



## YOUTH IN THE LABOUR MARKET

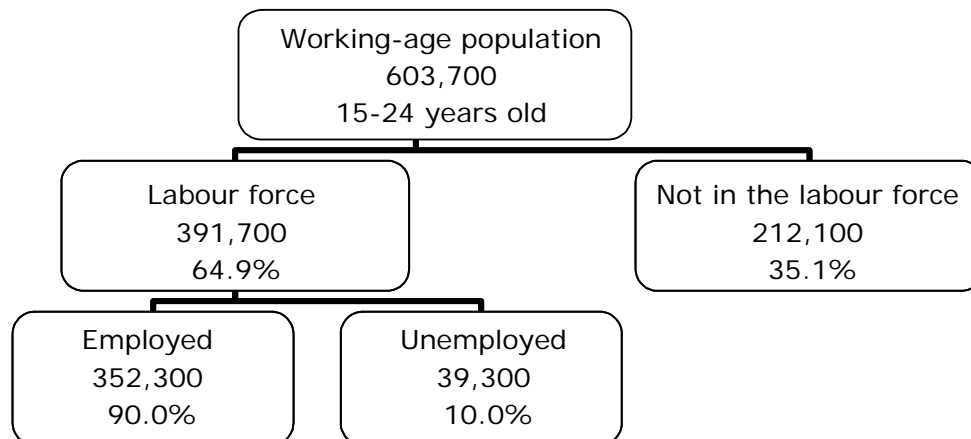
### **Achievements:**

- Robust economic growth in New Zealand over the last five years has had a positive impact on youth labour market outcomes.
- More youth are currently in work than five years ago and the unemployment rate has decreased.
- Over this period average wages have also risen faster than for other age groups.

### **Labour Market Characteristics:**

- Youth unemployment rates are considerably higher than those for people of other ages largely due to their lower skill levels and limited work experience.
- In addition, this skill and work experience profile makes youth more vulnerable to downturns in the labour market.
- Youth labour market participation rates are lower than for most age groups due to a high level of involvement in school and tertiary education.
- In addition, youth that do work are far more likely to work part time than workers of other ages due to study commitments.

### **Summary of the youth labour market for the year to June 2007**



### **Challenges:**

- Although labour market outcomes for youth in the last five years are in general positive the unemployment rate still remains consistently higher than for people of other ages. In addition, recent trends, including a rise in the unemployment rate, mean that there are still challenges ahead for the youth labour market.

### **Moving Forward:**

- One of the Government's key focus areas is realising youth potential. This work is focused on improving outcomes for young people through education, which will help prepare young people for the labour market, and contribute to improved youth labour market outcomes over the longer term.



## YOUTH LABOUR MARKET OUTCOMES – JULY 2007

### Background

- 1 This report on youth labour market outcomes is an annual update which focuses on changes in labour market outcomes for New Zealand youth (those aged 15–24) in the past five years. Youth is defined as those aged 15-24 to be consistent with international standards. Data are sourced from the quarterly Household Labour Force Survey (HLFS) from Statistics New Zealand and are averaged across a year to reduce sample errors and seasonality, unless otherwise specified. Terms are defined in Appendix I.

### Key Indicators

- 2 Robust economic growth in New Zealand over the last five years has had a positive impact on youth employment. More youth are currently in work and the unemployment rate has decreased; while average wages have risen faster than for other age groups. Key data can be found in Table 1.
- 3 A range of indicators can be examined when considering labour market outcomes for youth and are each useful for different purposes. Official statistics from the HLFS such as the unemployment rate and the participation rate enable comparisons to be made to other age groups and also to other countries. Other indicators that are derived from the HLFS measure those engaged in both employment and education and so provide information about engagement in activities that will contribute to long run economic well being. A third set of indicators are derived from administrative data. These indicators include measures such as those receiving the unemployment benefit and those in modern apprenticeships and one measure has been identified as an appropriate indicator of the shared goal for 2007.
- 4 This report focuses on indicators from the HLFS. Information about other indicators is also included in this and the following sections. In addition, a table is included in Appendix I that outlines the key measures and what they include.
- 5 Youth employment for the year to June 2007 grew by 1.4%, slightly slower than the 1.5% recorded for all ages. In contrast, over the last five years employment growth of 2.9% per annum for those aged 15-24 was higher than the 2.5% recorded for all ages.
- 6 Participation rates<sup>1</sup> for those aged 15-19 and 20-24 are considerably different. The participation rate for 15-19 year olds increased marginally from 54.9% in the year to June 2006 to 55.3% in the year ending June 2007 while the participation rate for 20-24 year olds grew more strongly from 74.4% to 75.2% over the same period. The participation rates for both youth age groups trended downward for several years until 2004 or 2005 but have grown considerably since. The recent pattern of youth participation has been markedly different from the participation rate for all ages which has grown steadily. However, the high rates of secondary and tertiary education in these age groups, particularly for those aged 15-19,

