

Incomes of young adults

Summary

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- The majority of young adults are single and almost 75 per cent of this age group are working, mostly full time. Fourteen per cent are studying full time.
- Overall, the average incomes of males exceed those of females at all ages between 20 and 24 years with this difference increasing with age.
- The average total income of 21 to 24 year olds in 1995/96 is \$382 per week, a real increase of \$6 per week since 1990. For part time workers and part time students, average total income fell in real terms over the period while those not studying or working and full time students received the largest real increases.
- Sixty one per cent of young adults have no post secondary qualifications. Just 10% have a university qualification and 15% have a skilled vocational qualification. The proportion of people with different educational qualifications has changed little between 1990 and 1995/96.
- Eighty two per cent of working 21 to 24 year olds work full time, a slight decrease since 1990. The level of real wage and salary income for working 21 to 24 year olds has increased by less than \$4 per week over the period to \$465 per week in 1995/96.
- Those 21 to 24 year old wage and salary earners with the highest incomes tend to be single men with full time jobs and a post secondary qualification and still living with a relative or in a group house. Those most likely to be low income earners are single young women with no post secondary qualifications working in the retail industry or studying. Many low — middle income families and individuals face little financial incentive to increase their earned income.

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Introduction

In 1995/96 there were 1.3 million Australian young adults — defined for this study as those aged between 20 and 24 years. Despite being a declining proportion of the Australian population (Landt et al, 1997), young adults are an important and diverse group and often face situations quite different to those faced by the rest of the adult population. Many people in this age group are leaving full time education and entering the workforce for the first time, some will have been working for a number of years and others may be unemployed, either short term or for an extended period. It follows from this that the incomes of people within this age group vary widely, as do their educational attainments and the jobs they work in.

This report extends the work by Landt et al (1998) which analysed the incomes of 15 to 19 year old Australians in 1994/95 and examines the situation of young adults in Australia in 1995/96 in terms of their family status, incomes, educational qualifications and occupations. The study first examines the level and composition of incomes of 20 to 24 year old males and females in different employment/study status situations and with different levels of educational attainment. It then focuses on wage and salary earners. Finally, the incomes of single young adults are compared to the incomes of other single people in Australia.

To analyse the situation of young adults, the most recent income survey microdata released by the Australian Bureau of Statistics (ABS) are used, namely the combined 1994/95 and 1995/96 Survey of Income and Housing Costs (SIHC)⁽¹⁾. Where possible, the outcomes for young adults in 1995/96 are compared to those of young adults in 1990. The data used for the earlier period are from the 1990 Survey of Income and Housing Costs and Amenities from the ABS. Unfortunately, comparisons between 1995/96 and 1990 are only possible for 21 to 24 year olds, due to the fact that it is not possible to isolate 20 year olds in the 1990 survey data. In addition, in order to compare the outcomes for young people between the two periods, a number of consistency adjustments had to be made in the data⁽²⁾. While some of these adjustments were relatively straightforward, other differences in the data, such as changes in the classification of some occupations, are not possible to account for. These anomalies are noted where they occur.

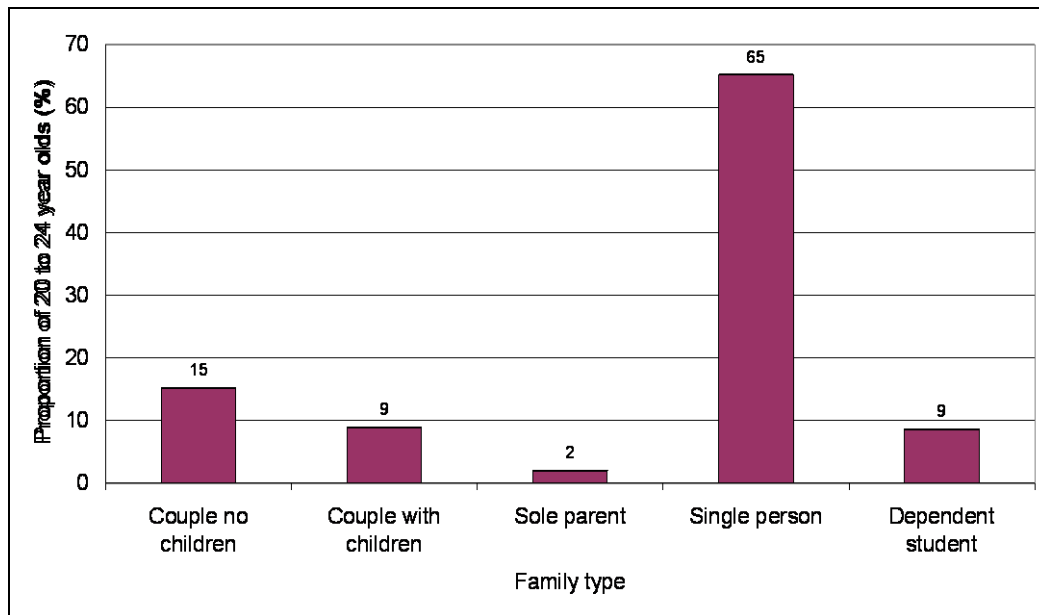
A conventional way to describe the population is in terms of income units. As defined by the ABS, an income unit can be either a couple with dependent children, a couple without

¹ The combined SIHC is a merged file containing the data from the 1994/95 and 1995/96 SIHC, updated to reflect the Australian population in 1995/96. The 1994/95 income data has been updated by the ABS to 1995/96 values and new weights have been calculated. This generates a data file that has roughly twice the number of observations as the 1995/96 SIHC alone. This is useful when disaggregating the data for a relatively small subset of the population, to avoid small sample sizes and therefore, unreliable estimates of results.

