Youth unemployment in the Illawarra region

Scott Burrows

University of Wollongong, sburrows@uow.edu.au

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The Illawarra region of New South Wales, centred on Wollongong, Shellharbour and Kiama is characterised by coal, steel and port facilities all of which have undergone extensive ‘restructuring’ in the last two decades. As a region, the Illawarra’s economic structure has traditionally focused on the manufacturing sector but in recent years has diversified with education, information technology and tourism forming an integral part of its composition.

As a region, the Illawarra has experienced high and long-term unemployment problems for over two decades, with some of the highest unemployment rates in Australia. The severity of the region’s unemployment problems are particularly pronounced amongst young people, who tend to suffer from a disproportionately high unemployment rate relative to the entire working age population.¹

One of the main concerns for the region, particularly since the onset of the current economic crisis, has been the dire projections for economic decline and unemployment. From September 2008 to December 2009, the Illawarra region’s unemployment rate moved from 6.1% to 8.8% while the youth unemployment rate was approximately 22% in December 2009 (DEEWR 2008; 2009). This is the result of significant job losses across the region (Burrows 2009; Illawarra Mercury 2009).

It is timely, therefore, to reconsider the problems facing young people who are unemployed. It is also important to highlight that rising unemployment and a

¹ The ABS defines young people as persons aged 15-24 years in terms of unemployment levels and youth needs. This classification follows the standard Australian Bureau of Statistics (ABS) definition of youth, as utilized in its official labour force statistics (ABS 2007).
lack of job generation has been the norm rather than the exception in regional areas such as the Illawarra.

This article analyses the supply and demand factors influencing employment for young people, drawing on Australian Bureau of Statistics (ABS) Census and Labour Force data, and discusses three structural, macro-economic problems present in the Illawarra economy that limit the employment prospects for young people. These are problems of job creation, structural and technological change and the level of youth wages. The article concludes that unless the problems of uneven economic development are addressed, utilising a combination of appropriate policy responses, the problems of youth unemployment will continue at ‘crisis’ levels regardless of the economic cycle, and will be exacerbated, rather than decline, in the medium to long-term.

Youth Unemployment: Demand and Supply Factors

In order to assess the character of youth unemployment problems, it is important to examine the existing research concerning the most important supply and demand factors at the national level.

Lack of Jobs

A primary cause of youth unemployment is the lack of suitable jobs, particularly full-time jobs. In Australia, there has been a significant decline in full-time jobs for 15-24 year olds over the past 10-15 years. The ABS notes that, '[A]s the needs and experiences within this broad age group can vary significantly, wherever appropriate, the data and experiences of teenagers (15-19 years) are separated from those of young adults (20-24 years)' (ABS 2007). A report by the Dusseldorp Skills Forum in 2003, estimated that, since 1995, there had been a 6.9% decrease in the number of full-time jobs available to teenagers and a 15.2% drop for young adults. Borland and Wilkins (1997) previously surmised that this trend reflects the tendency for
increased demand for more highly skilled workers amongst employers seeking full-time employees.

The decline in full-time opportunities has generally been matched by an increase in part-time and casual work opportunities but has limited the choices for young people who would like to work full-time. According to the ABS Labour Force data (2003), in 1978 less than 20% of teenage workers were engaged in part-time employment. Twenty years later, that figure had risen to more than 60%, while in June 2007 it surpassed the two-thirds mark. The increase over the same thirty year period for 20-24 year olds has been from less than 10% to just over 30%.

For some young people, this trend toward part-time and casual work has deeper implications for long-term job prospects. Those in part-time or casual work generally fail to learn additional skills or gain adequate experience, which in turn increases the risk of them not finding full-time employment in the future (Wooden 1996: 145; Muir et al. 2003: 4). According to some commentators, diminishing job opportunities for teenagers have a ‘discouraged worker effect’ that sees many teenagers who would like to leave school and get a full-time job having to stay on at school in face of a weak labour market (Lewis and McLean 1998: 160; Kelly and Lewis 1999; O’Brien 2007).

