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Impediments to the employment of young people



Mark Wooden

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Contents

Executive summary *1*

Context *5*

Theoretical overview *7*

Youth employment, the economic cycle and 'scarring' *9*

Structural change and the changing composition of labour demand *11*

- The industrial mix of youth employment
- Technical change
- Skills upgrading and the youth labour market

Education and training *14*

- Post-school vocational education
- Vocational education in schools

Employer preferences *20*

Disincentive effects of unemployment benefits *22*

Attitudes and aspirations of young people *24*

Labour costs *25*

- Are youth wages too high?
- Will reducing youth wages lead to increases in employment?
- Non-wage costs

The growth in part-time and casual employment *31*

- Explaining the growth in part-time/casual employment
- Part-time/casual employment and long-run employment prospects

Findings and directions for further research *37*

Endnotes *39*

References *41*

Executive summary

YOUTH EMPLOYMENT REMAINS an issue that should be high on public policy agendas, not just because official rates of youth unemployment are still unacceptably high. Other important reasons include the potential for 'scarring' effects, the high levels of 'hidden unemployment' not revealed in official unemployment data, and the possibility that youth employment is becoming increasingly concentrated in low quality, low skill, insecure jobs.

Four major impediments to higher youth employment are identified in this review. These are:

- the inability to maintain rates of economic growth sufficient to reduce unemployment without inducing inflationary pressures
- changes in the composition of demand for labour favouring more highly skilled workers
- systems for delivery of vocational education and training (VET) which remain poorly adapted to users' needs
- wage structures that prevent the market for youth labour from clearing

It is recognised that like adult employment, youth employment is sensitive to the overall level of economic activity. Scope to significantly raise growth levels, however, is limited by the likelihood of increased inflationary pressures.

Shifts in the composition of demand for labour have almost certainly worked against youth employment. While the changing industrial mix of employment does not appear to be of large importance, there is mounting evidence that labour demand is shifting in favour of more skilled workers. This will have worked to reduce both the number of relatively unskilled entry points into the labour market and the degree of substitutability between experienced (adult) and inexperienced (youth) workers. Both of these phenomena mean reduced employment opportunities for young people.

Changes in the skill composition of demand for labour suggest the need for increased levels of education and training. However, while participation in education has expanded, the principal driving factor appears to be lack of employment opportunities rather than the prospect of increased rewards for education. Moreover, the expansion in education has been concentrated in basic education; there has been very little change to levels of participation in vocational education.

The lack of growth in participation in vocational education among young people would appear to reflect, at least in part, evidence of low returns to vocational qualifications, both in terms of earnings and future employability. It is argued that this reflects the pre-occupation of training providers with traditional trades-based skills.

The lack of growth in participation in vocational education is worrisome, because research suggests that what employers value most—with the exception of basic numeracy and literacy—are skills and abilities that typically cannot be acquired at school. It is thus perhaps not surprising that there appears to be increasing agreement that vocational education needs to begin at secondary school, a realisation which is reflected in growth in the incidence of work placement programs within schools. Expansion of such schemes, however, is limited by:

- perceptions that vocational education is for low-achievers
- the cost such schemes impose on employers

The demand for youth labour will be affected by employer preferences for such labour, and it is often argued that increased competition from adults combined with the changing nature of work have reduced the relative attractiveness of youth. There is, however, no quality data either to support or reject such claims.

A substantial body of literature exists, both in Australia and overseas, demonstrating that unemployment benefits impact significantly on unemployment rates. The magnitude of these effects, however, are quite small. A more significant disincentive to work may be provided by the indefinite nature of benefit eligibility.

The level of youth employment can also be expected to be influenced by the attitudes and expectations of young individuals. Any change in such attitudes

over time can, therefore, be expected to impact on youth employment. Unfortunately, no study appears to have been undertaken into this issue, at least not one employing a large sample of young people and covering an extended time frame.

While not uncontentious, it is argued that the structure of youth wages and labour costs continue to represent a barrier to achieving higher levels of youth employment. The major factor driving changes in the cost of youth labour, however, are not changes in award rates, but changes in the structure of the youth labour market. In particular, higher rates of participation in education have actually reduced the average quality of inexperienced labour, but without any compensating reduction in wages.

One response to the decline in full-time employment opportunities in the youth labour market has been a marked rise in part-time and casual employment. While this has helped cushion the impact of declining numbers of full-time jobs, it is often argued that such employment may actually be detrimental to long-run employment prospects. Again, this is an issue where convincing evidence does not exist. However, it would appear that, if anything, part-time employment, at least while at school, assists future career development. Part-time (especially part-time casual) employment may well bring fewer benefits to early school leavers and, indeed, possibly promote further the marginalisation of these people in the labour force.

Perhaps the main conclusion to be drawn from this review is that despite widespread consensus that there are insufficient employment opportunities for young people, we still do not know enough about the factors that impede employment. Some of the most important questions that are in need of more investigation include:

- What factors have been responsible for the shift in the composition of labour demand toward an emphasis on skills and experience?
- Is it improvements in basic education or in the school-to-work transition that are most important in enhancing the employment prospects of young people?
- Have employer preferences for youth labour altered over time in a way that has been detrimental to youth employment?
- How significant a disincentive to job search is the indefinite nature of eligibility for unemployment benefits?

- Have the attitudes and expectations of young people changed over time in a way that has been detrimental to youth employment?
- To what extent do attitudes of the unemployed reflect responses to the unemployment experience as distinct from other exogenous factors (such as rising expectations)?
- Do non-wage costs represent a significant barrier to greater levels of youth employment?
- Does part-time and/or casual employment for young people hinder or assist future labour market achievement?

Context

UNEMPLOYMENT RATES AMONG young Australians have increased noticeably over the last quarter of a century. According to national labour force survey data collected by the Australian Bureau of Statistics (ABS), the unemployment rate among Australian youth (15 to 24 year olds) in 1970 was around two per cent. The comparable figure in August 1997 was almost 16 per cent. In large part, the deterioration in the youth labour market is simply a function of the deterioration in the wider labour market, with movements in the youth unemployment rate being mirrored by movements in the adult unemployment rate. Indeed, the data suggest that the gap between the youth unemployment rate and the adult unemployment rate has actually narrowed over time (Elmeskov 1993; Wooden 1998). Nevertheless, youth unemployment remains of particular importance because of the potential for 'scarring'—that is, the possibility that joblessness when young is associated with a greater likelihood of unemployment during adulthood.

The youth labour market is also of special interest given the likelihood of high levels of 'hidden unemployment' among youth.[1] That is, it is strongly suspected that the decline in employment opportunities for young people has led to many young people withdrawing from the labour market, choosing instead to remain at school or enter post-school education. Thus changes in measured unemployment understate the decline in the position of youth in the labour market. Perhaps a better guide to the changing fortunes of youth in the Australian labour market is provided by the ratio of employment to population. For young people, this has fallen from around 66 per cent in 1970 to just 55 per cent by August 1997. In contrast, among adults the employment-population ratio has increased.[2] For example, for persons aged 35 to 44 years, it has risen from 71 per cent to 76.5 per cent.

Finally, where young people do find work, the probability that the work will involve part-time hours and/or be on a casual basis is extremely high, and

certainly much higher than in the past.[3] Indeed, full-time employment opportunities within the teenage labour market have all but disappeared (see Wooden 1998). This raises the spectre of underemployment, both in terms of working time and utilisation of skills. Moreover, it also raises concerns about the possibility of the development of a cohort of workers who are increasingly casualised and denied access to the career paths and training and promotion opportunities typically associated with full-time 'permanent' jobs. Thus, this works against initiatives designed to raise overall skills levels within the workforce (Romeyn 1992).