² For example, negative business and net rental income was set to zero in 1990 and left as negative in the combined SIHC. To leave these values as negatives in the later period would provide an artificially low impression of total income. Thus, any negative rental or business income has been set to zero in the combined SIHC.

dependent children, a single person or a sole parent³). All children under 15 years of age and those aged 15 to 24 years who are full time students living with a parent or other relative are considered to be dependent children. In this light, the majority of young adults in 1995/96 are single people. As Figure 1 shows, 65 per cent of the young adult population are single. A further 15 per cent of the population are a member of a couple without children while smaller proportions are dependent students (nine per cent) or a member of a couple with children (nine per cent). Two per cent of the population are sole parents.

Figure 1: Family status of young adults, 1995/96



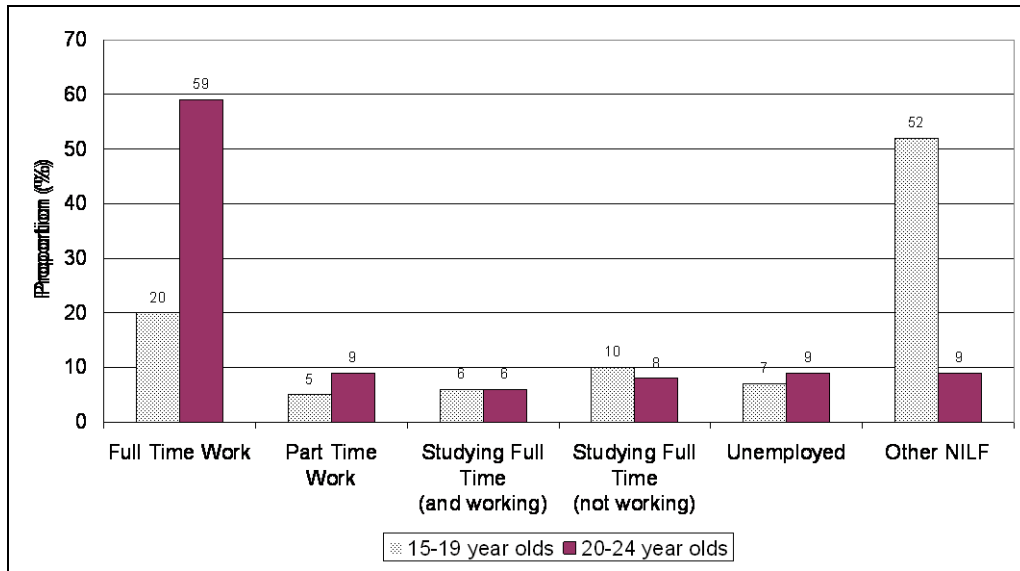
Source: ABS, 1994/95 and 1995/96 Survey of Income and Housing Costs.

In terms of their workforce status, almost 60 per cent of young adults are working full time in 1995/96 (see Figure 2). Nine per cent work part time, nine per cent are unemployed and 14 per cent are studying. As expected, the proportion of 20 to 24 year olds who are working is much higher than that for 15 to 19 year olds found by Landt et al (1998) because many of those in the younger age group are still at school. Figure 2 compares the proportions of 15 to 19 year olds and 20 to 24 year olds in various employment/study status categories. Similar proportions of 15 to 19 and 20 to 24 year olds are studying (both working and not working) and unemployed. The proportion of 15 to 19 year olds in the other not in the labour force (NILF) category (ie those who are not in the labour force and not studying) is 52 per cent, much higher than the nine per cent of

³ The ABS defines an income unit to be "One person or a group of related persons within a household, whose command over income is assumed to be shared. Income sharing is assumed to take place within married (registered or de facto) couples, and between parents and dependent children" (ABS, 1998b).

20 to 24 year olds in this category. This is because the other NILF category includes those still at school (a substantial proportion of 15 year olds in particular) as well as those not working or studying.

Figure 2: Employment/study status of young adults, 1995/96



Source: Landt et al, 1998 and ABS, 1994/95 and 1995/96 Survey of Income and Housing Costs.

Incomes

The incomes⁽⁴⁾ of young people are likely to fluctuate over the course of a year because of movements in and out of the labour force. The labour force status of 20 to 24 year olds is, however, more stable than that of their younger 15 to 19 year old counterparts. Seventeen per cent of 20 to 24 year olds changed their labour force status at least once in a six month period. By contrast, Landt et al (1998) found that the figure for 15 to 19 year olds was 30 per cent. In order to reflect the situation of the survey respondents at the time the survey was taken, current weekly income and current labour force status are used⁽⁵⁾.

Considering only those with income, Table 1 shows that male average incomes for 20 to 24 year olds in 1995/96 are consistently higher than those for females. The difference between the two ranges from 12 per cent for 20 year olds, increasing to 18 per cent for 24 year olds. While these differences are significant, as Landt et al (1998) shows, the differences between male and female incomes for 19 year olds is even higher with the

⁴ The populations referred to when calculating average incomes includes all respondents, including those with zero incomes, unless otherwise stated.

⁵ The problems associated with using average annual incomes are discussed in Landt et al (1998).

Table 1: Average weekly total income by gender and age for those with income, 1995/96^a

	Age									
	15	16	17	18	19	20	21	22	23	24
Male	55	81	119	175	226	293	381	407	466	481
Female	65	85	108	152	205	261	328	352	404	407
Percentage difference (%)	-15	-5	10	15	30	12	16	16	15	18

a Figures for 15 to 19 year olds are taken from Landt et al (1998) and are in 1994/95 dollars.

Source: Landt et al, 1998 and ABS, 1994/95 and 1995/96 Survey of Income and Housing Costs.

Table 2: Average weekly total income by age and employment/study status, 1990 and 1995/96.

