



## THE IMPACT OF THE RECESSION ON YOUNG PEOPLE

In the previous Household Labour Force Survey Investigation Report<sup>1</sup> we looked at why men were more affected by recessions than women. In this quarter's report we will take a closer look at how young people are being affected by the recession.

Youth (those aged 15-24 years) are typically one of the most affected groups during labour market downturns and this recession is no different. This group is of particular concern because their long-term labour market outcomes may suffer from not being able to enter the labour market easily given limited job opportunities during a recession. In the last two years there has been a substantial number of job losses for youth. Some young people who have lost their jobs have continued to look for work, causing the youth unemployment rate to increase. Others have decided to leave the labour force altogether, with many of these youth returning to study.

### Youth have experienced disproportionate jobs losses

Most of the jobs that have been lost in the downturn were held by young people. Between December 2007 and December 2009, employment of 15-19 and 20-24 year olds declined by 34,400 and 11,300 respectively, while employment for the rest of the population (25 years and older) *increased* by 13,200. This pattern was seen for all ethnicities except for the Asian/MELAA<sup>2</sup> ethnic group. Maori youth employment fell by 17% between December 2007 and December 2009, followed by Europeans (down 14%) and Pacific (down 12%).

*Why have youth lost a greater share of jobs compared to older workers? Is it because they are more likely to be laid off (e.g. due to lack of experience or skills), or because they happen to work in industries where there have been many job losses?*

Youth are over represented in five<sup>3</sup> out of the 16 industries in the economy. These five industries accounted for just over 50% of total youth employment in December 2007. Four of these five industries have experienced disproportionate job losses over the course of the downturn. These four industries are hospitality, retail trade, communication services and construction. Additionally, *Figure 1* shows that youth have experienced job losses at a greater rate than older workers (25 years and older) in ten<sup>4</sup> out of sixteen main industries.

So overall, it seems that youth have been concentrated in affected industries and are more likely to lose their jobs more generally when compared to older workers.

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<sup>1</sup> <http://www.dol.govt.nz/publications/lmr/hlfs-investigation-reports/men-labour-market-downturns-2009dec/index.asp>

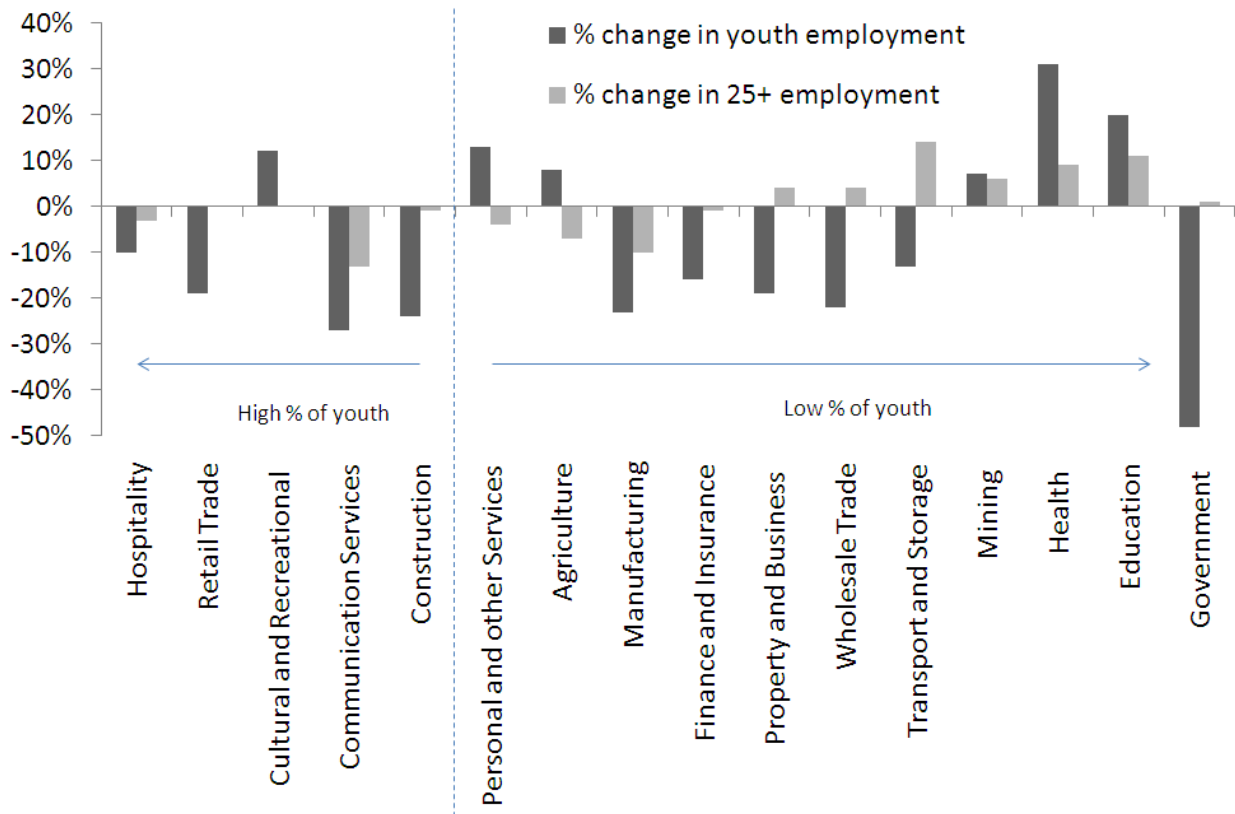
<sup>2</sup> Middle Eastern, Latin American and African (MELAA) ethnic grouping

