

RECENT CHANGES IN LABOUR MARKET OUTCOMES FOR YOUTH

Kooyela, Vij and Tuya, Carmel

Department of Labour

Vij.kooyela@dol.govt.nz

Carmel.Tuya@dol.govt.nz

Abstract

Youth unemployment has been a major concern in New Zealand since the 2008-09 recession. Youth unemployment increased rapidly from 12.6% in December 2008 to 19.0% in December 2009. However, since December 2009, this trend has started declining. The youth unemployment rate stood at 17.8% in March 2011. Youth employment, on the other hand, declined sharply between December 2008 and December 2009 but has levelled off at 48.3% since then.

In particular, of great concern to Government officials and policy makers is the number of young people who are not in employment, education or training (NEET). A total of 63,000 youth were NEET as at March 2011, an increase of 8,300 from March 2009. The proportion of young people who are NEET also increased during this period from 8.9% to 9.9%. A breakdown by age group shows that the NEET rates for 20-24 and 18-19 year olds were still very high in March 2011 while the 16-17 NEET rate returned to its pre-recession level (8.2% in March 2011). It appears that more 16-17 year olds are choosing to stay at school as labour conditions remain tough.

The overall aim of this paper is twofold: first to develop an information platform which will inform readers about how labour market outcomes for youth are tracking especially after the 2008-09 recession. Secondly, the paper aims to highlight some key considerations for policy makers to pick up from here.

Keyword(s): labour, employment, unemployment, youth, NEET.

Introduction

The high rate of youth¹ unemployment has made headlines in the media in New Zealand, particularly since the recession. There was a significant increase in the youth unemployment rate from 12.6% in December 2008 to 19.0% in December 2009. However, since December 2009, this rate has declined to 17.8% in March 2011. This improvement in labour market outcomes for youth has not received much media attention. The purpose of this paper is to develop an information platform on key labour market statistics for youth in New Zealand, particularly since the recession. The paper makes some key recommendations on areas that government officials and policy makers could focus on to improve outcomes for youth.

Labour Market Trends for Youth

Young people have experienced disproportionate job losses due to the recession (Department of Labour, 2010). This is because young people tend to be over-represented in industries and occupations that are vulnerable to job losses. During the downturn,² over fifty percent of youth were employed in industries² that have been disproportionately affected by job losses over the course of the economic downturn. Because young people tend to be less experienced and lower skilled compared to adult workers (those aged 25 and above) particularly in affected industries, their chances of being laid off are higher.

Youth labour market outcomes have begun to improve since December 2009 (the end of the downturn period), in line with the recovery in the overall labour market. The youth unemployment rate fell since the downturn and more evidence has shown that more young people are opting to stay in study.

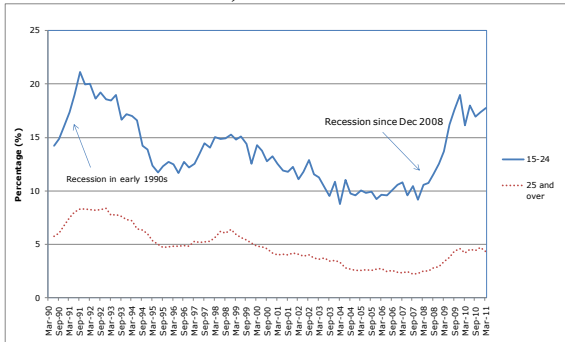
Youth and adult unemployment rates

Youth unemployment has always been higher than that of adult workers. The higher unemployment rate for youth is to be expected as this trend is evident in other OECD countries. This is true regardless of whether the economy is performing well or poorly. Figure 1 shows the adult and youth unemployment rate in New Zealand over time. While the impact of the recent recession on youth unemployment appears to be as severe as the recession in the early 1990s, the gap between the adult and youth unemployment rate has increased over time. In March 2001, the ratio of adult to youth unemployment rate was 3.1. This increased to 3.5 and 4.1 in March 2006 and March 2011 respectively.

¹ Youth is defined as young people aged 15-24 in this paper.