Age	Full Time Work	Part Time Work	Full Time Study ^a	Part Time Study ^a	Unemployed	Other NILF	Total
20 year olds	407	247	134	310	115	148*	251
21 year olds	465	283	163	380	133	148	331
22 year olds	489	270	214	410	131*	102	357
23 year olds	522	286*	191*	456	152	105*	417
24 year olds	519	282	197*	510	129*	105	417
Total 20-24 1995/96	492	273	166	413	132	118	358
Total 21-24 1995/96	503	280	186	440	137	113	382
Total 21-24 1990 ^b	493	301	161	461	133	90	376
Percentage Change	2	-7	16	-5	3	25	2

a This category includes those people working whilst studying

b All figures for 1990 are expressed in 1995/96 dollars using the Consumer Price Index (all groups, weighted average of eight capital cities). The 1990 December quarter figure and an average of September 1995 to June 1996 quarterly figures were used.

* This entry should be treated with caution due to small cell sizes

Source: ABS, 1989/90 Survey of Income and Housing Costs and Amenities and ABS, Combined 1994/95 and 1995/96 Survey of Income and Housing Costs

incomes for 19 year old males exceeding those of 19 year old females by an average of 30 per cent. Landt et al (1998) also found male 17 and 18 year olds have higher average incomes than females while 15 and 16 year old females with income have higher average incomes than their male counterparts.

While Table 1 demonstrates that the outcomes for males and females can differ quite significantly, the limitations of the data restrict most of the analysis of the situation of 20 to 24 year olds to non gender—specific analysis. This is due to the fact that

disaggregating the data by several categories often leaves us with small sample sizes which are unreliable.

As would be expected, the incomes of young adults vary markedly according to their labour force status. Table 2 shows the average current weekly incomes of **all** 20 to 24 year olds in 1995/96, including those with zero incomes, according to their employment/study status. In general, for any given employment/study status category, the average incomes for 20 year olds are significantly lower than the average incomes for older people in the same category. Those in the other not in the labour force category are the only exception with 20 year olds having an average income of \$148 per week which is the same as, or higher than, the average incomes of older people who are in the same category.

While 20 year olds generally have the lowest incomes, it does not necessarily follow that average income increases with age for 21 to 24 year olds. For example, average income for full time workers peaks at \$522 per week for 23 year olds while for people studying full time, 22 year olds have the highest average income of \$214 per week. Average income for part time students is the only average income to steadily increase with age with 24 year olds having an average of \$510 per week (see Table 2). Of course, if we were able to further break down the data by sex the outcomes in terms of average incomes may be quite different when the sex composition effects are accounted for. This is noted but unfortunately, not possible due to the small sample sizes which result.

For all 20 to 24 year olds in 1995/96, full time workers and those studying part time have the highest average total incomes of \$492 and \$413 per week respectively. The relatively high average income for those studying part time is explained by the fact that more than three quarters of these people are also working full time. Young adults working part time and not studying have an average income of \$273 per week —approximately half that of full time workers.

Those in the other not in the labour force category (ie those who are not studying or working) have the lowest average total income of around \$118 per week, while unemployed young adults in 1995/96 have the second lowest average total income of \$132 per week. Full time students aged 20 to 24 years also have a relatively low average income of \$166 per week. This can be explained by looking at the composition of the group, with 61 per cent not working at all, 36 per cent working part time and three per cent working full time.

From Table 2 we can also compare the average incomes of 21 to 24 year olds in 1995/96 and in 1990. Overall, after adjusting for inflation, the average weekly income of 21 to 24 year olds rose by around \$6 per week, or two per cent, between 1990 and 1995/96. While this is a relatively small real increase in total income, it is in fact larger than the average increase in total income for prime age adults (aged between 25 and 54 years) who received an increase of around \$3.50 per week (less than one per cent) in real terms.

While the overall result for 21 to 24 year olds is a \$6 per week increase in total income, there are some groups whose average incomes increased in real terms by more than this and some whose average incomes actually fell over the period. For example, the largest increase in average total income in percentage terms was for individuals in the other not in the labour force category whose income increased by 25 per cent or \$22 per week

between 1990 and 1995/96. Full time students also enjoyed a significant real increase of about \$26 per week (16 per cent) in their average total income and individuals working full time and the unemployed received smaller real increases. The average incomes of part time workers and individuals undertaking part time study, on the other hand, fell in real terms by \$21 per week each between 1990 and 1995/96.

What factors have contributed to these average increases or decreases in incomes between the two periods? Table 3 shows the components of total income for individuals in each employment/study status category for both 1995/96 and 1990. Remembering that individuals in the other not in the labour force category aged between 21 and 24 years received the largest percentage increase over the period, from Table 3 it is clear that this increase was due mainly to the real increase of \$22 from \$82 to \$104 per week, on average, in social security payments for this group⁽⁶⁾.

The other group that received a substantial increase in their average income over the period was those undertaking full time study. Table 3 shows that the increase for this group was due largely to the average increase of \$30 per week in 'other' income⁽⁷⁾ and increases in average Austudy and social security income. Interestingly, average wage and salary income for people in this group actually fell in real terms by 21 per cent over the period, from \$106 per week in 1990 to \$84 per week in 1995/96.

Despite an increase of \$8 per week in the average social security income of young adults working part time, their average total income fell in real terms due mainly to a relatively large decline of \$30 per week in 'other' income for this group from \$42 to \$13 per week⁽⁸⁾. For individuals undertaking part time study, the fall of three per cent in their average total income was largely a result of lower average wage and salary income in 1995/96.

⁶ Despite the fact that the proportion of people in the other not in the labour force category receiving social security payments has fallen (from 80 to 68 per cent) between 1990 and 1995/96, their average amount of social security income has increased over the period from \$102 per week in 1990 (inflated to 1995/96 dollars) to \$153 per week in 1995/96.

⁷ The increase in 'other' income for individuals undertaking full time study was mostly due to a large increase in the numbers of people receiving private transfers (presumably from parents) and an increase in the average amount of private transfers received.

⁸ The fall of \$30 per week in 'other' income was mainly due to a drop in the level of business income.