The issue of youth employment is at the centre of this consolidation study. Specifically, the study provides a review of research, and especially Australian research, concerned with youth employment and the impediments to the expansion of youth employment. The report that follows is divided into nine main sections following this introduction. First, a simple demand and supply framework, which is used to structure this review, is introduced. The next four sections then examine a variety of demand-side influences often hypothesised to provide obstacles to youth employment. Included here are cyclical variations in aggregate demand, structural change, inadequate education and training, and changing employer preferences. An examination of two supply-side influences—the level and structure of unemployment benefits and the preferences and aspirations of young workers—follows. The paper then considers the role that labour costs play in determining employment outcomes. Finally, the implications for youth of the growth in part-time and casual working arrangements are examined.

Theoretical overview

A CONVENIENT CONSTRUCT FOR thinking about how employment levels are determined is the demand and supply framework used by economists. In this framework, employment levels depend on the interaction of labour demand and labour supply, and the presence of institutional rigidities that prevent wages (and other labour costs) from adjusting to shifts in these forces. Anything that shifts either demand or supply, or alters the responsiveness of wages to variations in demand and supply, can therefore be expected to alter employment levels.

On the demand-side, the most important factors are likely to be:

- changes in consumer demand for the final product (since labour is an input into production)
- changes in the price of labour relative to other inputs
- changes in the relative productivity of labour (as a result, for example, of new technology)
- employer tastes or preferences

On the supply-side, relevant factors are likely to include:

- changes in unemployment benefits (and other income support arrangements)
- the tastes and preferences of individuals for work
- demographic factors

Finally, the presence of institutional arrangements, such as minimum award wages, are of potentially large importance, given that they impede the downward adjustment of wages in response to adverse shocks.

The focus of this paper, of course, is on youth employment, which adds a further dimension to the analysis. Specifically, even without changes in aggregate employment, the share of youth in total employment can vary as a result of substitution between youth and adult labour. The level of youth employment is, therefore in part, the result of choices made by employers based on their assessment of the value of youth labour relative to adult labour.[4] This, in turn, will depend on the cost of young workers relative to adults, and on the productivity of young workers relative to adults.

Youth employment, the economic cycle and 'scarring'

AS NOTED ABOVE, while the level of unemployment among youth is much higher than among adults, the underlying trend for both has been very similar, with the unemployment rate trending upwards, but varying markedly over the course of the economic cycle.[5] It thus follows that like adult employment, youth employment would grow faster if the economy grew faster. The problem here, however, is that the rate of growth required to significantly reduce unemployment is quite high—in the vicinity of four per cent per annum (Wooden 1996; Curtain 1998)—and there are limits to growth. In particular, if output growth is too high, inflationary pressures emerge which are usually countered by the application of deflationary monetary and/or fiscal policy. Estimates of the 'steady state' rate of unemployment, often referred to as the NAIRU—the non-accelerating inflation rate of unemployment—indicate a full employment rate during the 1980s of somewhere around six to seven per cent, and by the 1990s closer to eight per cent (see Borland 1997a for a review of these studies). Such estimates suggest, therefore, that there is limited scope for traditional demand-management policies in assisting reductions in unemployment, especially in the short to medium term.

An additional feature of aggregate economic activity that is important for the youth labour market is its cyclical nature. In particular, there does seem to be clear evidence that cyclical variations are much more marked in the youth labour market. In other words, during periods of recession it is the youth labour which is hardest hit, but during periods of economic growth it is the youth labour market which grows most rapidly. Studies employing cross-country data consistently reach this conclusion (e.g. Clark & Summers 1982; Borowski 1984; OECD 1994). The Organisation for Economic Cooperation and Development (OECD 1994, pp.30–31), for example, notes that during the economic downturn of 1990–1991, the employment-population ratio for adults (persons aged 25 to 54 years) in Australia fell by just 1.6 percentage points,

whereas for teenagers and young adults it fell by 6.1 and 4.8 percentage points respectively. Similarly, McCormack (1994), in an Australian analysis of the probability of transition from unemployment to employment for different age and gender groups, found that the most substantial reduction in employment probabilities during the 1991 recession occurred among teenagers and young adult males (as well as among long-term unemployed adult males).

The main reasons for the greater sensitivity of the youth labour market to cyclical fluctuations in the economy are at least threefold. First, by definition, young people are highly concentrated among the ranks of new labour market entrants, and hence any decline in hiring activity will impact heavily on the youth labour market. Second, reflecting the cost of human capital investments and the presence of seniority-related employment rules in many settings, young workers will be at relatively large risk of being laid off if firms are forced to downsize to cope with reductions in output demand. Third, recession is often a catalyst for organisational restructuring, and the types of jobs that are most likely to disappear are those involving relatively few skills, jobs in which young workers tend to be heavily concentrated.

The main problem created by this greater sensitivity of youth employment to the business cycle is not that it promotes an increase in the unemployment rate, but the possibility that it adds to the stock of long-term unemployed. That is, the cohort of young people who enter the labour market during an economic recession may become the long-term adult unemployed of the future. Unfortunately, this 'scarring' effect of youth unemployment has not been well researched. Australian studies involving analysis of data from the Australian Longitudinal Survey (ALS) appear to lead to conclusions which are consistent with the hypothesis of 'state dependence' or 'scarring' (e.g. Brooks 1986; Brooks & Volker 1986; Junankar & Wood 1992; Hardin & Kapuscinski 1997). Nevertheless, this research focusses on relatively short-term impacts, ranging anywhere between one and four years after leaving school. Over the longer term, 'catch-up' effects might mean that this apparent adverse consequence of unemployment while young may be reduced or even completely eradicated.

Structural change and the changing composition of labour demand

The industrial mix of youth employment

IT HAS BEEN well established that young people work in distinctly different sectors of the economy than do adults (BLMR 1985; Wooden 1998). Wooden (1998), for example, documents the relative concentration of teenage employment by industry for 1991 and 1996. He reports that 48 per cent of all employed teenagers in 1996 worked in the retail trade sector. More importantly, he also calculates the concentration of teenagers in this sector to be more than three times that for the total workforce. The only other industry sectors with significant concentrations of teenage workers were accommodation, cafés and restaurants, and cultural and recreational services.

Youth employment can, therefore, be expected to be adversely affected if these sectors with high concentrations of young workers are growing less rapidly than other sectors of the economy. Employment growth in all three of these sectors, however, has been well ahead of total employment growth, suggesting that structural shifts in the industry composition of jobs may actually have been associated with improved job prospects for young people. As documented in Hawke (1997, pp.10–12), over the period 1987 to 1996 annual employment growth for all industries averaged 1.7 per cent. In contrast, the annualised average rates of growth in retail trade; accommodation, cafés and restaurants; and cultural and recreational services were 3.0, 4.4 and 3.3 per cent, respectively. Conventional shift-share analysis, using data on employment by industry and age from August 1982 and August 1993, confirms the conclusion that the changing industry composition of employment has favoured youth.[6] That said, the size of the effect is very small, with total youth employment in 1993 estimated to have been just 1.5 per cent higher than would have been the case if the industrial distribution of employment that prevailed in 1982 remained unchanged.[7] Similar conclusions have been reached with respect to other OECD countries (OECD 1996, pp.142–143). The declining

share of youth employment in total employment is thus a result of a decline in the level of youth employment in all industries and not a reflection of changes in the industry composition of employment.

Such findings would appear to contrast markedly with conclusions drawn by many commentators (e.g. Sweet 1987; Watson 1994). Those writers, however, focussed explicitly on the sources of decline in full-time employment opportunities for young people, and it seems reasonable to expect that shift-share analysis might give rise to markedly different conclusions if full-time and part-time employment were separately distinguished. The Bureau of Labour Market Research study (BLMR 1985) did exactly this, and reported that changes in industry structure had contributed to a decline in full-time employment among males aged under 25 years between 1971 and 1981. In contrast, structural change had assisted full-time employment growth among young females. These results undoubtedly reflect the importance of apprenticeships as a source of full-time jobs for male youth which, in turn, are concentrated in the declining manufacturing sector. Unfortunately, the BLMR study is extremely dated, and has not been updated.