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<sup>1</sup> All references to participation rates refer to labour market participation rates unless otherwise specified.

mean that the participation rate on its own is not as meaningful of a measure of outcomes as it is for other age groups.

*Table 1: Youth labour market outcomes, years to June 2002 and 2007*

	2002 ('000)	2007 ('000)	2002-2007 change ('000)	2002-2007 change (%)	2002 – 2007 All ages change (%)
<b>Labour force status</b>					
Employed	305.6	352.3	46.8	15.3	13.3
Unemployed	39.2	39.3	0.1	0.3	-20.5
Labour force	344.7	391.7	46.9	13.6	11.5
Not in the labour force	193.4	212.1	18.7	9.7	2.3
Working-age population	538.1	603.7	65.6	12.2	8.4
<b>Proportional measures</b>					
Employment rate (%)	56.8	58.4	-	1.6 <sup>a</sup>	2.8 <sup>a</sup>
Labour force participation rate (%)	64.1	64.9	-	0.8 <sup>a</sup>	1.9 <sup>a</sup>
Unemployment rate (%)	11.4	10.0	-	-1.3 <sup>a</sup>	-1.5 <sup>a</sup>
<b>Industry employment</b>					
Primary	23.5	22.1	-1.5	-6.2	-8.3
Manufacturing (incl utilities)	41.6	36.9	-4.7	-11.4	-6.4
Construction	15.8	34.9	19.1	120.4	62.6
Trade & accommodation	127.8	144.0	16.2	12.7	13.1
Other services	50.6	53.9	3.2	6.4	13.8
Personal services	45.7	59.0	13.2	28.9	22.0
<b>Skill level employment</b>					
High-skilled occupations	30.5	33.0	2.5	8.2	22.2
Skilled occupations	56.7	74.5	17.9	31.6	17.2
Semi-skilled occupations	186.1	213.1	27.0	14.5	6.9
Low-skilled occupations	31.7	30.1	-1.7	-5.3	0.9
<b>Wage growth (average hourly rate, \$) June Years</b>					
	2001 (\$/h)	2006 (\$/h)	2001-2006 change (\$/h)	2001-2006 Annual average change (%)	
Ages 15 - 19	8.52	10.83	2.31	27.1	
Ages 20 - 24	12.80	15.53	2.73	21.3	
All Ages	16.38	20.04	3.66	22.3	

Source: Household Labour Force Survey and Income Survey, Statistics New Zealand.

Notes: Figures may not sum to total due to rounding.

a - percentage point change rather than percentage change

- 7 Unemployment rates for youth have decreased more slowly relative to all ages in the five years to June 2007. Results for the past year show that the unemployment rate increased for both 15-19 year olds and 20-24 year olds, compared to no change for all ages. These changes may be driven by general labour market conditions. Young workers are more vulnerable to downturns in labour market conditions due to their lower skill levels and less work experience and so are more likely to experience larger changes in unemployment rates than the general labour force.
- 8 Rates of underemployment are higher for youth workers than for all workers. In the year to June 2007, 9.1% of youth workers were employed part-time but indicated that they wanted to work more, compared to 3.9% of all workers. The rates for both youth and all workers are higher than the year to June 2006 but are

considerably lower than in the year to June 2002 when the rates were 11.5% and 5.8% respectively.