² Hospitality, retail trade, cultural and recreational services, communication services and construction industries

Figure 1: Adult and youth unemployment rate in New Zealand, June 1990 – March 2011



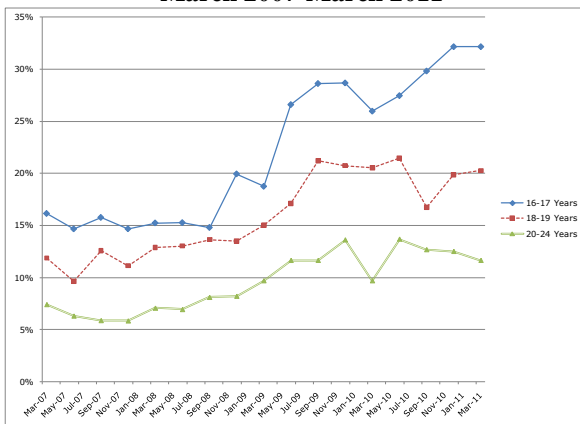
Source: Seasonally Adjusted Series, Household Labour Force Survey

The unemployment rate for youth began to decline from December 2009 onwards and across all youth age groups, indicating an improvement in labour market conditions for youth. Seasonally adjusted data shows that the youth unemployment rate fell from 19.0% in the December 2009 quarter, to 17.9% in the March 2011 quarter. This is an indication of a positive turnaround for youth during the recovery period.

Disaggregating the unemployment rate for youth by age group reveals some interesting patterns. Younger youths are more likely to be unemployed than older youths. The unemployment rate for the 16-17 year olds experienced the sharpest increase since the downturn compared to the 18-19 and 20-24 year olds as shown in Figure 2. Since the December 2009 quarter, the unemployment rate for 16-17 year olds continue to increase. Higher unemployment rates for 16-17 year olds has been associated with more youths in this age group choosing to remain in or return to study. This is evidenced by a drop in the labour force participation rate for this age group (see Figure 3).

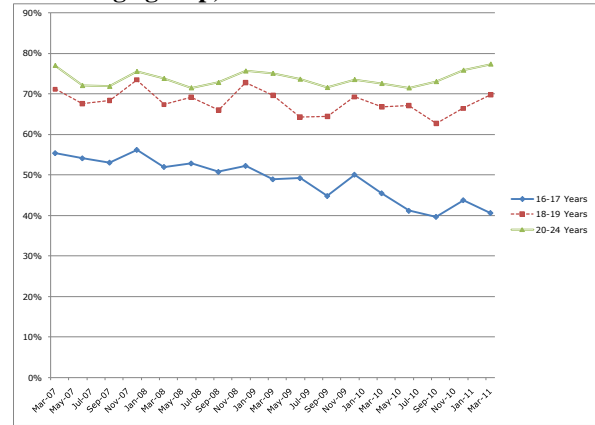
On the other hand, there has been a minor drop in the unemployment rate for 18-19 year olds and 20-24 year olds and their labour force participation rates has increased mildly.

Figure 2: Youth unemployment rate by age group, March 2007-March 2011



Source: Household Labour Force Survey
Note: Seasonally adjusted by the Department of Labour

Figure 3: Youth labour force participation rate by age group, March 2007-March 2011



Source: Household Labour Force Survey,
Note: Data is not seasonally adjusted.

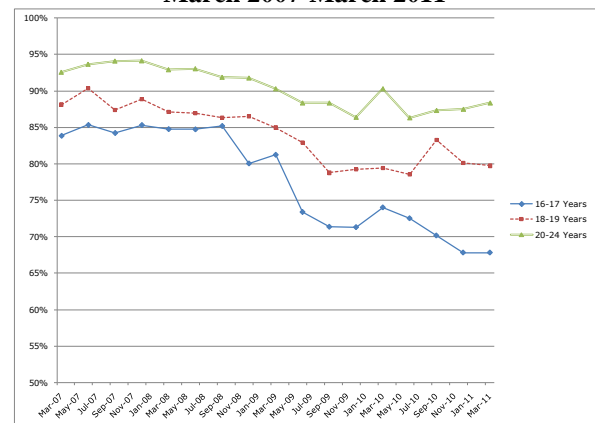
Youth employment rate by age group

The number of youth in employment grew slightly by about 400 people between the December 2009 quarter and the March 2011 quarter.

Figure 4 shows that that those aged 16-17 experienced the sharpest decline in employment. This was due to a rise in the number and proportion of 16-17 year olds participating in full-time education. The 16-17 employment rate dropped from 71.3% in the December 2009 quarter down to 67.8% in the March 2011 quarter.