**Educational Attainment**

Education is consistently referred to as a key supply-side factor: inadequate education appears as a major underlying cause of youth unemployment, while more education appears as the panacea. The National Board for Education, Employment and Training identified that for those outside of education, unemployment is re-occurring and there is a greater likelihood of being trapped in involuntary part-time and/or casual employment, with little training, limited career prospects and low pay (Biddle and Burgess 1999: 87). The
Smith Family Report on *Youth Unemployment in Australia* (2003) found that education was a major factor influencing employability. Low levels of education were found to be an underlying indicator of youth unemployment, with early high school leavers in particular suffering much higher levels of unemployment, recurring unemployment, and high levels of part-time and casual employment (Muir *et al.* 2003: 4).

According to the findings of the Dusseldorp Skills Forum in 2003, 28% of those who had left school early were either unemployed, not studying, working part-time but not studying, or not in the labour force at all. By comparison, only 11% of school completers fell within these classifications (Muir *et al.* 2003: 5). The results of the Longitudinal Surveys of Australian Youth (LSAY) – managed by the Australian Council for Educational Research (ACER) and the former Department of Education, Science and Training (DEST) – also appear to support these arguments. Having had tertiary education has a significant positive influence on employment for young people: Penman (2004: 45-58) found that completing year 12 and entering tertiary education reduced time spent in marginal economic activities.

It is research findings like these that fuel attempts to alleviate the problem of youth unemployment by encouraging students to stay at school and pursue higher educational qualifications. However, the LSAY data also revealed some interesting results which raise questions about the appropriateness of ‘forcing’ young people to stay in schooling longer than they want to. While school completers are substantially more likely to find full-time work, Marks (2006: 30-33) found that non-completers who leave earlier (that is, prior to beginning year 11) experience lower levels of unemployment than those who leave later. Of the non-completers, 56% of surveyed late leavers had full-time work in the first year compared to 61% of early leavers, with those figures increasing to 67% and 72% respectively in the fourth year. The percentage of early leavers unemployed in both years was 3% points lower than for late leavers. These findings indicate that those who choose to leave schooling
after beginning year 11 but before completion of year 12 face greater transition problems than earlier leavers.

Possible explanations for this may be the ‘lost’ year/s of work experience and the higher wages commanded by later leavers than younger leavers. This is another reason for disaggregating the youth employment data and treating the 15-19 year olds and 19-24 year olds as separate groups.

While education evidently does play an important role in increasing the employment prospects for young people, it is also important to consider what forms of education are most appropriate. Decisions about work and education are not made independently of each other, and are likely to be affected by perceptions about the likelihood of finding work (Wooden 1996: 144; 1999). Penman found that, amongst the LSAY cohort that were in year 9 in 1995, 80% of early leavers and 76% of late leavers said securing a job or apprenticeship was an important consideration when deciding whether to leave school, with around half noting it was the most important. For those that may remain in school only because of a lack of job opportunities, Penman argued for the benefits of engagement in vocational education or some forms of on-the-job training that would better prepare young people for their desired job prospects, rather than pushing them into completing their secondary education.

**Socio-Economic Barriers**

The effect that socioeconomic status has on the labour market outcomes of young people is often cited as a major contributing factor to youth unemployment, limiting the opportunities open to young people. However, the LSAY survey, for example, found generally weak correlations between socioeconomic status and unemployment, when compared to other factors.
Marks (2006: 36) found Indigenous status and ethnicity to be the only socioeconomic factors that have at least a moderate effect on labour market outcomes. His analysis of the LSAY data found that the unemployment rate for young people from language backgrounds other than English was 15% in the first year after school, compared to 9% for those from an English speaking background. Young people within this socioeconomic group also had a higher incidence of part-time work.

Lower household income also has a significant effect on labour market outcomes. According to Long (2006: 3), young people in low income households are less likely to be fully engaged in work or study than those in higher income households. The 2004 Household, Income and Labour Dynamics in Australia (HILDA) survey revealed that 60% of young people in households that earn less than $350 per week are not fully engaged in such work or study activities, compared to just 9% of young people whose weekly household income exceeds $1565.

The Australian Council of Social Services (ACOSS) notes that there may be pressure on youth from low socioeconomic families to leave school early in order to earn an income to help alleviate household financial stress (ACOSS cited in Muir et al. 2003: 6). A report by the Brotherhood of St Laurence (Boese and Scutela 2006) also emphasized the impact that inadequate housing can have on the labour market outcomes of disadvantaged youth. Without a safe place to live, Australian youth are more at risk of experiencing worsening health, poor educational outcomes, reduced employment opportunities, discrimination and social exclusion, with some making the transition to chronic homelessness.