<sup>3</sup> Hospitality, Retail trade, Cultural and Recreational Services, Communication Services and Construction.

<sup>4</sup> Hospitality, Retail trade, Communication Services, Construction, Manufacturing, Finance and Insurance Services, Property and Business Services, Wholesale Trade, Transport and Storage and Government.



**Figure 1 Change in employment for youth (15-24 years) and older workers (25 years and older), Dec 07 –Dec 09 with industries with a high proportion of youth on the left hand side**



Source: Statistics New Zealand

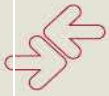
### How have youth responded to losing their jobs?

Most youth have continued to look for work over the course of the downturn, causing the youth unemployment rate to increase over the last two years. The Household Labour Force Survey (HLFS) shows that the unemployment rate for youth has roughly doubled (8.7% to 18.4%) over the December 2007 to December 2009 period.

While the youth unemployment rate has increased substantially, they make up the same share of all unemployed. At the start of the recession, youth represented 46% of total unemployment (December 2007 quarter). This figure was unchanged two years later in the December 2009 quarter.

#### *How does this compare to the early 90s recession?*

The 9.6 percentage point increase in youth unemployment is so far less than that seen in the early 1990s recession of 13.1 percentage points. However, because youth make up a sizeable proportion of total unemployment this means that the number of unemployed youth is large and now stands at 72,700 (up 60,300 since December 2007). This is slightly