Technical change

It is often assumed that technical change reduces the overall demand for labour (e.g. Windschuttle 1979; Sweet 1991). Economists, however, have long realised that not all new technology is labour saving. Further, even labour-saving innovations may not reduce employment opportunities. If new technology leads to a reduction in output prices, demand will expand which may offset any inherent labour-saving bias (see Bosworth et al. 1996, ch.10), explaining why Huay and Groenewold (1992), in a study of the causes of unemployment in Australia, found that technical progress had served to reduce unemployment. Finally, even if it were true that more rapid rates of technical progress are associated with higher rates of unemployment, it is not at all clear that the pace of technical change has accelerated. Indeed, and as noted by Elmeskov (1993, p.22), total factor productivity growth has actually slowed in most countries since the 1980s.[8]

Even without changes in the pace of technical change, new technologies and the way they are used and implemented can still have important consequences for the composition of youth employment. In the United States the general consensus appears to be that new technology is skill biased (that is, it increases

the premium for skill), and has been identified as one of the major reasons why the wage differential between skilled and unskilled workers has widened in recent decades (Davis & Haltiwanger 1991; Bound & Johnson 1992; Katz & Murphy 1992; Juhn et al. 1993). More importantly, other international studies have documented evidence that new technology (including both information-based and automation-enhancing technologies) has been associated with a significant shift in the composition of demand for labour, at least within the manufacturing sector (Berman et al. 1994; Haskel 1996; Machin 1996; Doms et al. 1997).

Australian evidence is generally consistent with this skills upgrading hypothesis, though less clear is the extent to which biased technical change is responsible. Aungles et al. (1993), Gregory (1993), Karmel (1995) and Borland (1997b), for example, have all documented evidence of a shift in labour demand favouring relatively high skill workers, but can only speculate about the possible causes of that shift. Borland and Foo (1996) reported a gradual shift in employment within Australian manufacturing industry towards non-production labour which appears to be associated with industry changes in total factor productivity, and hence is arguably consistent with the US-based research. Tyers and Yang (1997) have also documented a significant shift in the composition of employment away from production labour towards professional labour in all of the older industrial economies, including Australia. Their results, however, suggest that biased technical change can only provide part of the explanation, with the shift common to most sectors of the economy.

Skills upgrading and the youth labour market

Irrespective of its source, skills upgrading has clear implications for young people (OECD 1997, p.106). First, the opportunities for entry into the labour market via relatively unskilled jobs must be declining. Second, the substitutability between young inexperienced workers and experienced adult workers must also be declining. Both of these phenomena mean reduced employment opportunities for young people. The marked decline in the share of young people in full-time employment is consistent with these hypotheses. Further support is provided by Borland and Wilkins (1997), who analysed the the effects of changes in labour supply and labour demand on the age-earnings structure over time, and reported large decreases in the demand for young workers relative to 'prime-age' adults.

Education and training

IF THE RELATIVE DEMAND for labour has shifted in favour of skilled workers, it follows that skill deficiencies arising from inadequate and poor quality education and training will represent an increasingly significant obstacle to employment success. Early school leavers are thus likely to find themselves at a much greater disadvantage in the labour market than was the case in the past.[9] It is, therefore, not surprising that participation in education has expanded enormously, especially during the 1980s. Retention of young people to Year 12 of secondary school, for example, increased from 35 per cent in 1981 to 77 per cent by 1992. While the rate has subsequently fallen (it was 71% in 1996), it is still more than double the rates experienced prior to the 1980s.[10] Similarly, enrolments in higher education have also grown rapidly, rising from just 7.7 per cent of the 15 to 24 year-old population in 1981 to 14.2 per cent by May 1995.[11]

As argued by Gregory (1995), however, this increase in participation does not appear to represent a response to the prospect of increased rewards from education, but instead is primarily driven by the lack of full-time employment opportunities for young people. Support for this hypothesis has been found in a number of econometric studies (e.g. Larum & Beggs 1989; Karmel 1995; Lewis & Koshy 1997). Further evidence is provided by the high proportion of teenagers enumerated as being outside the labour force (most of whom—95%—were involved in educational study) yet who claim they would like to work. In September 1997, almost 41 per cent of teenagers outside the labour force were in this situation.[12] This compares with just 25 per cent of teenagers outside the labour force in 1977.

Irrespective of the sources of change, what is clear is that the composition of the workforce in terms of educational attainment is changing. ABS data indicate that the proportion of the employed workforce with post-school qualifications has been increasing steadily, rising from 37 per cent in 1980 to

52 per cent in 1993.[13] Such figures are suggestive of an improvement in the skills of the workforce, especially new entrants. Possessing a qualification, however, does not necessarily imply possession of skills that are sought by employers. Hence it is possible that despite its expansion, the formal education system has actually contributed to the mismatch between skills demanded and skills supplied. Of relevance here is the fact that virtually none of the growth in participation in post-school education is due to increased participation in vocational education (Norris & Wooden 1996a, p.3). Indeed, among teenagers full-time participation in technical and further education (TAFE) courses appears to have declined (Keating 1995, pp.9–10).[14]

More generally, it has been argued that the quality and work-relevance of education in Australia, including basic schooling, has declined (Dorrance & Hughes 1996, pp.40–56). Such views would appear to underpin recent Coalition Government initiatives aimed at restoring the primacy of literacy and numeracy skills within basic education. Discussion of this important but complex debate, however, lies beyond the scope of this study. Instead, attention is focussed more narrowly on the changing role of vocational education.

Post-school vocational education

Ryan (1997) has argued that the widening divergence between rates of participation in higher education and in vocational education reflects clear preferences by students (and parents) for general education as the primary pathway to future employment. An alternative hypothesis may be that the relative decline in participation in vocational education reflects the inability of vocational education systems to keep pace with the profound technological and organisational changes that have been affecting workplaces. The failure of the apprenticeship system to adapt to the changing nature of work, for example, is often singled out as exacerbating problems within the youth labour market, especially for young males (see Sweet 1995, 1996; Dorrance & Hughes 1996, pp.46–50). Indeed, this has been one of the major rationales behind the introduction of a range of policy initiatives by successive federal governments. These are designed to, among other things, encourage the adoption of structured training arrangements in industries where traditional apprenticeships arrangements do not exist (e.g. one-year and two-year traineeships) and to permit more flexible training arrangements (e.g. part-time

apprenticeships, multiple workplace apprenticeships, and schools-based apprenticeships and traineeships).

Unfortunately, the research base underlying these policy decisions remains weak and under-developed. Survey-based research into employer satisfaction with graduates from the TAFE system is suggestive of relatively high levels of satisfaction (see NCVER 1997a). Nevertheless, the highly subjective data collected in this research are difficult to interpret. Moreover, this type of evidence is bound to be plagued by selection biases. That is, this type of research reveals nothing about what employers who do not employ TAFE graduates think. Baker (1995, p.152), however, reports on the results of a survey of small business, including those that do and do not use TAFE, and concludes that 'there do not appear to be any fundamental mismatches occurring between the demand for VET [vocational education and training] from small business and the supply of publicly funded VET'. That said, the survey results did reveal a substantial minority (35% of all respondents who had knowledge of the availability of TAFE courses) who indicated that TAFE training was not well suited to the needs of their business.