**Previous Unemployment**

Penman’s analysis of the HILDA survey data identified that, once young people experience unemployment, that becomes the factor most likely to lead
to further unemployment in the future (2004: 50). The LSAY data also reveals that post-school destinations are strongly associated with previous labour market experiences. Of young men unemployed in the first year after leaving school, 30% were still looking for work at the time of the interview in the second year. In the second and third years, that figure rose yearly to nearly 40%. For females, it was 26%, 19% and 12% respectively (Marks 2006: 377). As the data indicates, the unemployment rate for men increases while the unemployment rate for females decreases.

Marks noted that, even though the proportion of survey respondents that were looking for work each year amounted to less than 10% of the sample, these young people in particular faced severe difficulties. The amount of time spent unemployed was excessively long, and these long periods of unemployment were likely to have psychological repercussions that further hinder the prospects of future full-time employment.

Hillman’s (2005) analysis of the LSAY data found that young people who spend extended periods of time outside the labour force and full-time education are at risk of missing out on employment experience, the development of work skills, and familiarity with new technologies. Consequently, unemployed youth are placed in a position of disadvantage compared to others in the labour market, reducing their chances of finding employment in the future. The longer the time spent not engaged in work or study, the more outdated any skills or qualifications become, and the further the chances of entering the labour force or full-time education tend to decline (2005: 23). Boese and Scutela (2006: 18) add that extended unemployment can contribute to non-economic consequences such as psychological distress, family breakdown and longer term poverty, which again increase the risk of further unemployment.

Marks (2006: 22) emphasizes that obtaining a full-time job soon after leaving school is the best pathway to a successful and rapid transition to ongoing full-
time work. Minimising the severity of youth unemployment therefore requires a focus on helping the unemployed secure full-time work as soon as possible rather than further education and training unconnected to the workplace. This is a clear endorsement of a demand, rather than a supply, focus on strategies to reduce youth unemployment.

**Studies of Youth Unemployment in the Illawarra**

At the regional level, the literature concerning unemployment is extensive and the Illawarra is no exception. Most of the studies, however, are more than twenty years old (see Larcombe and Blakely 1983; Castle and Mangan 1984; Schultz 1985; Mehmet 1986) and have minimal reference to the plight of unemployed youth. However, two rather more recent studies have clearly articulated the problems associated with youth unemployment.

The first, completed nearly a decade ago by Stubbs *et al.* (2000), explored how young people were concentrated in jobs that were generally low paid, part-time or casual rather than full-time, with poor access to education and training. It argued that economic growth alone would not address the needs of severely disadvantaged youth and that specific strategies were needed, including:

- strategies to intensively assist young and long-term unemployed people to get into the labour market;

- strategies to gain an equitable share of the jobs created;

- strategies, emphasising quality not quantity, that can move young people from the periphery of the labour market into ‘core’ jobs; and

- compassionate and supportive policies for those who will continue to be left behind in the increasingly competitive work force.
The second study, completed by Pomfret et al. (2008), further examined the region’s youth labour market, explaining the challenges facing young job seekers and the policy and program responses undertaken. It argued for a much better alignment of services for young people that takes into account the region’s employment disparities. While recognising the importance of economic growth coupled with high productivity, the study argued that this must be supported by the continued growth of high-employment generating industries and public expenditure in services that have a high public value (e.g. education, housing and welfare support).

With the advent of the global financial and environmental crisis, further research has emphasised the need to build sustainable ‘green’ jobs in the Illawarra, utilising renewable energy sources and generating local employment (Donaldson et al. 2009; Green Jobs Illawarra Action Plan 2009). This research contends that, by addressing the ‘structural’ barriers in the local economy and utilising new technologies, the prospect of building a ‘greener’ economy and jobs has a real chance in the region, particularly for young people, if consciously targeted.

Macro-Economic Problems Affecting Young People

Turning toward the identification of appropriate policy responses, three ‘structural’ macro-economic issues present in the Illawarra are particularly important to note – job creation, structural and technological change and youth wages.