On the other hand, youth aged 18-19 and 20-24 experienced a small increase in the employment since the downturn. The employment rate for 18-19 year olds grew slightly from 79.3% in the December 2009 quarter to 79.7% in the March 2011 quarter. Youth aged 20-24 years also experienced a mild growth from 86.4% in the December 2009 quarter to 88.4% in the March 2011 quarter.

Figure 4: Youth employment rate by age group, March 2007-March 2011

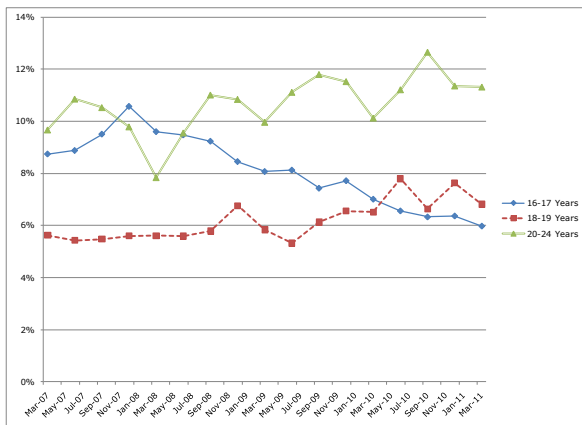


Source: Household Labour Force Survey
Note: Seasonally adjusted by the Department of Labour.

Youth in part-time employment

The proportion of youth in part-time employment has declined from 26.2% in the March 2009 quarter to 25.5% in the March 2011 quarter. When this is disaggregated further, it becomes clearer that the share of 16-17 year olds in part-time employment has reduced over time while the share of 20-24 year olds in part-time employment has increased during this period (see Figure 5). This suggests that 16-17 may be choosing to remain at school or in full-time study while 20-24 year olds may be choosing to be both in study and part-time employment. Figure 5 shows a slight increase in the share of 18-19 year olds in part-time employment since the economic downturn.

Figure 5: Share of youth in part-time employment, March 2007-March 2011



Source: Household Labour Force Survey
Note: Data is not seasonally adjusted.

NEET rates for youth

Quarterly data on youth who are not in employment, education or training (NEET) is available from Statistics New Zealand's Household Labour Force Survey (HLFS) from March 2004 onwards. Youth who are categorised as NEET are disengaged from both (formal and informal) study and work. Youth who are NEET are seen to be most at risk of poor labour market outcomes.

Overall, there has been a decrease in youth NEET rates since the December 2009 quarter. Youth NEET rates dropped from 12.2% in the December 2009 quarter down to 9.9% in the March 2011 quarter. This is an indication that more young people are choosing to stay in school or remain engaged in study.

Figure 6 shows the percentage of youth who are NEET over time by age group³. The recession led to a rise in

³ The percentages are calculated by dividing the number of young people who are NEET by the number of young people in that age group who are not employed (unemployed and not in the labour force). Both the numerator and denominator used to calculate percentages for Figure 6 were seasonally adjusted (as opposed to percentages calculated based on annual average NEET numbers). Seasonal adjustment removes variations associated with seasonal effects.

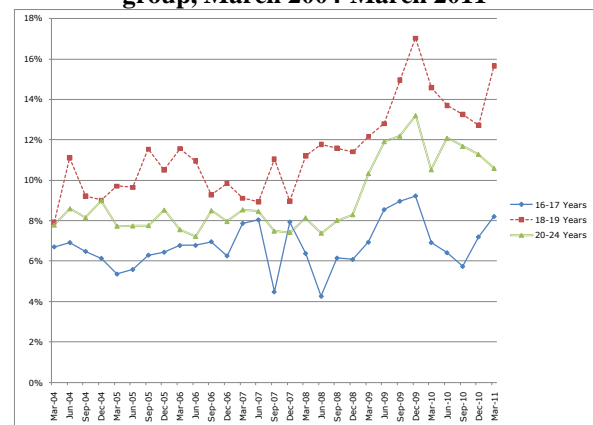
the percentage of youth who are NEET for all the youth age groups but this trend has started declining since December 2009 with improving labour market conditions.