Table 3: Average weekly income by age, employment/study status and income source, 1990 and 1995/96

	Income Source	Total (\$ per week)		
		20-24 1995/96	21-24 1995/96	21-24 1990 ^b
Full Time Work	Wage & Salary	467	478	467
	Social Security	4	4	1
	Austudy	0	0	0
	Other	21	20	25
Part Time Work	Wage & Salary	232	234	232
	Social Security	30	34	26
	Austudy	0	0	1
	Other	10	13	42
Full Time Study ^a	Wage & Salary	86	84	106
	Social Security	12*	14*	11
	Austudy	36	42	28
	Other	33	46	16
Part Time Study ^a	Wage & Salary	381	405	429
	Social Security	14*	16*	12
	Austudy ^c	1*	1*	0
	Other	18	21	21
Unemployed	Wage & Salary	N/A	N/A	N/A
	Social Security	130	135	127
	Austudy ^c	0	1	1
	Other	3*	2*	5
Other NILF	Wage & Salary	.	.	.
	Social Security	109	104	82
	Austudy ^c	1*	1*	0
	Other	7*	8*	9

a Note this category includes those people working whilst studying

b All figures for 1990 are expressed in 1995/96 dollars using the Consumer Price Index (all groups, weighted average of eight capital cities). The 1990 December quarter figure and an average of September 1995 to June 1996 quarterly figures were used.

c The Austudy income in this part should be treated with caution because Austudy is not usually available to part time students, the unemployed or those who are in the other not in the labour force category.

* This entry should be treated with caution due to small cell sizes

Source: ABS, 1989/90 Survey of Income and Housing Costs and Amenities and ABS, Combined 1994/95 and 1995/96 Survey of Income and Housing Costs

Table 4: Educational qualifications of 20 to 24 year olds and average weekly total income by educational qualification, 1990 and 1995/96

	No Post Secondary Qualification	Bachelor or Higher Degree	Skilled Vocational	Other Certificate or Diploma	Other Qualification	Total
Proportion (%)						
20 year olds	79	1*	10	4*	6*	100
21 year olds	67	6*	11	9	7*	100
22 year olds	56	14	16	9	5*	100
23 year olds	55	13	19	8	5*	100
24 year olds	53	16	20	7	4*	100
Total 20-24's 1995/96	61	10	15	8	5	100
21-24's 1995/96	58	12	17	8	5	100
21-24's 1990	57	10	13	20	1*	100
Average total income (\$ per week)						
95/96 21-24's	335	481	456	423	367	382
1990 21-24's ^a	330	447	493	399	317*	376

^a All figures for 1990 are expressed in 1995/96 dollars using the Consumer Price Index (all groups, weighted average of eight capital cities). The 1990 December quarter figure and an average of September 1995 to June 1996 quarterly figures were used.

Note: Some educational qualification categories from the 1990 and the combined SIHC data have been amalgamated to make the two surveys comparable.

* This entry should be treated with caution due to small cell sizes.

Source: ABS, 1989/90 Survey of Income and Housing Costs and Amenities and ABS, Combined 1994/95 and

Educational Qualifications

The majority of young adults in 1995/96 have no post secondary educational qualifications. Table 4 shows that in 1995/96, 61 per cent of 20 to 24 year olds hold no qualifications beyond high school. Just ten per cent have a university qualification and 15 per cent have a skilled vocational qualification, such as a trade certificate⁹). As expected, the proportion of young adults with university and skilled vocational qualifications increases as age increases. For instance, only one per cent of all 20 year olds have a bachelor or higher degree whereas the figure for 24 year olds is 16 per cent. Similarly, ten

⁹ A skilled vocational qualification includes trade certificates and courses equivalent to trade certificates, in terms of entry requirements, duration, and theoretical orientation. (ABS, 1997)

per cent of all 20 year olds have a skilled vocational qualification. For 24 year olds, this figure has doubled to 20 per cent.

Comparing the changes in the educational attainment of young adults since 1990, Table 4 shows that the proportion of 21 to 24 year olds with no qualifications beyond high school has remained largely unchanged at around 58 per cent. The proportion of 21 to 24 year olds holding university qualifications has increased by two percentage points from ten to 12 per cent over the period while there has been a larger increase, of four percentage points, in the number of 21 to 24 year olds with a skilled vocational qualification. Between 1990 and 1995/96 there has been a 12 percentage point drop (from 20 to eight per cent) in the proportion of young adults holding other certificates or diplomas. Five per cent of young adults have other qualifications in 1995/96, up from one per cent in 1990.

As discussed earlier, Table 2 showed that average total incomes for all 21 to 24 year olds increased by just \$6 per week between 1990 and 1995/96. When the changes in average total income are examined by educational attainment, the largest dollar increase was enjoyed by young adults with bachelor or higher degrees, an increase of \$34 from \$447 to \$481 per week, and the lowest dollar increase was \$20 per week for those with other qualifications (see Table 4). Those with a skilled vocational qualification had the only fall in weekly income, in real terms, of eight per cent or \$38 from \$493 to \$456 per week.

Working Young Adults

The above analysis considers all 20 to 24 year olds regardless of whether or not they have a job. Given the high proportion of this group who work, full time or part time, it is relevant to focus on some characteristics of these people. After examining the occupations of all people with a job (including the self—employed), the study looks at changes in the level of wage and salary income and the number of hours worked. The characteristics of high income wage and salary earners are then compared to those wage and salary earners with low incomes before looking at the financial incentives facing people to increase their earned income.