Job Creation

The Illawarra region has experienced major difficulties in creating enough full-time jobs for young people. In June 1996, 67% of the Wollongong Statistical District (WSD) resident workforce was employed full-time, declining to 61% in 2006 (IRIS Research 2008: 9). Young people’s share of the total available
employment has declined significantly. As Figure 1 shows, in the period 1996-2006 there was a 10% decrease in the percentage of available full-time work for young people and an increase in part-time work of 8%.

**Figure 1: Employment of Persons Aged 15-24 Years as a Percentage of Total Employment, Wollongong, 1996, 2001, 2006**

![Employment Chart]

*Source: 2006 Census of Population and Housing; Pomfret et al. (2008)*

When comparing Wollongong with other comparable regions, the differences are stark. As Table 1 displays, in the period of 1996-2006, there was a 10.3% job growth in the Wollongong Statistical District (WSD) whereas the Newcastle Statistical District (NSD), which has had a similar economic and industrial experience to Wollongong, experienced a job growth of 18.8%. There has simply not been enough job growth in the boom to create the opportunities for young people (Pomfret et al. 2008).
Table 1: Total Employment, 1996, 2001 and 2006: Wollongong, Newcastle, NSW and Australia

<table>
<thead>
<tr>
<th>Year</th>
<th>Wollongong</th>
<th>Newcastle</th>
<th>NSW</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>78,651</td>
<td>153,180</td>
<td>2,563,315</td>
<td>7,636,319</td>
</tr>
<tr>
<td>2001</td>
<td>81,107</td>
<td>163,555</td>
<td>2,734,553</td>
<td>8,232,803</td>
</tr>
<tr>
<td>2006</td>
<td>86,715</td>
<td>181,971</td>
<td>2,909,445</td>
<td>104,184</td>
</tr>
<tr>
<td>Change 96-01 (%)</td>
<td>3.1</td>
<td>6.8</td>
<td>6.7</td>
<td>7.8</td>
</tr>
<tr>
<td>Change 01-06 (%)</td>
<td>6.9</td>
<td>11.3</td>
<td>6.4</td>
<td>10.6</td>
</tr>
<tr>
<td>Change 96-06 (%)</td>
<td>10.3</td>
<td>18.8</td>
<td>13.5</td>
<td>19.2</td>
</tr>
</tbody>
</table>

Source: 2006 Census of Population and Housing; Pomfret et al. (2008)

Market processes and policy initiatives in the region have failed to create the supply of jobs the Illawarra needs. Despite the significant migration and commuting of workers to Sydney, a primary regional policy challenge is the creation of appropriate traineeships and new apprenticeships for young people. This would provide the appropriate employment based responses whether in trades, community and personal services, and sales.

**Structural and Technological Change**

A further challenge relates to the management of structural and technological changes. In the last two decades, there has been a gradual transformation of the region’s economic base, causing the employment profile of the area to change significantly.

During the 1980s, the labour processes in the region’s heavy manufacturing industries were heavily rationalised. From May 1981 and December 1983 the
workforce at Port Kembla steelworks was reduced from 20,305 to 13,270 (Mangan and Guest 1983:15). Some estimates indicate that for every job lost in the coal and steel industries, a further job was lost in the region (Mangan, Guest and Harrington 1983: 13, cited in Donaldson 1985: 3).

As technology changed, major alterations in the production process led to a changed workforce, one that required a higher proportion of skilled workers. This new segment of employment built upon and enhanced the existing workforce (Kelly 1989; Kelly and Underhill 1997).

Job losses, however, were also felt in the public sector, particularly in local government which also impacted on the availability of low skilled jobs in the region. These are the type of jobs that formerly absorbed many young people. Concurrently, whilst full-time employing primary production industries were rationalized, leading to a decline in demand for low skilled workers, the service and tertiary sectors have experienced strong employment growth over the last ten to fifteen years, with many young people employed in such industries. However, these are mostly part-time jobs, so there is a two-way squeeze on full-time jobs for young people. As Gittins (1998) notes:

The fundamental reason unemployment is somewhat higher among teenagers is the dramatic decline in employer's demand for young, unskilled, full-time labour. Over the past 15 years, the number of full-time jobs held by teenagers has declined by 60 percent. The main explanation for this is technological change. Many of the menial jobs once done by teenagers are now done by machines, and employers hire older and more highly educated young people to work with those machines. Another development, however, is that many menial jobs in retailing formerly done by full-time juniors have been split into several part-time jobs. Over the past 15 years, the number of part-time jobs held by teenagers has
increased by almost 150 percent. For teenagers, there are almost
twice as many part-time jobs as full-time.