Ultimately, the litmus test has to be how TAFE graduates fare in the labour market, and again the evidence is inconsistent. The National Centre for Vocational Education Research's (NCVER) national survey of TAFE graduate destinations reveals a high level of unemployment among 1996 TAFE graduates in May 1997, with an unemployment rate of 17.5 per cent (NCVER 1997b). Moreover, this rate rises to 28 per cent if persons in employment prior to enrolment in TAFE are excluded. This rate is disturbingly high given that the median age of graduates was 28 years, and mean unemployment rates at this age are close to eight per cent. On the other hand, within the wider workforce the unemployment rates of persons with skilled vocational qualifications (6.1% in May 1997) are well below the rate for persons without post-school qualifications but had completed the final year of high school (8.9%). This, however, is not true of persons with basic vocational qualifications, where the overall unemployment was, at 8.6 per cent, only slightly lower.[15]

Multivariate studies of employment status, which control for a large array of individual characteristics aside from education, suggest that on balance, trades qualifications do not confer much in the way of an employment advantage. Brooks and Volker's (1985) seminal analysis of adult labour force status, for

example, suggests that trades-qualified males do not have employment probabilities that are larger than males who left school at age 16, 17 or 18 while, among females, persons with trade qualifications actually do worse than early school leavers. Results reported in Inglis and Stromback (1986) appear to be broadly consistent with this conclusion. More recently, Harris (1996) has modelled the probability of employment within the youth labour market and finds that school leavers who complete Year 12 are much more likely to be in employment than those who go on to obtain a trades qualification.

The source of this absence of an employment premium, however, is almost certainly due to demand-side characteristics of the market, which cannot be controlled for in studies of employment status (since occupation and industry are not observed for the unemployed and non-participants). That is, the types of employment where traditional trades qualifications are of value are in relative decline. This is confirmed by employment data which demonstrate that trades-related occupations have been declining as a proportion of total employment. The results from the multivariate studies of employment thus imply that if there is a problem with the systems of VET delivery in this country, it has less to do with the quality of what is delivered, and more to do with the continued emphasis on traditional trade-based skills which are no longer in great demand.

Very differently, results from the estimation of wage equations from cross-section data more often than not suggest that when employment is secured there is a wage premium associated with obtaining a vocational qualification (e.g. Hatton & Chapman 1987; Long & McKenzie 1995; Miller & Mulvey 1996). That is, persons with vocational qualifications can expect, at least in the longer term, to earn more than comparable persons whose formal education ceases following the final year of secondary school. The size of this differential, however, is typically quite small. Long and McKenzie (1995), for instance, report a wage premium associated with skilled vocational qualifications of just $25 per week (in 1993 data) for males in full-time employment and of $55 for females. Other more recent research employing longitudinal data (from the Australian Council for Educational Research's [ACER] Youth in Transition project), which arguably should better isolate the cohort effects that can affect cross-section estimates, also suggests that the size of the wage premium is positive but small (Long et al. 1996). This analysis, however, found that these positive returns only accrued to males; for females the estimated return to vocational education was either zero or negative. A similar conclusion is

suggested by the analysis of returns to apprentice training by Dockery and Norris (1996).

Overall, it would seem that the major weakness of current VET delivery systems is not the quality of what is taught, but the continued dominance of traditional skills, demand for which is declining. Much has been made of the decline in apprenticeship numbers (e.g. Sweet 1994, 1995; Curtain 1998) but, as observed by both Dandie (1996) and Ball and Robinson (1998), the ratio of apprentices to tradespersons has actually remained relatively constant. In other words, the decline in apprentice numbers reflects the changing structure of labour demand. If the current systems of VET delivery are better to assist young people acquire skills that are valued by the market, then clearly VET delivery needs to be re-focussed on the new growth industries and not on the traditional trades. Of course the question then arises as to why training providers have not been more responsive to users' needs. The OECD (1997, p.106) suggests the answer lies in insufficient competitive pressures within the VET sector. Ineffective structures for flows of information between providers and users may also be partly to blame.[16]

Vocational education in schools

An important issue that has once more emerged as significant in education policy debates is the role of vocational education in schools. Concerns have been raised that schools curricula have not responded appropriately to changes in the labour market and that a greater role for vocational-based programs within schools is warranted. These concerns underpin recommendations put forward by the Schools Council (1994) of the National Board of Employment, Education and Training (NBEET) and, more recently, by YouthForce (1997) and the House of Representatives Standing Committee on Employment, Education and Training (1997). The latter, for example, claimed that the development of vocational-based programs within schools has been inadequate and that greater links between schools and industry are required (p.38). As Sweet (1994) puts it, young Australians need to 'learn to work' and the obvious time to do this is while they are still at school.

Such views appear to be supported by survey evidence on workplace-based learning programs reported in Ainley and Fleming (1997). This study found that despite the availability of workplace education in most schools, only 12 per cent of secondary school students in Years 11 and 12 actually

participated in workplace programs during 1996, the large majority of which involved very short workplace placements. Of course, low levels of participation may reflect the absence of perceived benefits. National survey evidence reported in Teese, Davies and Ryan (forthcoming), however, suggests that is not so, with the majority (58%) of Year 12 students who had participated in workplace programs describing their placements as 'challenging and interesting'. Similarly, Teese and Polesel (1996), in a study of Year 12 participants in dual recognition programs in Victoria, reported that participants 'were overwhelmingly positive' about their experiences (p.16).

More important than participant perceptions, however, are the consequences of participation for labour market outcomes, and here there is markedly less evidence. What evidence there is, however, does suggest that measurable benefits exist. In particular, evaluations of the training in retail and commerce (TRAC) program, Australia's most well known schools-based vocational education scheme, reveal significantly lower rates of unemployment and higher probabilities of participation in further education and training among TRAC graduates after leaving school (Dusseldorp Skills Forum 1997).[17] That said, these evaluations are relatively crude and certainly do not attempt to control for the bias that would arise if relatively able students self-select into these programs. Other evidence, however, suggests that the reverse is more likely to be true—that it may be the under-achievers who select into work placement programs at school (Teese et al. forthcoming).

This question of selection bias leads to another important issue in the debate—do vocational education programs in schools serve to further marginalise low-achieving students? Ryan (1997) argues that the view that vocational education is for low-achieving students has limited both the development and effectiveness of vocational education programs in schools. However, he is unable to present much in the way of supporting evidence for this position.

A final issue concerns the burden of workplace programs for employers. As noted by the South Australian Youth Employment Taskforce (1996, p.11), in many cases there are simply not enough places for young people within work experience programs, suggesting that it is the cost to employers of involvement in such schemes (particularly in terms of supervision) that is the principal barrier to their expansion.

Employer preferences

THE DEMAND for youth workers will also be affected by employer preferences for youth labour as compared with adults, suggesting the possibility that the decline in employment opportunities among young people is the result of increased competition from adults. As Sweet (1987) has observed, this is an issue which has been the subject of highly emotive debate, but very little serious research. A notable exception is the case study of the public sector reported in BLMR (1985) which provides clear evidence of a decline in youth employment resulting from increased competition for entry-level jobs from older workers, including both university graduates and married women re-entering the workforce.

There have, however, been a relatively large number of employer-based surveys, conducted mostly during the 1980s, which were concerned with the more general question of what employers look for when recruiting young people (e.g. Williams & Priest 1978; Sungaila 1981; King 1983; Reid 1983; Sloan & Kriegler 1985; BCA 1986; Thorn & Chapman 1988). As a whole, this survey-based work suggests 'that employers are far more concerned about young peoples' attitudes to work than their academic skills' (Sungaila 1981, p.382). King, for example, provided her small sample of employers (all drawn from one regional community) with a list of 22 employee qualities and skills, and asked them to rank the importance of each when hiring young people. The most highly ranked criteria all reflected attitudes, such as 'sense of responsibility', 'cleanliness', 'respect for authority', 'interest in the job', 'good manners' and 'willingness to work hard', rather than educational achievement. Moreover, those skills that are regarded as important are the highly general skills such as numeracy, literacy and the ability to communicate, a view which is echoed in the recent report of the South Australian Youth Employment Taskforce (1996, p.10). Overall, this body of research suggests that when recruiting young people, employers are looking for traits that are indicative of maturity, adaptability, 'trainability' and the ability to use initiative.