Table 5: Occupations of working 20 to 24 year olds, 1990 and 1995/96

	Occupation								Total
	Manager & administrator	Professional	Para-professional	Tradesperson	Clerk	Salesperson & personal service worker	Plant & machine operator & driver	Labourer & related worker	
Proportion (%)									
20 years old	1*	4*	2*	21	14	34	3*	21	100
21 years old	2*	7*	4*	18	22	26	4*	16	100
22 years old	1*	13	4*	18	20	27	2*	16	100
23 years old	2*	13	8*	18	18	20	5*	16	100
24 years old	5*	15	5*	20	22	17	5*	12	100
Total 20-24's 1995/96	2	11	5	19	19	24	4	16	100
21-24's 1995/96	2	12	5	19	21	22	4	15	100
21-24's 1990	5	12	6	18	22	18	5	14	100

* This entry should be treated with caution due to small cell sizes

Source: ABS, 1989/90 Survey of Income and Housing Costs and Amenities and ABS, Combined 1994/95 and 1995/96 Survey of Income and Housing Costs

Occupations

In 1995/96 most young adults with a job are either salespersons and personal service workers, clerks, tradespersons or labourers (see Table 5)⁽¹⁰⁾. In fact, 78 per cent of all working 20 to 24 year olds are employed in one of these four occupations. Another 11 per cent of young adults who are working are employed as professionals. The groups most under—represented by 20 to 24 year olds are managers and administrators, plant and machine operators and drivers and para—professionals.

With almost a quarter of all working 20 to 24 year olds working as salespersons and personal service workers, Table 5 shows that the proportion of people in this category

¹⁰ Unfortunately, it is not possible to directly compare Table 5 here and Table 12 in the chapter by VandenHeuvel et al. This is mainly because in 1996 there was a change in the ASCO classification of occupations and while we recognise the differences in the classification of some occupations, we were unable to account for most of them. VandenHeuvel et al, on the other hand, obtained unpublished data from the ABS which more comprehensively accounts for the changes in classifications. In addition, VandenHeuvel et al compare two different time periods to the ones compared here, their data is disaggregated by sex and their comparison over time includes 20 year olds whereas our comparisons include only 21 to 24 year olds.

generally decreases as age increases. For instance, 34 per cent of working 20 year olds work in this occupation, falling to 17 per cent of working 24 year olds. It is a similar outcome for labourers. Conversely, for some of the more skilled occupations such as professionals, there is a higher proportion of older people working in this category. For example, just four per cent of 20 year olds are professionals whereas 15 per cent of all working 24 year olds are professionals.

Caution must be taken when comparing the changes in occupations since 1990 due to some changes in the classification of some jobs. For instance, all nurses were classified as para—professionals in 1990 whereas some, but not all, are classified as professionals in the combined SIHC data⁽¹¹⁾. With this in mind, Table 5 shows that the proportions of working 21 to 24 year olds in various occupations has varied little between 1990 and 1995/96. The most significant changes were an increase of four percentage points in salespersons and personal service workers between 1990 and 1995/96 and a fall of three percentage points in managers and administrators.

Hours worked versus hourly wages

With wage and salary income being the principal source of income for most workers, we now turn to looking at how the level of wage and salary income has changed between 1990 and 1995/96. Only those receiving wage and salary income are considered (ie the self—employed are excluded) due to the fact that the correlation between income and hours worked for the self—employed is often not clear.

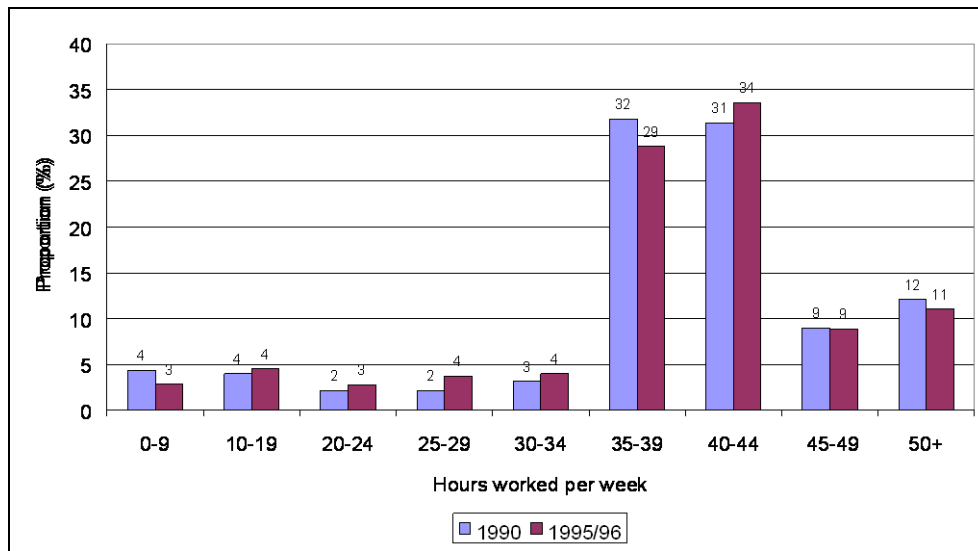
For working 21 to 24 year olds, average real wage and salary income hardly changed between 1990 and 1995/96, increasing by less than \$4 from \$461.70 to \$465.40 per week. While this is a small change in wage and salary income, analysis of the average weekly earnings data from the ABS shows that for the population overall, average weekly total earnings for all persons has increased in real terms by less than \$10 per week between November 1990 and May 1996. Since the average wage and salary income for 21 to 24 year olds is almost \$100 per week lower than the average weekly earnings for all persons, the smaller real increase for 21 to 24 year olds can be expected.

While real wage and salary income increased by \$3.70 per week for all working 21 to 24 year olds, this result may conceal changes in the number of hours worked and hourly wage rates. So, to what extent have there been changes in these factors? To examine this, we look at changes in the proportions of people working different numbers of hours. Unfortunately, due to the fact that the actual number of hours worked per week are not specified in the 1990 data (people are placed in groups of hours), it is not possible to make any clear statement on changes in the level of wage and salary income for people working different hours.

¹¹ Registered nurses, supervisory nurses, nurse educators and nurse researchers were classified as para—professionals in 1990 but are classified as professionals in the combined SIHC. Enrolled nurses remain classified as para—professionals.

In terms of the number of hours worked, Figure 3 shows that between 1990 and 1995/96 there were only minor changes in the proportions of people in different categories of hours worked. There was a three percentage point decline in the number of people working between 35 and 39 hours per week and an increase of three percentage points in the number of wage and salary earners working between 40 and 44 hours per week.