- 9 Youth workers are far more likely to be employed in part-time work than other workers due to school and other study commitments. In June 2007, 39% of youth aged 15-24 who were employed were working fewer than 30 hours per week (i.e. work part-time) compared to 22% of all workers. The prevalence of part-time work was even more pronounced for workers aged 15-19, with 57% employed part-time.
- 10 The number of youth that receive the Unemployment Benefit has also decreased considerably over the last five years. At the end of June 2007 there were 4,200 youth aged 18-24<sup>2</sup> who were receiving the Unemployment Benefit. This is less than 15% of the 31,700 youth who were receiving the Unemployment Benefit at the end of June 2002. In addition, youth have seen their share of the total pool of Unemployment Benefit recipients decline. In June 2002, 27.8% of people receiving the Unemployment Benefit were aged 18-24; by June 2007 this number had reduced to 18.0%.
- 11 In 2002 the Mayors' Taskforce for Jobs (MTfJ) and the Government committed to a shared goal of having all 15-19 year-olds in work, education, training or other activities that contribute to their long-term economic independence and wellbeing by December 2007. The number of 18-19 year olds on Unemployment Benefit for longer than 13 weeks who are not engaged in an agreed activity and under intensive case management is being considered as an appropriate indicator of whether this shared goal is being achieved. In June 2007 there were 252 young people in this category compared to 9,455 in May 2000.

### **Participation in Employment, Education or Training**

- 12 For youth, particularly those aged 15-19, the labour force participation rate as it is traditionally measured in the HLFS is not an ideal indicator of labour market outcomes. A large proportion of youth who are not employed are engaged in education and training or other activities which will positively contribute to their outcomes in the long-run. Youth who are not engaged in one of these activities are seen to be most at risk.
- 13 A measure that attempts to capture the percentage of youth who are not actively engaged is the NEET (Not in Employment, Education or Training) measure. This measure captures those who are not engaged in employment, education, or training and is estimated based on information in the HLFS. However, the NEET measure does not count young people involved in other activities that could contribute to their well-being, or are "in-between" activities for a short period of time (for example, just returned from or about to leave for overseas, or on holiday from work or study)<sup>3</sup>. The NEET measure differs from the unemployment rate in the HLFS as it captures youth who are not in either study or employment while the unemployment rate relates only to those not in employment.
- 14 In the year to June 2007, the NEET figure was 20,700 young people (6.6% of 15-19 year olds). Approximately half of those currently in the NEET group were actively seeking work and were officially unemployed while the other half were not engaged in the labour market.
- 15 The latest NEET figures are higher than the 17,900 or 6.1% recorded in the year to December 2004, which was the first quarter that a comparable NEET figure was

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<sup>2</sup> Youth aged 15-17 are not eligible for the Unemployment Benefit

<sup>3</sup> The NEET figure as calculated here differs from the inactive rate that is calculated by the OECD as it does not include those looking after children or engaged in informal study.

calculated. NEET percentages remained close to 6.0% until early 2006 but then rose to near the current level.

- 16 Another feature emerging from the NEET data is a divergence between men and women. In earlier years similar proportions of males and females were in the NEET group. However, over the past year there has been a divergence with males being more likely than females to be not engaged in employment, education or training.
- 17 Further breakdowns of NEET provide information about differences in engagement by ethnicity and age. Youth that identify as Maori or Pacific are more than twice as likely not to be in employment, education or training as European youth. In addition, the proportion of youth that are not engaged increases with age with 18-19 year olds being far more likely to be in the NEET group as those aged 15-17.

## **Wages**

- 18 Information about wages by age group is collected annually in the New Zealand Income Survey. In June 2006, average hourly wages for workers aged 15-19 and 20-24 increased by 6.4% and 5.5% respectively, compared to 3.8% for all ages. In the five years since June 2001 average wage growth for those aged 15-19 has been significantly higher than that for all ages. The average wage for 15-19 year olds rose from \$8.52 per hour in June 2001 to \$10.83 per hour in June 2006, an increase of 27.1%. Over the same time average wages for workers aged 20-24 increased by 21.3% while the average wage for all workers increased by 22.3%.
- 19 The large increases seen for those aged 15-19 are likely to be due to substantial changes to minimum wage laws. In 2001 the adult minimum wage was extended to those aged 18 and 19 while the youth minimum wage was increased from 60% of the adult minimum wage to 80% in 2001 and 2002.
- 20 While average hourly wages for youth workers have been increasing, they are still substantially below the average wages for older age groups. In June 2006 the average hourly wage for 15-19 year olds was \$10.83, for 20-24 year olds \$15.53 and for all ages \$20.04. Lower wage levels are primarily due to youth having fewer skills, less work experience, being employed in more junior positions, lower minimum wage rates and a high proportion being involved in part-time work.