More recent employer-based evidence suggests, at least at first glance, more mixed conclusions. Consistent with the earlier studies, a survey of 500 employers in New South Wales in 1996 found that enthusiasm and willingness to work were cited most frequently by employers as the most important selection attributes required when filling entry-level positions (DTEC 1996). That survey, however, also reported that almost half of the respondents saw young people as lacking workplace-based skills, suggesting that the importance of skills was either understated in the earlier studies or has increased in importance over time. Similar conclusions might be drawn from the survey results reported by the Confederation of Australian Industry (CAI 1992). This study, which involved a sample of over 2000 employers, reported that 76 per cent of employer respondents cited a lack of appropriate skills as being of at least some importance in the decision not to hire young people. That said, it is true that neither of these studies was very specific about what was meant by skills and, consistent with the earlier research, immaturity was the most frequently cited reason for not hiring young people (mentioned by 82% of employer respondents to the CAI study).[18] Overall, it can be concluded that with the exception of basic numeracy and literacy, the types of skills and abilities that employers value most typically cannot be acquired at school.

One question of relevance here that has not received much attention from researchers is whether employer preferences for youth labour have changed much over time. The greater emphasis on customer service in many industries, for example, may be expected to have had adverse consequences for youth employment given:

- communication skills are typically correlated with experience and maturity
- the increased availability of older married women to the jobs market

Supporting evidence for such hypotheses, however, is almost non-existent. Some perceptual data relating to very limited time frames are reported in Williams and Priest (1978), King (1983) and BCA (1986), and suggest that perceptions of the quality of youth labour among employers may have been becoming less favourable over time. This evidence, however, is hardly conclusive (and very dated). What is needed are comparable survey data collected at different points over an extended time-frame.

Disincentive effects of unemployment benefits

ON THE SUPPLY-SIDE of the labour market, the issue that is most commonly singled out as contributing to high levels of youth unemployment is the level and structure of unemployment benefit payments. As discussed in Norris (1994), the level of unemployment benefits relative to potential after tax earnings—what is typically referred to as the replacement ratio—can affect both inflows into unemployment and the duration of unemployment spells. A generous level of benefits, for example, provides an incentive for young people to choose unemployment rather than remain at school, increasing inflows into unemployment. The duration of unemployment spells is also expected to rise with the replacement ratio. As explained by Atkinson and Micklewright (1991, pp.1697–1698), the probability of an unemployed job seeker securing employment is a product of the probability of receiving a job offer and the probability of accepting it. The latter, however, is a function of the job seeker's 'reservation wage' which will increase as the replacement ratio increases. Thus, the more generous the system of unemployment benefits, the lower the probability of accepting a job offer and thus the longer the duration of unemployment.

The weight of empirical evidence, especially in Australia and Europe, is that it is the latter effect which is dominant (see Atkinson & Micklewright 1991 for a review). While somewhat dated, the key Australian study is that by Trivedi and Kapuscinski (1985). They estimated equations explaining inflows into unemployment in Australia for the period 1970–1980, a period during which sizeable increases in unemployment benefits occurred, using both Department of Social Security (DSS) data on benefit claimants and the official ABS survey-based data on the number of unemployed. Moreover, their study is unusual in that it disaggregated data by both age and sex. They found that increases in the replacement ratio had only a small effect on unemployment inflows for adult males and no effect at all on the inflows among adult females and juniors (persons under 21 years of age). Interestingly, analysis of the DSS data on

benefit claimants suggests much larger effects among young people than the analysis of ABS data. Trivedi and Kapuscinski argued that this reflected differences between claiming behaviour and job search behaviour. That is, increases in benefits lead to an increase in the take-up rate (more people claiming) without any actual change in job search behaviour.[19]

In contrast, Trivedi and Kapuscinski (1985) also found that changes in replacement ratios impacted significantly on duration of unemployment among youth, and especially young women. Moreover, the pattern of results was consistent when using both ABS and DSS data, though the estimated effect was quantitatively smaller when using the latter.

More recent Australian research has not made this distinction between inflows and duration and, moreover, has not distinguished between different workforce segments. Consistent with Trivedi and Kapuscinski, however, that body of research typically concludes that the level of unemployment benefits impacts significantly on the aggregate unemployment rate, but that the magnitude of the effect is quite small (e.g. Huay & Groenewold 1992; Fahrer & Pease 1993; Dollery & Webster 1995).

It is thus difficult to conclude that the level of unemployment benefits represents a major disincentive to work. A more significant disincentive, however, may be provided by the indefinite nature of benefit eligibility. In many countries (e.g. the United States, Japan and Sweden), and especially those where benefits are funded from employer contributions rather than from general taxation revenue, entitlement to unemployment benefits is finite, and cuts out after a specified period of time (see OECD 1997, pp.92–93). In Australia, on the other hand, eligibility for receipt of benefits is indefinite (but subject to satisfaction of the work test). Cross-national research by Layard, Nickell and Jackman (1991) and Nickell (1997) suggests this distinction is of relatively large importance in contributing to the explanation for the differential unemployment performance of OECD countries.

Attitudes and aspirations of young people

IT IS ALSO widely believed that young people have attitudes and expectations that are counter-productive in terms of securing ongoing employment (e.g. South Australian Youth Employment Taskforce 1996). Unfortunately, this is yet another issue dominated by anecdote and hearsay rather than rigorous research.

A correlation between negative psychological attributes and success in the workplace is a well-established research finding (e.g. Feather & O'Brien 1986, 1987; Clarke & Oswald 1994), but correlation does not indicate causation. Are young people unemployed because they have a negative attitude or do they develop a negative attitude once unemployed? More importantly, have the attitudes of young Australians changed over time? There appears to be no quality evidence on which to base a conclusion.

We also know very little about the role of expectations. While there has been extensive research into the process determining aspirations and career intentions (see, for example, Carpenter et al. 1989; Waugh 1994), we know very little about how this process has been changing over time. As a result of the expansion in participation in higher education, it might be expected that young people will have higher expectations of entry-level jobs than in the past. Consequently, many young people may not be prepared to accept just any job. Further, we might also expect job separations to increase as a result of increasing job dissatisfaction. According to the South Australian Youth Employment Taskforce (1996, p.9), this is the view of many employers. On the other hand, it might be reasonably expected that the expectations of young people will have been conditioned by persistently high levels of unemployment among young people, leading many to recognise the need for high levels of educational attainment while at the same being prepared to accept any job they can find. Again, there is no quality evidence to indicate which of these two competing hypotheses is the more dominant.

Labour costs

Are youth wages too high?

PERHAPS THE ISSUE that has attracted most controversy in analyses of the Australian youth labour market has been the role of wages and, more specifically, the role of industrial tribunals and awards in fixing wages. In the conventional neoclassical economic framework, if wages are set at levels above their market clearing rates, an imbalance between labour demanded and labour supplied (i.e. unemployment) will result. More importantly, wage floors only 'bite' for those paid the minimum rate, and hence variations in these wage floors will impact most heavily on the employment of the low-paid.[20] This has clear implications for young people since, as a result of their low levels of average experience and job-specific skills, they are heavily concentrated among the low-paid. As a consequence, it is often claimed that the higher rates of unemployment among young people reflect wage structures which cause youth to be over-priced in the labour market (e.g. Dorrance & Hughes 1996). Certainly, many employers believe this to be so, with 45 per cent of respondents to a CAI survey (CAI 1992) indicating that award wages that were too high were at least of some importance in their decision not to hire young people (persons under 21 years of age).

However, in stark contrast to the experience of the 1970s, and as noted in both Wooden (1998) and the dissenting report prepared by Labor Members of Parliament as part of the larger House of Representatives Standing Committee on Employment, Education and Training (1997) report, the earnings of juniors relative to adults have actually declined since the early 1980s. For example, among full-time male employees, the average earnings of juniors relative to adults have fallen from 59 per cent in 1981 to 46 per cent in 1996. Declines of a similar size also apply to full-time females. The decline in the relative earnings of part-time employees though has been much smaller. This, however, is exactly what might have been expected given skills upgrading and the

consequent relative decline in the demand for youth labour, especially full-time youth labour. In other words, changes in demand have been driving changes in relative earnings.