Figure 3: Number of hours worked per week by 21 to 24 year olds with wage and salary income, 1990 and 1995/96



Source: ABS, 1989/90 Survey of Income and Housing Costs and Amenities and ABS, Combined 1994/95 and 1995/96 Survey of Income and Housing Costs

Aggregating the results from Figure 3 shows that the majority of young adults with wage and salary income are working full time¹² and more than half work 40 or more hours per week. Since 1990, slightly fewer working 21 to 24 year olds are working full time — 82 per cent in 1995/96, down from 84 per cent in 1990. Thus, it follows that the proportion of people working part time (less than 35 hours per week) increased from 16 to 18 per cent between 1990 and 1995/96.

¹² Full time hours are defined as 35 hours per week or more, and part time hours are defined as less than 35 hours per week.

Top and Bottom Income Earners

How do the characteristics of young wage and salary earning adults with the highest incomes compare to those with the lowest incomes in 1995/96 and has this profile changed since 1990? To answer this, all 21 to 24 year olds with wage and salary income⁽¹³⁾ have been ordered from lowest to highest total weekly income and divided into five equal groups, each containing 20 per cent of the population, known as quintiles. Now we can examine the characteristics of those in the top and bottom 20 per cent of total income in 1995/96 and compare them to the characteristics of those in the top and bottom quintiles in 1990, although some caution needs to be applied given some small cell sizes and changes in the classifications of some variables over the period.

The first thing to notice is that in both 1995/96 and 1990, the bottom quintile is dominated by females and the top quintile is dominated by males. In 1995/96, Table 6 shows that 61 per cent of 21 to 24 year olds with wage and salary income in the bottom quintile are females, with males representing 39 per cent of the bottom quintile. In the top quintile, 67 per cent are males and just 33 per cent are females. The proportions of males and females in the two quintiles have not altered substantially since 1990.

The average income for all 21 to 24 year olds receiving wage and salary income in 1995/96 is \$481 per week. Those in the top quintile, however, receive much more — \$787 per week, which is more than three times that of the young adults in the bottom quintile whose average weekly income is \$235 per week (see Table 6). The gap between the average incomes of the top and bottom quintiles has not substantially widened during the course of the 1990s.

From Table 6 we can also compare these results with the incomes of prime age adults in the top and bottom quintiles⁽¹⁴⁾. In the bottom quintile the average total incomes of prime age adults are around ten per cent higher (\$23 per week in 1990 and \$32 per week in 1995/96) than those of 21 to 24 year olds. In the top quintile, the differences between the average incomes of the two age groups are more substantial, with the incomes of prime age adults exceeding those of 21 to 24 year olds by more than 150 per cent in both 1990 and 1995/96.

¹³ Twenty one to 24 year olds who are not in the labour force, and therefore without wage and salary income, have been excluded because these people will usually have very low incomes and therefore, dominate the lowest quintile. In addition, self—employed individuals have been excluded due to the unreliable nature of their income data.

¹⁴ Quintiles are calculated separately for prime age adults and 21 to 24 year olds.

Table 6: Characteristics of 21 to 24 year olds with wage and salary income in the bottom and top quintiles, 1990 and 1995/96

Category	Bottom Quintile		Top Quintile	
	1990	1995/96	1990	1995/96
Proportion Females (%)	62	61	30	33
Proportion Males (%)	38	39	70	67
Average total income for 21 to 24 year olds (per week) ^a	\$241	\$235	\$718	\$787
Average total income for prime age adults (per week) ^a	\$264	\$267	\$1178	\$1239
Educational Qualification (%)				
No Post Secondary Qualification	60	62	37	36
Bachelor or Higher Degree	11*	11*	20	25
Skilled Vocational	9*	13	22	27
Other Certificate or Diploma	18	7*	20	10*
Other Qualification	1*	7*	N/A	2*
Employment/Study Status (%)				
Full time Work	35	30	81	83
Part time Work	34	34	2*	2*
Full time Study (working or not working)	24	20	2*	1*
Part Time Study (working or not working)	7*	15	15	14
Occupation (%)				
Managers and Administrators	3*	1*	5*	4*
Professionals	8*	6*	26	21
Para-Professionals	2*	2*	11*	11*
Tradespersons	10*	15	24	22
Clerks	14	14	15	16
Salespersons and Personal Service Workers	37	40	7	10
Plant and Machine Operators and Drivers	3*	3*	4*	6*
Labourers and Related Workers	23	19	8*	10*

Continued on next page

Table 6 (cont)

Category	Bottom Quintile		Top Quintile	
	1990	1995/96	1990	1995/96
Industry (%)				
Manufacturing	9*	10*	17	15
Construction	2*	2*	11*	11*
Wholesale and Retail Trade	28	34	14	17
Finance Property and Business Services	8*	11*	17	18
Community Services	19	12*	15	10*
Recreation Personal and Other Services	21	25	4*	8*
Other ^b	13*	7*	21	22
Family Status (%)				
Couple No Children	12*	17	27	22
Couple With Children	9*	8*	7*	5*
Single Person Living Alone	3*	6*	9*	12*
Dependent Student	0	14	0	1*
Single Person Living With Relative	53	34	34	39
Single Person Living With Non-Relatives	23	20	22	22

a All figures for 1990 are expressed in 1995/96 dollars using the Consumer Price Index (all groups, weighted average of eight capital cities). The 1990 December quarter figure and an average of September 1995 to June 1996 quarterly figures were used.

b Includes agriculture forestry fishing and hunting, mining, electricity gas and water, transport and storage, communication services and public administration and defence

* This entry should be treated with caution due to small cell sizes

Source: ABS, 1989/90 Survey of Income and Housing Costs and Amenities and ABS, Combined 1994/95 and 1995/96 Survey of Income and Housing Costs

Educational qualifications and skill levels are an important distinguishing characteristic of the top and bottom wage and salary earners. The majority of those in the top quintile in both 1990 and 1995/96 have a post secondary qualification, although a substantial proportion, around 37 per cent, have no post secondary qualifications. In 1995/96, more than half of those in the top quintile have either a skilled vocational qualification (27 per cent) or a bachelor degree or higher (25 per cent).

