen from 93.9 per cent in November 1982 to 85.1 per cent in November 2002 (in trend terms). During this period part-time employment for males has more than tripled from 243,300 to 780,300 (an increase of 537,000 or 220.8 per cent) while full-time employment has risen by 699,000 or 18.6 per cent to 4,462,200. For men aged 25 to 44 years, full-time incidence has fallen from 96.4 per cent to 91.8 per cent (in original terms), which is still relatively high, with part-time employment increasing by 189.2 per cent and full-time employment rising by 20.3 per cent. Note that the prime-age male population rose by 30.8 per cent during this interval.

As the result of re-structuring, full-time employment for prime-age men has fallen or stagnated in a number of industries while rising in others. In the period between November 1984¹ and November 2002 full-time employment for prime-age men fell in Electricity, Gas and Water Supply (by 43,000 or 61.3 per cent), Agriculture, Forestry and Fishing (by 41,100 or 32.8 per cent), Education (by 22,600 or 24.4 per cent), Transport and Storage (by 13,800 or 8.9 per cent), Wholesale Trade (by 12,000 or 7.7 per cent), Government Administration and Defence (by 10,500 or 9.3 per cent) and Mining (by 5,900 or 11.3 per cent).

Strong growth in full-time employment for prime-age men was recorded in Property and Business Services (up 140,300 or 106.2 per cent), Construction (up 102,700 or 48.0 per cent), Personal and Other Services (34,800 or 63.7 per cent) and Cultural and Recreational Services (up 19,500 or 61.3 per cent). More modest growth in full-time employment was recorded in Health and Community Services (up 9,000 or 12.0 per cent), Manufacturing (up 23,800 or 5.8 per cent), and Communication Services (up 1,100 or 1.7 per cent)).

ABS data also shows that many of the full-time jobs lost in Wholesale Trade, Agriculture, Forestry and Fishing, Government Administration and Defence and Transport and Storage since November 1994 were in less-skilled labouring positions. This has been balanced somewhat by relatively strong growth in full-time jobs for labourers in the Construction industry.

In September 2002 there were 1,387,000 males of working age who were not in the labour force according to the ABS publication *Persons Not in the Labour Force* (PNILF) (ABS Cat. No. 6220.0). Approximately two-thirds (64.5 per cent) of this group did not want to work. At this time there were 263,000 males who were marginally attached² to the labour force (as compared with 545,200 females). Of this group 45.4 per cent had a preference for part-time work, 37.4 per cent had a preference for full-time work and the balance of 17.2 per cent expressed no preference. By comparison over two thirds (69.2 per cent) of females who were marginally attached to the labour force had a preference for part-time work and 17.4 per cent preferred full-time work. The number of males who were marginally attached represented 3.4 per cent of the male population aged 15 years and over at this time.

Approximately 39.1 per cent of males aged 25 to 44 years cited the presence of a disability, handicap, illness or injury as the main activity that prevented them being in the labour force,

¹ ABS data has a structural break in August 1994 when the ANZSIC industry classification system was introduced — earlier employment data by industry that was collected using the old ASIC classification has been concorded using the new ANZSIC classification system back to November 1984.

² Marginal attachment is defined by the ABS as "persons who were not in the labour force in the reference week of the survey but who wanted to work and were *either* actively looking for work but did not meet the availability criteria to be classified as unemployed *or* were not actively looking for work but were available to start work within four weeks. Labour force participation is based upon activity (i.e. working or looking for work) whereas marginal attachment is more subjective and based upon personal perceptions about whether people want to work and what factors may inhibit people from looking for work.

while around 23.6 per cent stated that they were attending an educational institution. These ratios are similar to those that existed in September 1992 of 43.0 per cent and 26.5 per cent respectively.

According to the PNILF survey, the number of prime-age males who gave the reasons for not being in the labour force as attending an educational institution has risen from 39,800 in September 1992 to 45,000 in September 2002, hence this factor may not be considered as being a major contributor to the decline in the male prime-age participation rate.

A separate data source, *Education and Work* (ABS Cat. No. 6227.0) indicates that the number of males aged 25 to 44 years enrolled in a course of study leading to a qualification (presumably either full-time or part-time study) has risen from 227,900 in May 1993⁴ to 278,600 in May 2003.

The PNILF survey indicates that the main activity given by those prime-age males not in the labour force as either a disability, handicap, illness or injury has risen from 64,600 in September 1992 to 92,700 in September 2002. This constitutes an increase of 28,100 or 43.5 per cent. FaCS administrative data reveal that there were around 658,915 persons on the Disability Support Pension (DSP) in 2002, of which 27.0 per cent were males aged under 50 years of age. DSP is currently not activity tested, and a third of new entrants to DSP over the year to March 2002 were previously on NSA (Newstart Allowance). The number of males on DSP aged under 50 years has more than tripled in the last twenty years from 54,303 in 1982 to 178,206 in 2002. By comparison the number of males on DSP aged 50 years and over has more than doubled from 96,843 to 228,687 during the same period. Males on DSP aged less than 50 years accounted for 43.8 per cent of all male DSP recipients in 2002 compared with 35.9 per cent in 1982.

Participation rates tend to increase with higher education attainment⁵. The participation rate for all persons with Year 12 in May 2003 was 83.1 per cent which compares with 67.3 per cent for all persons who had only completed Year 10 or below. The participation rate for persons with Year 12 and a non-school qualification was 86.7 per cent.

Education retention rates⁶ for both males and females rose significantly between 1982 and 1992 (from 32.9 per cent to 72.5 per cent for males and from 39.9 per cent to 82.0 per cent for females). This increase was partly in response to the lack of employment opportunities for youth in the aftermath of the recession of the early 1990s. Since 1992, retention rates have fallen slightly to 69.8 per cent for males and 80.7 per cent for females in 2002, partly in response to improved economic and labour market conditions. While lower retention rates for males relative to females may be seen negatively, this needs to be weighed up against the participation of males in traineeships and particularly trade apprenticeships that can contribute to them leaving school earlier.

³ Tables providing similar information on reasons for non-participation in the workforce by age and gender in published form have only been available from the ABS since the early 1990s hence a 10 year comparison was made.

⁴ This is the earliest published data that provides this breakdown by age and gender.

⁵ *Education and Work*, (ABS cat. No. 6227.0)

⁶ This data refers to apparent retention rates from Year 7/8 to Year 12 — available in *Schools* (ABS Cat. No. 4221.0). The apparent retention rate is the number of full-time school students in a designated level/year of education expressed as a percentage of their respective cohort group.

Discussion re Entitlements for Older Workers such as Superannuation

Superannuation has been an award matter since 1986, when the then Australian Conciliation and Arbitration Commission (now the Australian Industrial Relations Commission) first included superannuation as a wage fixing principle. An award may give different benefits from those applying under the Superannuation Guarantee legislation, including allowing an employee over 70 years of age to receive superannuation contributions from their employer (subject to the employee's earnings meeting the award threshold). Such a provision could also be negotiated at the workplace level, through a collective certified agreement or an individual Australian workplace agreement. These are matters for negotiation between the parties involved.