The question that then remains is whether the decline in relative earnings has been sufficient to prevent job losses among juniors relative to adults. This is a question which has received very little attention from academic researchers in recent years. The conclusion reached by Wooden (1998), however, is that it has not. He points, for example, to much lower rates of teenage job growth (especially part-time job growth) in those industries which have high average rates of pay for juniors. Second, and following Sweet (1995), he argues that changes in education participation behaviour combined with little or no change in the age-based junior wage relativities in many awards has meant that the cost of inexperienced youth labour has effectively increased. The average school leaver today is around two years older than in the 1970s. Employers contemplating hiring a school leaver are thus required to pay wages which, as a proportion of adult wages, are much larger than in previous years. Only industries reliant on part-time student labour would not be much affected by this change. Thus the major factors driving changes in the cost of youth labour have not been changes in award rates, but changes in the structure of the youth labour market and, more specifically, the rise in the effective school-leaving age.

Will reducing youth wages lead to increases in employment?

Even accepting youth wages are too high, it does not automatically follow that large employment increases will result from wage cuts. This depends on:

- the responsiveness of demand for youth labour to youth wages (or the own-wage elasticity)
- the degree of substitutability between young and adult workers
- the extent to which young workers are actually on the award minima

The only empirical evidence on this issue in Australia dates back to the early 1980s (see Merrilees 1979; BLMR 1983; Lewis 1985) and leads to the conclusion that youth employment is highly responsive to changes in youth wages. The most widely cited research is that undertaken by the Bureau of Labour Market

Research (BLMR 1983; Lewis 1985). This study employed cross-section data pooled over the period 1971 to 1981 to estimate the demand for youth (in this case, persons under 21 years) relative to adults. The study results are summarised in table 1. The figures in bold are the own-wage elasticities and suggest a relatively high degree of responsiveness of youth employment levels to changes in youth wages. A one per cent rise in wages for males under 21 years was estimated to reduce employment for young males by 1.8 per cent. Among young females the effect was even larger, with the comparable figure being 4.6 per cent. In contrast, the elasticity of demand among adult males was much smaller. Youth employment was also found to be relatively responsive to increases in the relative wages of adults.

Table 1: Estimated elasticity of demand, by age and sex—1971 to 1981

Change in demand for:	1% change in wages of: Junior males	Junior females	Adult males	Adult females
Junior males	**-1.80**	0.15	0.62	1.03
Junior females	0.25	**-4.58**	1.62	2.72
Adult males	0.04	0.07	**-0.59**	0.48
Adult females	0.24	0.39	1.62	**-2.25**

Source: BLMR (1983)

Perhaps surprisingly given the importance of wages to the policy debate in Australia during the 1980s and 1990s, the main challenge to the conclusions reached by the BLMR study comes not from other Australian research, but from overseas.[21] In particular, research by United States economists, Card and Krueger, appears to challenge the long-accepted wisdom that increases in minimum wages must reduce employment. Generating most interest have been the so-called experimental studies of the United States fast-food industry, which lead to the conclusion that rather than causing employment to decrease, increases in the statutory minimum wage actually caused employment to increase (Katz & Krueger 1992; Card & Krueger 1994).[22] Such conclusions thus suggest that if wages are an impediment to youth employment, it is because they are too low!

Not surprisingly, these studies sparked significant debate within the economics profession. Welch (1995), for example, questioned the value and accuracy of the data that underpin the Card and Krueger results, and the methods used to

collect those data. The most damning indictment of this work, however, comes from Dan Hamermesh (1995) who has argued that the Card and Krueger studies do not fulfill any of the requirements that experimental studies must meet. In particular, he notes that employers would have been aware of the intended changes to minimum wage laws well in advance of their enactment, thus ensuring employment adjustments would have occurred prior to the date of the 'treatment'. Indeed, it is possible that legislative change may actually be a response to market signals rather than a force which is driving change. Furthermore, Hamermesh points out that as a result of capital investment decisions, responses to wage adjustments are likely to take much longer than allowed for in the work of Card and Krueger. This point is elaborated on in Wimmer (1996), who argues that because of the nature of the fast food industry, any increase in the minimum wage would be unlikely to lead to any substitution away from labour or decline in quality of service in the short-run. This results because franchise agreements, which dominate the fast-food industry, provide franchisees with very little latitude in how they operate.

Even if accepted at face value, the results of Card and Krueger, and indeed any United States study into the impact of minimum wages, are of limited relevance to Australia (see Joint Governments' Submission 1997, pp.147–148). As noted by Card and Krueger (1995), their results are 'relevant only for a moderate range of minimum wages, such as those that prevailed in the United States labour market' (p.393), and 'at sufficiently high levels of the minimum wage, the predicted employment losses of the standard model will be borne out' (p.355). Indeed, compared with the United States, much larger impacts can be expected in Australia given:

- the large number of employees on minimum award rates (about 29% of all employees in 1995 according to government estimates [see Joint Governments' Submission 1997, p.132])
- the much higher level of the minimum wage relative to average wages in Australia compared with the United States (Card & Krueger 1995, p.241)

On balance, therefore, there are no good reasons to believe that increases in the relative wages of the low-paid, and especially young people, in Australia would lead to increases in employment and, in all likelihood, employment losses will result.

Non-wage costs

The cost of employing an additional worker is not merely the wage required to be paid to that worker. There are many other costs associated with employment, including wage-related premia for overtime, shift work and week-end work, pro-rata payments for holiday and long-service leave, sick leave, payroll tax, superannuation contributions, workers' compensation premiums, severance pay, and the cost of training new workers. Consequently, like wages, any increase in the level of such costs should impact negatively on employment, while any increase in the incidence of these costs among youth relative to adults will harm the employment prospects of young people.

Again, however, this is an issue which has attracted very little attention from researchers. Indeed, apart from some analysis of the impact of penalty rates for evening and night work on employment (see Dawkins 1985), no relevant research could be identified which has attempted to quantify the links between such costs and employment.

There is, however, some evidence that these costs have been growing in importance.[23] Moreover, recent changes have almost certainly worked to increase the cost of employing youth labour relative to adult labour. Most obvious here is the compulsory Superannuation Guarantee introduced in 1992. Under this arrangement, employers are currently required to make contributions to a recognised superannuation fund in respect of all employees at a rate of at least six per cent of gross pay, rising to nine per cent by 2000.[24] Since prior to this scheme, the large majority of young people were not members of a superannuation scheme, it follows that the average cost of youth relative to adults must have risen. Unfortunately, there has been no serious evaluation of the impact of the operation of this scheme.

In addition, the enactment of the federal *Industrial Relations Reform Act 1993*, which introduced laws making it more difficult to terminate employment, may also have worked against youth employment. As noted in Wooden (1995, p.174), 'any measure which makes termination more difficult or more costly will make employers more reluctant to hire workers', and the group that is hardest hit are new labour force entrants. Such views are reinforced in the report of the South Australian Youth Employment Taskforce (1996, p.11). Commenting on the views expressed by employers, this report noted that many employers, and especially small business operators, pointed to the

complexity of unfair dismissal procedures as a disincentive to hiring young people given that some hiring decisions are likely to prove to be mistakes. As part of the *Workplace Relations Act 1996*, ease of access to unfair dismissal remedies was made more difficult, though there is some suspicion that this may simply have served to shift the focus of activity from the federal arena to State jurisdictions.