In contrast to the high proportions of those in the top quintile with a post secondary qualification, around 60 per cent of the 21 to 24 year olds in the bottom quintile in both 1990 and 1995/96 have no post secondary qualifications.

Not surprisingly, a substantial majority of individuals in the top quintile, 83 per cent in 1995/96, are full time workers (see Table 6). The only other significant group of top income earners are individuals studying part time (14 per cent) but almost all of these

people (98 per cent) work full time in addition to studying. This profile is largely unchanged since 1990.

In the bottom quintile, in 1995/96 part time and full time workers are the most common (34 per cent and 30 per cent respectively). Twenty per cent are full time students and 15 per cent are part time students. In 1990 in the bottom quintile there were significantly fewer part time students and a slightly higher proportion (35 per cent) were full time workers.

In addition to differences in employment/study status, educational qualifications and so on, the occupations of those in the top and bottom quintiles also differ substantially. In 1995/96, 40 per cent of young adults in the bottom quintile are salespersons and personal service workers and a further 19 per cent are labourers and related workers. In contrast, just 20 per cent of those in the top quintile have these occupations in 1995/96 (see Table 6) since almost 60 per cent are professionals, tradespersons or clerks. Overall, the occupation profiles of the top and bottom income earning 21 to 24 year olds were very similar between 1990 and 1995/96 although changes in the classification of some occupations mean that these results should be treated with caution.

Reflecting the high proportion of young adults in the bottom quintile who are salespersons and personal service workers, 34 per cent of those in the bottom quintile are employed in the wholesale and retail trade industry in 1995/96 (Table 6). The industries that the top and bottom income earners work in have not changed radically since 1990. There has, however, been an increase in the proportion of those in the bottom quintile working in wholesale and retail trade (from 28 to 34 per cent) and a decrease in the proportion working in the community services industry (from 19 to 12 per cent). In the top quintile, there has been a fall in the proportion working in the community services sector (from 15 to ten per cent).

In terms of their family status, the majority of 21 to 24 year olds in both the top and bottom quintiles are single people — 73 per cent in the top quintile and 61 per cent in the bottom quintile in 1995/96. Caution needs to be taken when comparing the family status of top and bottom income earners between 1990 and 1995/96. This is due to the fact that, unlike the combined SIHC, the 1990 survey data does not classify full time students aged 21 to 24 years as dependent students but rather as singles. Thus, while Table 6 shows a fall in the proportion of single people in the bottom quintile (from 79 to 61 per cent) between 1990 and 1995/96, the extent of this fall is overstated due to the change in classification.

In the bottom quintile in 1995/96, 34 per cent of young adults are single and living with a relative and 20 per cent are single and living with non—relatives. The proportion of single people living with a relative has fallen sharply since 1990 when it was 53 per cent. Again, at least part of this fall could be attributed to the change in the classification of dependent students. Other significant groups of young adults in the bottom quintile are members of a couple with no children (17 per cent and up from 12 per cent in 1990) and dependent students (14 per cent).

In the top quintile, the proportion of single people has increased from 65 to 73 per cent between 1990 and 1995/96 while the proportion of couples with no children has fallen

from 27 to 22 per cent. The proportion of single people living with a relative has increased markedly (up by five percentage points) and around one in five in this group are in a shared or group household.

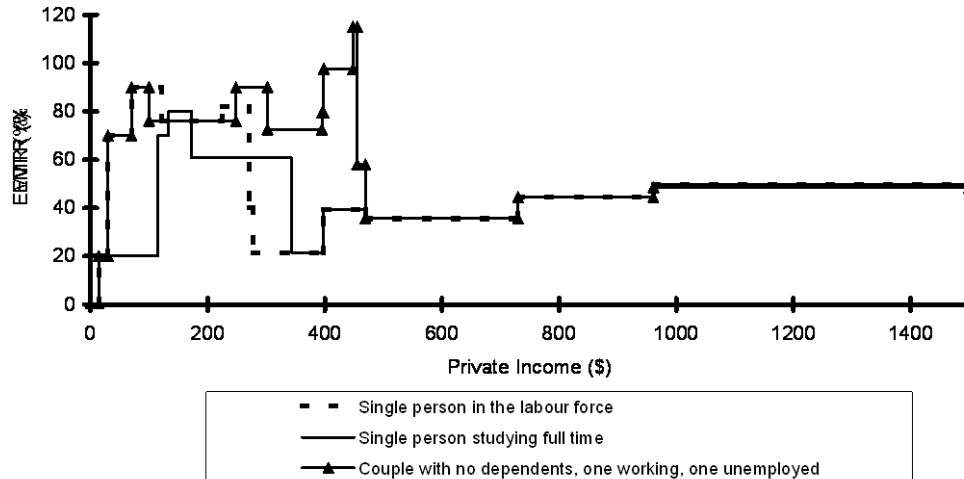
Effective marginal tax rates

One important question to ask is whether young adults, especially those with low incomes, have any financial incentive to earn more income. One way to measure this incentive is to calculate peoples' effective marginal tax rates (EMTRs). An EMTR is the proportion of a one dollar increase in private income lost from income tests on government cash payments and income taxes. Thus, an EMTR of 70 per cent means that 70 cents of the person's one dollar increase in private income is lost to reduced government cash benefits and increased income taxes and the person is better off by 30 cents.