## **Industries and Occupations**

- 21 The composition of youth employment by occupation is different from that of workers of all ages. Youth employment is concentrated in a small number of occupations. In the year ending June 2007 the service & sales workers occupational group accounted for 32.2% of all youth workers, by far the highest percentage of any occupational group. Other occupational groups that employed more than 10% of youth workers were clerks (14.0%) and trades workers (11.8%). In contrast, employment of all ages is much more evenly spread across occupations; the top five occupational groups were professionals (16.5%), service & sales workers (14.8%), legislators, administrators & managers (12.9%), clerks (12.3%) and technicians & associate professionals (12.3%).
- 22 Youth are considerably less likely than all workers to be employed in highly-skilled occupations (9.4% compared to 29.5%) and slightly less likely to be employed in skilled occupations (21.2% compared to 22.5%). This might be expected since youth are less qualified as many are still in school or tertiary education. However, over the five years to June 2007 the occupational profile of youth by skill level increased faster than for all ages. In particular, there was a sizable increase in the percentage of youth working in skilled occupations.

- 23 The pattern of youth employment by industry differs from that of the population as a whole. In the year to June 2007 the industry with the largest share of youth workers was the retail industry which employs 25.2% of those aged 15-24 compared to only 12.9% of all workers. Youth were also overrepresented in the accommodation, cafes & restaurants industry with 12.3% of youth employed in this industry, far greater than the 4.8% of all ages. Youth were also slightly overrepresented in the high growth construction industry. However, youth were underrepresented in most other industries, most notably in health & community services, education, property & business services and manufacturing. These differences between youth employment and employment for all ages have remained relatively unchanged over the past five years.
- 24 Youth are much more likely than other workers to be employees rather than employers, self-employed or an unpaid family worker. In the year to June 2007 96.7% of those aged 15-24 were employees compared to 82.5% of all workers. This pattern has remained largely unchanged over time.

### Ethnic Differences

- 25 Labour market outcomes for youth vary considerably by ethnic group. In the year to June 2007, European youth had by far the highest participation rate (72.5%) while the other ethnic groups were more similar to each other with Maori at 56.5% and Pacific Peoples and 'Other' ethnicities at 51%. Unemployment rates also vary considerably but cover a range rather than being clustered. European youth had the lowest unemployment rate for the year to June 2007 at 7.7% followed by 'Other' ethnicities (12.4%), Pacific Peoples (15.5%) and Maori (16.8%). Detailed outcomes are shown in Table 2 below.
- 26 Disparities between youth of different ethnic groups have declined over the last five years in terms of unemployment rates but have increased in terms of participation rates. The participation rates for youth who identify themselves as Maori or Pacific Peoples have decreased over the last five years while the rates for European youth have increased. The participation rate for youth of 'Other' ethnicities has increased considerably since 2002 but this is from a very low base. Over the same period unemployment rates fell faster for Maori and Pacific youth than for European youth.

*Table 2: Youth labour market outcomes by ethnicity, years to June 2002 and 2007*

Ages 15 - 24	2002	2007	2002-2007 change
<b>European</b>			
Labour force participation rate	71.3	72.5	1.2
Unemployment rate	8.7	7.7	-1.0
<b>Maori</b>			
Labour force participation rate	58.9	56.5	-2.4
Unemployment rate	20.8	16.8	-4.0
<b>Pacific Peoples</b>			
Labour force participation rate	54.8	50.9	-3.9
Unemployment rate	17.4	15.5	-1.9
<b>Other</b>			
Labour force participation rate	38.4	51.4	13.0
Unemployment rate	13.2	12.4	-0.8

Source: Household Labour Force Survey, Statistics New Zealand.

## Gender

- 27 Participation rates for those aged 15-19 were very similar for females and males with a participation rate of 56.3% for females and 55.5% for males in the year to June 2007. This is the only five year age band where female participation rates are higher than their male counterparts. For those aged 20-24 the male rate is considerably higher than the female rate, 81.1% compared to 69.1% in the year to June 2007. This may be due to some women in this age group being not in the labour force and looking after children. Participation rates for males and females have increased by similar percentages over the last five years.
- 28 Unemployment rates for male and female youth are relatively similar. Unemployment rates are slightly higher for females than for males which is consistent with higher unemployment rates for women of all age groups combined.