In the case of the Illawarra, young people are heavily concentrated in those
sections of the labour market that suffer poor working conditions, lack of
security of employment, low wages and the absence of formal training.

**Youth Wages**

Young people in the Illawarra generally suffer from poor wages and pay. This
is primarily a result of the heavy concentrations of young people employed in
the services sector and the effect of periods of unemployment leading to
relatively lower hours and pay (Gray 2000).

The complex relationship between youth wages and unemployment also
requires consideration. In 1998, the Productivity Commission’s report on
youth wages and employment found that there was a significant negative
relationship between youth employment and youth wages. As Daly *et al.*
(1998: 67-8) argues,

> The best estimates suggest that a 1 per cent increase in youth
wages would lead to a decrease in youth employment of between 2
and 5 per cent in industries employing a relatively high proportion
of young persons.

Indeed, it is reasonable to anticipate a negative relationship of some sort for
any category of workers, wherever employers are capable of substituting
between these categories according to their relative wage levels. No general
negative correlation between total employment and wages is necessarily
implied. But the policy implications are highly contentious: keeping youth
wages low to avoid a fall in available employment opportunities cannot be an
acceptable labour market policy in terms of fairness and equity.
Wage levels in the Illawarra are generally below average. The estimated median weekly individual income for all occupations in the Wollongong Statistical District (WSD) was $702, lower than the NSW median of $748. The difference in incomes was consistent across most of the occupation groups. The difference is most likely due to the higher wages paid to workers in Sydney, which drive up the median incomes for the State as a whole.

The heavy concentrations of young people employed in the retail sector in the Illawarra also tend to keep individual earnings below NSW overall. For the majority of young people, low wages are the norm rather than the exception. Low skilled jobs such as ‘sales workers’ and ‘labourers’ earn the lowest earnings, with median earnings of $370 and $469 per week (IRIS Research 2008: 20). The ABS data on occupations of employed people in the WSD, as shown in Figure 2, shows young people are highly represented in the ‘technical and trade’ and ‘community and personal service sectors’, while over 20% of young people are employed in the ‘sales’ sectors.
Figure 2: Distribution of Employment in Wollongong, by Occupation, 2006

![Bar Chart]


The age profile of employment in different industries also helps to show how young people are faring in the region. Figure 3 displays the high representation of young people in the accommodation and food services sector. 15-19 year old people represent 26% of the workforce, while 20-24 year olds account for a further 21%. So, young workers are particularly susceptible to fluctuations in the demand for labour in an industry such as this. From a policy perspective, the diversification of employment opportunities, as well as the aggregate number, evidently warrants consideration in further research, most importantly to highlight past policy failures.
Conclusion

This article has discussed some of the problems associated with youth unemployment in the Illawarra. These include important demand and supply factors such as job creation, educational attainment, socio-economic barriers and previous unemployment. With the advent of the current economic crisis, the youth unemployment rate can be expected to rise along with the adult unemployment rate, as job losses across the region occur. Given the ongoing problems of job creation, structural and technological change, together with the contradictory issue of youth wages, young people will continue to experience a fragmented and deregulated labour market with little prospects of full-time work.

A combination of appropriate policy responses to address uneven economic development is essential, with some implementation already undertaken. Two recent and ongoing programs have achieved anecdotal success in addressing the ongoing problems within the youth labour market. One is a youth jobs
agency that acts as a job brokerage for young people who are still at school or have recently left. The other is a youth tracking program that measures the transitions when young people leave school and start looking for work. The youth jobs agency aims to increase the number of organisations in contact with local schools that can provide sustainable employment, while the youth tracking program collects data and liaises with key agencies to provide support and mentoring for young people. In the absence, however, of overarching economic and social policies, the ‘structural’ problems in the local economy seem likely to remain for the foreseeable future despite macroeconomic changes that could constitute a partial ‘economic recovery’.

Scott Burrows teaches and researches at the University of Wollongong. 
Email: sburrows@uow.edu.au

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