The growth in part-time and casual employment

As noted in the executive summary, one feature of the changing nature of the youth labour market that has been much commented upon is the increasing dominance of part-time and casual employment. Data reported in Wooden (1998, table 4), for example, reveal relatively large increases in the share of part-time employment (jobs involving less than 35 hours per week) among both teenage and young adult workers and, by association, large falls in their respective full-time employment shares. Such employment, however, is often criticised as reinforcing segmentation within the labour market. Specifically, it is often argued that the rise in part-time employment among young people simply reflects the absence of alternative full-time job opportunities and, more importantly, that exposure to part-time casual jobs when young may have adverse consequences for future employment prospects.

Explaining the growth in part-time/casual employment

The growth in both part-time and casual employment has attracted a lot of interest from researchers. Nevertheless, most research is not based on solid quantitative data. In part, this reflects the fact that modelling the demand and supply forces underlying growth in employment is extremely difficult. As a result, researchers have instead concentrated on the role played by structural change in explaining part-time and casual employment growth (Robertson 1989; Dawkins & Norris 1990, 1995; Lewis 1990; Sadler & Aungles 1990; Simpson et al. 1997). Here a clear conclusion emerges—structural change explains, at most, only a small proportion of the growth in part-time and casual employment. Further, within the youth labour market, structural change is totally unimportant (Norris & Simpson 1995).[25]

Explaining growth in part-time and casual employment thus requires knowledge of why, within firms, these types of employment represent a growing share of total employment. At this point, however, the empirically based research is not helpful. The small handful of studies that have been conducted (all focussing on casual employment) provide, at best, only a weak test of the factors that explain growth (Simpson et al. 1997; Mangan & Williams 1997; Wooden & Hawke 1998). Indeed, the only clear conclusion to emerge from this body of work when taken as a whole is that the rise in casual employment has been associated with declining union membership. Less clear, however, is whether growth in casual employment is a response to, or a cause of, the fall in union density.

A particularly interesting question is how important are supply-side influences? Cross-section analyses indicate that levels of casual employment are associated with demographic workforce characteristics, such as sex and age, and hence is suggestive of supply-side influences being important. Many researchers (e.g. Robertson 1989; Dawkins & Norris 1995; Simpson et al. 1997), however, believe that since the Australian labour market is characterised by excess supply, employment outcomes are likely to be largely demand determined. Certainly, trend data on under-employment rates (i.e. the number of part-time workers who would prefer to work more hours as a proportion of all employed) reported in Wooden (1993) are consistent with this interpretation. Wooden and Hawke (1998) analyse this issue in more depth. They attempt to distinguish supply-side influences from demand-side influences by using data collected from both employees and workplaces. It is concluded that both worker characteristics (supply-side influences) and workplace/firm characteristics (demand-side influences) are of importance, but that it is the latter which represent the most important source of change in levels of casual employment.

When thinking about young people, however, it is important to distinguish between the student and non-student populations. Educational attendance is, in most cases, inconsistent with 'standard' working arrangements, and hence students are likely to have strong preferences for part-time and casual employment. Moreover, while decisions about education are not independent of labour market conditions, it is very clear that students and non-students have very different attitudes towards part-time employment. Wooden (1998), for example, reports unpublished ABS data for August 1997 which indicate that among teenagers not in study but working in part-time jobs, 65 per cent of

males and 72 per cent of females desired jobs providing longer hours. This compares with 28.2 per cent and 23.7 per cent of the total male and female teenage part-time workforces. This distinction between students and non-students is confirmed in the interview-based research reported in Baker, Fan and Robertson (1995). They concluded that the experiences and aspirations of students differ substantially from those of non-students. More specifically, they observed that part-time and casual work is typically described in a positive light by students—a source of valuable income and work experience while studying, yet at the same time not overly impinging on study time. Non-students, on the other hand, were found to be much more likely to be working part time simply because full-time work could not be found.

Part-time/casual employment and long-run employment prospects

Irrespective of whether or not the growth in part-time working is a supply or demand response, it has been argued that the growth of part-time and casual jobs is an undesirable trend. On one hand, many argue that part-time casual jobs are 'dead-end jobs' which marginalise school leavers, effectively reducing their ability to move into permanent full-time positions where internal labour markets and career ladders are more prevalent (e.g. Carter 1990; Reeders 1988; Munro 1992; Sweet 1998). Such effects are enhanced by the psychological costs associated with employment in jobs where work is highly fragmented and routinised (Greenberger & Steinberg 1986). O'Brien (1986), for example, has argued that if early job experiences restrict opportunities for personal control, skill use and intimacy, then employees will have diminished capabilities for self-discretion, competence and interpersonal relationships—all of which, according to Gow (1995), are key elements to being a successful or 'effective' worker. Such conclusions are supported in empirical work by Winefield, Tiggemann and Goldfield (1988) and O'Brien and Feather (1990), both of which compare various measures of psychological functioning among young people in unemployment and a comparable group working in low quality jobs.

The question that remains is whether part-time and casual employment necessarily constitutes poor quality work. Research by Wyn and Holden (1994) suggests that this may be the case. Their research followed 132 young people in Victoria who left school in 1990 over a four-year period. It was found that less than half of the young people surveyed started on an 'employment pathway'

immediately after leaving school. Moreover, the employment pathway tended to lead to uninteresting positions with little job security, opportunities for advancement or career prospects. Wyn and Holden (1994) also concluded that young people tended to move between jobs, and between the main pathways (i.e. education, employment, and income support), in an unsystematic way which did not reflect any form of consistent progression.

On the other hand, there is a small body of research which reveals that employees typically report positive perceptions about part-time and casual work. The most often cited work here is the survey-based research of employees of McDonald's reported in Hill, Woolmer and Harris (1987) and Woolmer and Hill (1990). The survey data summarised in Hill, Woolmer and Harris (1987), for example, indicate that employees typically perceive a wide range of benefits from employment at McDonald's, including an improved ability to organise and manage own time, to relate to older people, to communicate, and to work as a member of a team. According to Hill, Woolmer and Harris, the fact that school students value these skills in such a positive light suggests that part-time and casual employment is able to provide skills that will be of value in pursuing, and later succeeding in, a permanent full-time position. Further research based on surveying former employees, and reported in Woolmer and Hill (1990), suggests that such views do not change once young people move on. Woolmer and Hill (1990), however, do note that the benefits from employment accrue not so much from the skills acquired in actual work performance, but from the 'process of socialising youth into the workforce' (p.34).

It is difficult, however, to know what to make of this type of research. The samples are very small and overwhelmingly dominated by students, the majority of whom come from households in above-average socio-economic strata. Furthermore, as Munro (1992, p.32) notes, McDonald's is hardly representative of the bulk of casual jobs in the teen labour market. Recent research employing a wider sample of casual employees, and reported in Curtain (1996), for example, while continuing to find relatively favourable job perceptions among casual job holders, notes that job perceptions vary markedly according to such factors as study status, age and career orientation.

Ultimately what is needed are studies that track large numbers of young people over long periods of time. Such data are sorely lacking in Australia. Moreover, the longitudinal surveys that do exist only track people over quite

short periods of time. Coventry, Cornish and Stricker (1984), for example, in a study of the part-time work experiences of Victorian school students, only covered a three-year period (1981 to 1983). Their results suggest that, as argued above, students in part-time employment tend to be from higher socio-economic backgrounds, and that participation in part-time employment has little influence on longer-term labour market and study outcomes.

McRae (1992) has also examined the experience of students in part-time work but using data from the more representative Australian Longitudinal Survey (ALS). McRae concluded that it is important to distinguish those students who remain in study from those who leave school and do not go on to post-school education. He found that within the latter group, part-time employment while at school is associated with a greater likelihood of full-time employment four years on. Consistent with the studies of McDonald's discussed above, McRae also found little evidence that the actual 'working skills' acquired in part-time work were of any direct value in future employment. Rather, the benefits from part-time employment while at school come from the favourable signals that such activities transmit to future prospective employers and from the development of important social habits and practices that are valued in the workplace.

