

Australian youth suffer sharp falls in jobs and incomes

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Two recent reports highlight a major deterioration in the wage levels and employment prospects of young people in Australia since the late 1970s. The evidence suggests that most of the shift took place under the Hawke and Keating Labor governments of 1983-96, when a prices and incomes accord with the trade unions helped redistribute income from the working class to the wealthy.

The first report, from the Bureau of Statistics, reveals a dramatic loss of full-time employment for young people over the past 10 years. In 1989 there were close to 450,000 15-19 year olds working full-time, but this had fallen to 200,000 by 1999. Over the same period, part-time employment jumped from about 250,000 to 400,000.

For young adults aged 20-24, the figures were almost as stark. In 1989, close to 870,000 were in full-time employment; by March 1999 the number was down to 714,900. Part-time employment rose from 180,000 to well over 200,000.

What these figures do not convey is the impact of the lower wages, greater insecurity, worse conditions, fewer basic rights and diminished career prospects that go with part-time work, typically in fast food outlets and retail stores. Other studies have pointed to sharp increases in homelessness, suicide and drug abuse among youth.

The report also shows that young people are now far more likely to stay at school or seek further educational qualifications. Between 1989 and 1998, the proportion of 15-19 year-olds attending school or tertiary institutions increased from 66.8 percent to 73.6 percent. Even more striking, in the 20-24 age bracket the proportion rose from 21.3 percent to 29.8 percent. That is, nearly one-third of all young people are still studying well into their 20s.

Despite this quest for higher qualifications, the other report just released shows a staggering decline in the income levels of young people. Compiled by the Centre for Economic Policy Research at the Australian National University, the study is entitled, "Competing with Dad: Changes in the intergenerational distribution of male labour market income".

Between 1976 and 1997, the average income of males aged 15-19 derived from full-time work fell by 60 percent or \$96 per week in real terms. For young men aged 20-24 the drop was 32 percent or \$149 per week. The decline flowed through to 35-44 year-olds, who lost an average of \$93 per week.

Income from full-time employment decreased or stagnated in every age group, but the largest percentage falls were among the youngest and oldest. (Those aged 60-64 lost \$129 a week.)

Some of the decline was attributed to sharp falls in the numbers working full-time. The paper's author, Professor Bob Gregory, calculates that the employment ratio fell 56 percent in the 15-19 year-old bracket, 28 percent for those aged 20-24 and 14 percent for those 25-34 years.

Gregory points out that these income cuts add up to a substantial loss by the time a young person enters middle age. He explains this as follows: "The importance of these large income falls from full-time employment can be further illustrated by the following calculations. Suppose the 1976-1997 cross section data are treated as though they were taken from a hypothetical steady state. That is, the average income observed in each age category in 1976 is assumed to describe the future stream of income from full-time work of a young male aged 16 years. This assumption is then used to calculate the amount of market income from full-time work that will pass through the hands of

a young male between his 16th and 20th birthday.

“From the 1976 cross-section the aggregate income flow over these five years would be \$42,000. From the 1997 cross section data, the aggregate income flow would fall to \$17,000. This is a fall of 60 per cent or \$25,000. The same calculation can be done for the other age groups. The income falls for young males are very large. By 25 years of age, for example, the accumulated income loss is \$64,000 and by 34 years the loss is \$112,000.”

Gregory then comments on some of the social implications. “It is quite clear that the ability of young males to accumulate income from full-time work to finance household formation, for example, or to support children has fallen to a very large degree. Their ability to separate themselves financially from parents has weakened. The insecurity generated by real wage and employment losses might be expected to be considerable. The reality approximated by these data explains the oft heard remark that, on average, young men today cannot expect to be as well off as their fathers, at least in terms of their ability to earn their way from full-time work.”

Gregory then poses the question: “To what extent are these income losses offset by the increase in part-time employment.” The answer is that the average losses remain almost as high: \$79 a week for 15-19 year-olds; \$121 a week for 20-24 years; and \$75 a week for 25-34 years.

The statistics are for males, but the report notes that women under 25 years also suffered falling labour market incomes.

The report is based on average data. As Gregory suggests, a more sophisticated analysis would take into account the changing distribution of income within each age group. There is good reason to suggest that the greatest income falls have been among youth living in low-income families.

Earlier in the report, Gregory notes two wider trends: (1) a sharp decrease in real wage levels since the 1980s and (2) growing income inequality.

On the first point, during the 1950s, 1960s and 1970s male real wage levels grew at an average of 28 percent per decade. During the 1980s this fell to 6 percent.

On the second point, in 1976 the average male in the top 10 percent of income earners was receiving 2.26 times the average of the bottom 10 percent. By 1995,

this ratio had increased to 2.76. During the 13 years of Labor government, the pay gap widened by about 13 percent.

Among other things, the report concludes that: “These trends suggest that the scope for inequality to be perpetuated across generations may be increased.”



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