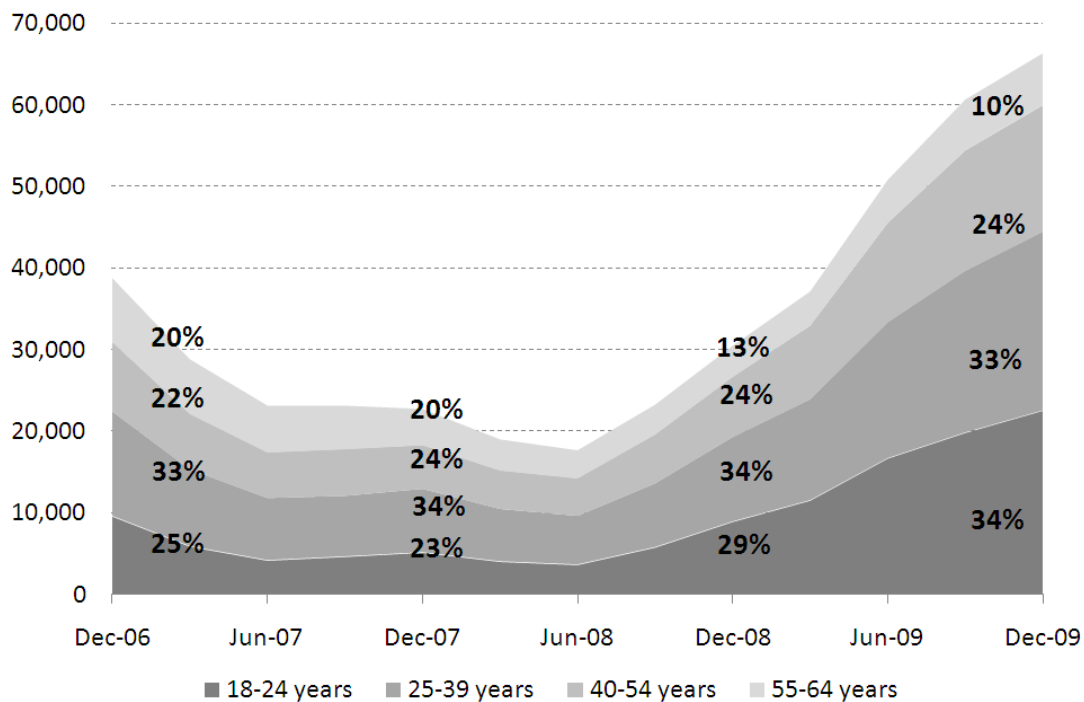


less than the December 1991 figure of 77,400.

### The share of youth (those aged 18 to 24 years) receiving the unemployment benefit has increased since December 2007

Figure 2 shows that the number of people receiving the unemployment benefits has increased across all age groups. What is of concern is that the share of youth (those aged 18-24 years) receiving the unemployment benefit has increased from 23% in December 2007 to 34% in December 2009, while the shares for the rest of the population have remained relatively stable or declined.

**Figure 2 Counts and share of unemployment benefits by age group, December quarters**



Source: Ministry of Social Development

### There has been a substantial increase in youth taking part in education

While unemployment for youth increased at about the same rate as older workers, a higher share of youth have left the labour market entirely.

Table 1 shows that youth not in the labour force increased by 12% between December 2007 and December 2009. This figure is higher than that for older workers, which increased by 1% during the same period. It is likely that youth are more easily able to leave the labour force as they generally do not have the same financial responsibilities as older workers that force them to remain in the labour market.



Table 1 shows that the number of youth not in the labour force that are participating in formal study has risen by 21% since December 2007. While the number of youth in informal study rose by 62% over the same period. This means that a total of 175,000 out of 231,000 youth not in the labour force were either studying or at school in the December 2009 quarter. While participation in education has grown throughout the recession, there remains a significant number of youth not in employment, education or training (NEET). The number of NEET rose by 42% over the last two years to reach 95,000. As they are neither working nor training, this group remains a particular concern.

**Table 1 Percentage change in people not in the labour force by study status and age, Dec 07-Dec 09**

Not in the labour Force (NILF)	15-24 years Dec- 09 (thousands)	25+ years Dec-09 (thousands)	15-24 years % change Dec 07-Dec 09	25+ years % change Dec 07-Dec 09
Engaged in Formal Study	57.9	35.2	21%	18%
Engaged in Informal Study	16.5	10.4	62%	-19%
No Study <sup>5</sup>	56.1	786.3	18%	1%
Student still at school	100.9	1.2	0%	-33%
Total NILF in study or at school	175.3	46.8	10%	5%
Total NILF (all study statuses)	231.3	833.3	12%	1%
Not employed or in education or training (NEET)	95.3	863.7	42%	6%

Source: Statistics New Zealand

## Summary

This note has looked at employment impacts on young people and their subsequent decisions. There have been significant job losses for youth as they are more likely to be laid off (due to their low level of experience and skills), compared with older workers *and* because youth are heavily employed in industries that have been particularly affected in the recession. While employment has certainly fallen, there has been a substantial increase in youth taking part in education or training during the downturn and means that they will be better placed for the economic recovery.

<sup>5</sup> May include people that are undertaking caregiver or home duties