Very differently, Flatau and Simpson (1996) have used longitudinal data from the Australian Youth Survey, the successor to the ALS, to examine employment dynamics among both student and non-student populations. They found that the majority of non-students in part-time work were not in full-time employment two years later and hence conclude that part-time employment represents a barrier to subsequent full-time employment within this group.

Finally, we can point to the United States research of Gardecki and Neumark (1998). This study is of interest because the data used track individuals well into adulthood—between 10 and 12 years after first leaving school. While this research does not focus explicitly on the types of jobs held, it does report strong evidence indicating that initial periods (in this case, the first five years in the labour market) of labour market instability (i.e. extensive job changing) are largely unrelated to labour market success as adults. This suggests that if casual/part-time employment while young is a problem for later employment, it is not the insecure, temporary nature of such jobs that are the source of those problems.

Overall, our best assessment of the state of the literature is that part-time employment while young may convey some benefits for some young people that assist in future career development. These benefits, however, are probably small and certainly do not accrue in the form of improved job-specific work skills. Further, most of this evidence relates to part-time employment held while studying rather than part-time employment secured after leaving school. As argued by both McClelland, McDonald and McDonald (1998) and Sweet (1998), part-time employment may well bring fewer benefits to early school leavers.

Findings and directions for further research

THE MOST IMPORTANT conclusion to be drawn from this review of research is that despite widespread consensus that there are insufficient employment opportunities for young people, we still do not know enough about the factors that impede employment. Indeed, this review appears to suggest that only four factors can be identified with any confidence as acting as significant barriers to greater levels of youth employment. These are:

- the inability to maintain rates of economic growth sufficient to reduce unemployment without inducing inflationary pressures
- changes in the composition of demand for labour favouring more highly skilled workers
- systems for delivery of VET which continue to emphasise traditional trades skills
- wage structures that prevent the market for youth labour from adjusting to demand shifts

And these conclusions are not necessarily uncontentious. Some economists, for example, continue to maintain that wages are not an obstacle to youth employment, even though the only evidence for this position tends to be drawn from the United States (e.g. Nevile 1996). Similarly, others believe that policy-makers have placed too much importance on inflationary pressures, and have argued the need for more stimulatory economic policy (e.g. Kenyon 1997; Mitchell & Watts 1997).

Research questions that deserve further attention are numerous. Some of the most significant are listed below.

- What factors have been responsible for the shift in the composition of labour demand toward an emphasis on skills and experience?

- Is it improvements in basic education or in the school-to-work transition that are most important in enhancing the employment prospects of young people?
- Have employer preferences for youth labour altered over time in a way that has been detrimental to youth employment?
- How significant a disincentive to job search is the indefinite nature of eligibility for unemployment benefits?
- Have the attitudes and expectations of young people changed over time in a way that has been detrimental to youth employment?
- To what extent do attitudes of the unemployed reflect responses to the unemployment experience as distinct from other exogenous factors (such as rising expectations)?
- Do non-wage costs represent a significant barrier to greater levels of youth employment?
- Does part-time and/or casual employment for young people hinder or assist future labour market achievement?

Further, there is a need for more disaggregated analyses. Most research into youth employment has tended to overlook the distinct possibility that experiences vary with industry and enterprise characteristics (such as size).

The research needed to answer most of these questions, however, will require considerable time. New data collections will be needed and in many cases these data need to provide a longitudinal perspective. As noted by Norris and Wooden (1996b, p.107), empirical work on labour market issues in Australia has often been retarded by lack of data, and it is the lack of longitudinal panel data that represents the most serious deficiency. That said, considerable scope remains for greater exploitation of existing data collections, including ACER's Youth in Transition Survey, the federal government's Australian Youth Survey and the Survey of Employment and Unemployment Patterns run by the ABS.

Endnotes

1 Hidden unemployment refers to persons who do not satisfy the official definition of unemployment but who, nevertheless, would be employed if the labour market was characterised by full employment conditions. One indicator of the level of hidden unemployment is provided by ABS estimates of the number of persons who would like a job even though they are not actively seeking work. According to this data source, there were almost 260 000 young people who met this description in September 1997 (see *Persons not in the labour force, Australia, September 1997*, ABS cat. no.6220.0). Incorporating these young people into the unemployment numbers would see the unemployment rate for 15 to 24 year olds in September 1997 rise from 16.1 per cent to 26.4 per cent.

2 Within the total working-age population, this ratio has fallen slightly, from 60 per cent in August 1970 to 57 per cent in August 1997.

3 Unpublished data provided by the ABS reveal that in August 1996, the main job of 46 per cent of employees under the age of 25 involved either part-time hours or casual employment arrangements. Many of these workers, of course, were still involved in full-time study.

4 To use economic jargon, firms will optimally employ adult and youth labour such that the ratio of their respective marginal contributions to the firm's output is equal to the ratio of the respective marginal costs of their employment.

5 For a good recent overview of trends in the wider Australian labour market, see OECD (1997, pp.67–76).

6 The data used come from *Labour force, Australia*, ABS cat. no.6203.0. The analysis ends in 1993 as a consequence of the ABS adopting a new industry classification system in 1994.

7 Stronger effects are found if the analysis is restricted to the teenage sub-population.

8 Australian data are reported in Sloan (1992, table 1, p.69).

9 Curtain (1998) calculated that, as at mid-1996, about 16 per cent of 15 to 19 year olds were 'at risk', in the sense that they were not in full-time education and were either without paid work or in part-time employment.

10 These data come from *Schools, Australia*, ABS cat. no.4221.0. For a more detailed overview of trends in school participation and retention, see Ainley (1998).

11 Derived from *Transition from education to work, Australia*, ABS cat. no.6227.0. For a more detailed overview of trends in participation in higher education, see Marginson (1998).

12 Derived from *Persons not in the labour force, Australia, September 1997*, ABS cat. no.6220.0.

13 These data come from *Labour force status and educational attainment, Australia*, ABS cat. no.6235.0. More recent data are not directly comparable as result of changes to the definition of what constitutes a post-school qualification.

14 For a more detailed overview of young people's participation in vocational education, see Ball and Robinson (1998).

15 The data cited are from *Transition from education to work, Australia, May 1997*, ABS cat. no.6227.0. The difference between a basic vocational qualification and a skilled vocational qualification is that the former typically requires one year or less of full-time study (or equivalent) and only provides skills necessary for employment at the operative level. Skilled vocational qualifications typically lead to work in a recognised vocation or trade, and usually require two to four years study.

16 Wooden (1997) has used both survey and interview data to analyse the broker role played by industry training advisory bodies in this process.

17 Students who enrol in TRAC spend one day a week in a vocational learning program involving a combination of practical workplace learning, classroom learning and participation in team-based projects.

18 Other factors cited in CAI (1992) were a lack of relevant training (69%), the cost of training (55%) and award wages that were too high (46%).

19 Presumably the potential for such behaviour will have declined in recent years due to the greater attention given to identifying 'dole cheats'.

20 A simple discussion of the economics of minimum wages is provided in Lewis (1997).

21 The BLMR findings, however, have been subject to numerous criticisms. See, for example, the discussion in the dissenting report attached to the report of the House of Representatives Standing Committee on Employment, Education and Training (1997, pp.116–117).

22 Card also analysed differences across US states in the effect of changes to minimum wage laws on teenage employment (Card 1992a, 1992b). The problems with these two studies are discussed by Welch (1995).

23 A somewhat dated study is that of Dixon and Williams (1986). More recent data are reported in *Labour costs, Australia*, ABS cat. no.6348.0.

24 One group that is exempted is workers under the age of 18 working 30 hours or less per week.

25 That said, it is worth noting that the importance attributed to shifts in the industry composition will depend on the degree to which industry data are disaggregated, and all of the research to date has been based on highly aggregated industry data.

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This review of research is one of a series of reports commissioned to draw conclusions from the research on key topics in vocational education and training.

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