Youth in the 16-17 age group tend to have the lowest NEET rates compared to older youths as the majority are still in school. Figure 6 shows that the NEET rate for this age group increased in the March 2011 quarter compared to the past year which is probably driven by a number of those who left school and were unable to find work. However, since the end of the downturn in the December 2009 quarter, the NEET rate for this age group fell from 9.2% to 8.2% in the March 2011 quarter.

Youth in the 18-19 age group tend to have the highest NEET rate as this is a transition age where youth are either waiting to start their tertiary education or to start working for the first time. This could have driven the increase in the NEET rate for this age group compared to a year ago. However, since the December 2009 quarter, the NEET rate for this age group fell from 17.0% to 15.7% in the March 2011 quarter.

Unlike the younger youth age groups, there has been a decrease in the NEET rates of 20-24 year olds in the March 2011 quarter since December 2009. Since the December 2009 quarter, the NEET rate for this age group fell from 13.2% to 10.6% in the March 2011 quarter. Youth within this age group have the lowest unemployment rate which could explain the continued decline in the NEET rates for this group.

Figure 6: Youth who are NEET over time by age group, March 2004-March 2011



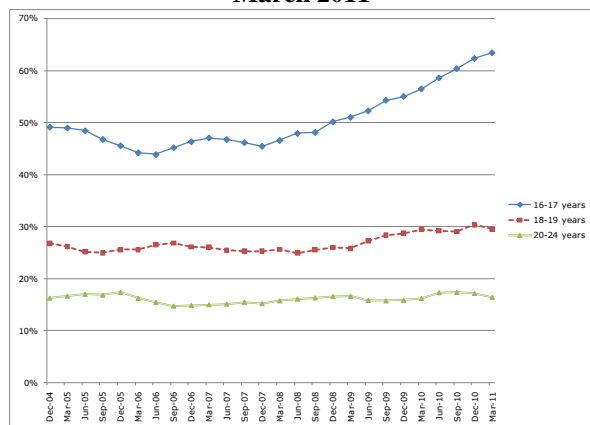
Source: Household Labour Force Survey
Note: Seasonally adjusted by the Department of Labour

Youth not in employment and engaged in study⁴

Overall there has been an increase in the proportion of youths who are not employed but are engaged in study. Youth engagement in study rose from 34.2% in the December 2009 quarter to 36.4% in the March 2011 quarter.

⁴ Total unemployed youths engaged in study is calculated by adding together those engaged in formal study, informal study and student still in school.

Figure 7: Youth who are not in employment but engaged in study by age group, December 2004–March 2011



Source: Household Labour Force Survey, Annual Average

Figure 7 shows a sharp increase in the proportion of 16-17 year olds who are engaged in study since the downturn. The proportion rose by about 8 percentage points, from 55.1% in the December 2009 quarter to 63.4% in the March 2011 quarter. This shows that more youth in this age group are choosing to remain in school than go into employment due to the fact that it is harder for them to find jobs.

Growth for 18-19 and 20-24 years olds was more stable, rising only by less than one percentage point since the December 2009 quarter.

Discussion

This paper's aim was to build an information platform in order to make readers aware of the latest changes in labour market outcomes for youth. While youth labour market outcomes worsened as a result of the economic downturn, there have been some recent improvements since December 2009.

In particular, more 16-17 year olds are choosing to remain in full-time study or to remain at school as economic conditions are still tough. Those aged 20-24 are increasingly choosing to be in part-time employment and study. This is good news from a policy perspective, although this is not much heard of in the media.

Despite these recent improvements, there remain key challenges for youth in the labour market. The NEET rate for 18-19 remains one of the highest. Close to 16% of 18-19 year olds are not in employment, education or training. While there has been a mild increase in the percentage of 18-19 year olds taking up part-time employment and study since December 2009, the increase in the NEET rate for this age group will need close monitoring.

In the short term, economic conditions remain weak in New Zealand due to the negative effects of the earthquake in the Canterbury region. Economic growth will remain weak in 2011 but is expected to pick up markedly later in 2012 and 2013. As a result,

employment is expected to increase and unemployment is expected to decline by the first quarter of 2012. Sectors such as agriculture and forestry, construction (as a result of the Canterbury rebuilding work), manufacturing and the services sector may provide opportunities for employment for young people in the immediate future.

References

Department of Labour (2010). The impact of the recession on young people.
<http://www.dol.govt.nz/publications/lmr/hlfs-investigation-reports/recession-impact/index.asp>