## International Comparisons

- 29 Youth unemployment in New Zealand is lower than in most other OECD countries. In 2006, the last year that comparable data is available, New Zealand had the 8<sup>th</sup> lowest youth unemployment rate of the 27 OECD countries with comparable data. The youth unemployment rate in New Zealand is also considerably below the OECD average (12.5%). In addition, the youth unemployment rate is lower in New Zealand than in Australia, the United Kingdom, and the United States.
- 30 The youth participation rate in New Zealand of 62.8% in 2005 was the 7<sup>th</sup> highest of the 27 comparable OECD countries. Youth participation rates vary widely across OECD countries ranging from 71.3% in Australia to 27.1% in Hungary. This large range is likely to be strongly influenced by rates of participation in tertiary education and the availability of part-time work. Youth participation in Australia is considerably higher than in New Zealand while participation rates in the United Kingdom and the United States are relatively similar to New Zealand.

## Conclusion

- 31 Labour market outcomes for youth have in general been positive over the past five years. In particular, more young people are in employment than five years ago, the number of 18-19 year olds receiving the Unemployment Benefit has dropped dramatically and average wages are higher. However recent trends, including persistently high youth unemployment and a rise in the youth unemployment rate, mean that there are still challenges ahead for the youth labour market. Work on Realising Youth Potential, enhancing the provision of support and services to all 15-19 year olds and other labour market policy initiatives will help address these challenges.

## Appendix I: Labour Market Terms and Definitions

The main terms from the Household Labour Force Survey (HLFS) that we use in this report and a chart that shows how they relate to each other are provided below followed by terms specifically relating to youth.

**Working-age population:** the number of usually resident non-institutionalised civilians aged 15 years and over. All labour market figures relate to those aged 15 years and over.

**Employment:** the number of people in the working-age population who work one hour or more per week.

**Full-time/part-time employment:** full-time workers usually work 30 hours or more per week and part-time workers usually work less than 30 hours per week.

**Unemployment:** the number of people in the working-age population who are not in work, but who are available for and actively seeking work.

**Labour force:** the number of people in the working-age population who are either in work or are available and actively seeking work (that is, employed or unemployed as defined above).

**Not in the labour force:** the number of people in the working-age population who are not in work and are either not available or not actively seeking work (ie they are not employed and not unemployed). For example, people who are retired, studying, or at home looking after children.

**Labour force participation rate:** proportion of the working-age population in the labour force.

**Unemployment rate:** the proportion of the labour force that is unemployed.

**Employment rate:** the proportion of the working-age population that is employed.

**Ethnicity:** ethnicity is self-perceived and people can belong to more than one ethnic group. In the HLFS, people with multiple responses to the ethnicity question are assigned to one ethnic group using this prioritisation: Maori; Pacific Peoples; Other ethnic groups; European.

Table 1: Measures of youth labour market outcomes

Measure	Definition	Includes	Does Not Include	June 2007 figure
Unemployment (HLFS)	Youth that were not working and were actively seeking work, often expressed as an unemployment rate.	<ul style="list-style-type: none"> <li>Unemployed youth aged 15-19</li> <li>Youth in education that would also like to work</li> </ul>	<ul style="list-style-type: none"> <li>Those who have become discouraged</li> </ul>	24,400 (14.0% of the labour force)
NEET- OECD (also called inactive)	The number of youth that are not engaged in employment, formal education, or training	<ul style="list-style-type: none"> <li>Inactive youth aged 15-19</li> <li>Those who are looking after children</li> <li>Those engaged in informal study</li> </ul>	<ul style="list-style-type: none"> <li>Those who are studying towards a qualification</li> <li>Those who are employed</li> </ul>	23,400 (7.8% of all 15-19 year olds) (December 2006)
NEET	The number of youth that are not engaged in employment, formal or informal education, training or caring for children	<ul style="list-style-type: none"> <li>Inactive youth aged 15-19</li> </ul>	<ul style="list-style-type: none"> <li>Those who are looking after children</li> <li>Those who are engaged in informal study</li> <li>Those who are studying towards a qualification</li> <li>Those who are employed</li> </ul>	20,700 (6.6% of all 15-19 year olds)
Unemployment Beneficiaries	The number of young people receiving the Unemployment Benefit	<ul style="list-style-type: none"> <li>Youth beneficiaries aged 18-19</li> </ul>	<ul style="list-style-type: none"> <li>Youth aged 15-17</li> <li>those who are ineligible for UB</li> <li>Those who receive another benefit</li> <li>Those who have become detached from the system</li> </ul>	990
	An indicator being proposed to measure the MTfJ shared goal is those who have been receiving UB for more than 13 weeks	<ul style="list-style-type: none"> <li>Youth beneficiaries aged 18-19</li> <li>Those who have been receiving UB for more than 13 weeks</li> </ul>		252