Using NATSEM's hypothetical Effective Tax Rates model in STINMOD/98A (see NATSEM, 1998 for an explanation of STINMOD) we can look at the EMTRs faced by a number of different hypothetical family types. We know from the profiles of the top and bottom quintiles that the majority of these people are either singles or couples with no children. In addition, we have established that the bottom quintile contains a substantial number of part-time workers and full time students. Thus, the EMTRs for working singles, singles studying full time and couples with both partners in the labour force and no children are shown in Figure 4. In addition, the chapter on the situation of young adults not in education or full time employment shows that nearly 80 per cent of women in this group (no full time education or full time employment) have a child and that a third are a single parent. Therefore, Figure 5 examines the EMTRs facing a sole parent who is not in the labour force (and not studying) and has one child and a couple with one partner working and one child to determine if these family types face financial incentives to increase their earned income.

Analysis of the combined SIHC data suggests that the average earned income of a person in the bottom quintile who works part time is around \$190 per week. At this level of private income, a single person in the labour force faces an EMTR of 76 per cent (see Figure 4). In contrast, the top quintile comprises a high proportion of full time workers whose average earned income is around \$735 per week. A single person working full time with this level of earned income would face an EMTR of just 44.5 per cent (see Figure 4).

Figure 4: EMTRs faced by a single person in the labour force, a single person studying full time and a couple with no dependants by level of weekly family private income



Source: STINMOD/98A

Similarly, a single full time student in the bottom quintile earns, on average, \$135 per week. At this level of income, their EMTR would be 80 per cent. There are not a significant number of full-time students in the top quintile.

Figure 4 also shows that low income couples without children can face some very high EMTRs. Assuming one partner is earning all the family private income (and the other partner remains unemployed), between \$30 and \$455 per week of family private income their EMTRs are 70 per cent or more, and over the narrow income range between \$448 and \$455 per week, EMTRs exceed 100 per cent meaning they are **losing** money. From the combined SIHC we estimate that in 1995/96 there are around 2,700 people who are a member of a couple with no children (where one partner is earning and the other is unemployed with zero income) with family private income between \$30 and \$455 per week. However, it is important to point out that this does not necessarily mean that all 2,700 of these people face a family EMTR of 70 per cent or more because of factors such as one or both of the family members not receiving unemployment benefit (they may fail the activity test or not take up the payment or fail the assets test etc) which would mean their EMTRs would be substantially lower.

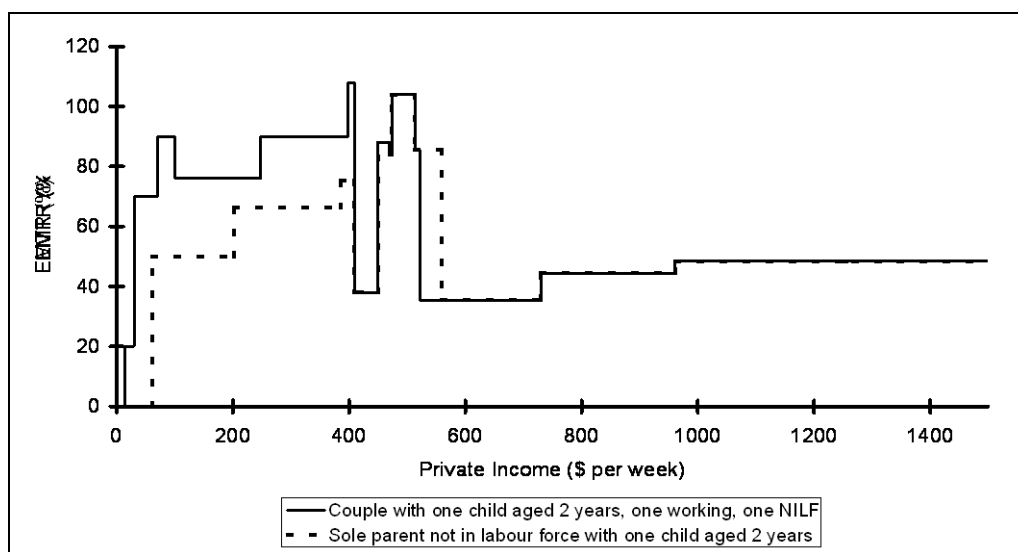
For couples with children it is a similar story. Figure 5 shows that between \$30 per week and \$522 per week, a couple with one child where one partner is in the labour force and the other is not faces EMTRs of 70 per cent or more (with the exception of a short period of private income where the EMTR drops to 35.5 per cent). From the combined SIHC we estimate that there are 1,800 people who are a member of a couple (where one partner is working and one is not in the labour force) with one child and family income between \$30 per week and \$522 per week. Again, it does not necessarily follow that these people all face EMTRs of 70 per cent or more due to the reasons stated above.

A sole parent not in the labour force with one child also faces high EMTRs at low levels of private income (see Figure 5). Between \$62 and \$409 per week they face EMTRs of 50 per cent or more and between \$450 and \$559 per week their EMTRs exceed 80 per cent. We estimate that there are approximately 7,100 sole parents not in the labour force with one child and with income between \$62 per week and \$559 per week (see above for caveats).

It is interesting to note from Figure 5 that, while the EMTRs faced by a sole parent with one child are moderately high at the low — middle income levels, they are significantly lower than those faced by couple families with one child at the same level of private income. For instance, at \$200 family private income per week, a couple with one child has an EMTR of 76 per cent while a sole parent with one child faces an EMTR of 50 per cent.

Thus, the high EMTRs at low levels of private income for the hypothetical families shown suggest that the current income tax and social security systems work in such a way as to provide less financial incentive for low and middle income earners to increase their private income relative to higher income earners. For instance, between \$30 and \$270 private income per week, a single person in the labour force faces EMTRs of 70 per cent

Figure 5: EMTRs faced by a couple with one child and a sole parent with one child, by level of weekly family private income



Source: STINMOD/98A

or more, sometimes as high as 90 per cent. Beyond \$270 per week of private income, however, their EMTR never exceeds 50 per cent.

While this analysis does not include the impact of the Youth Allowance introduced in July this year, the replacement of Newstart Allowance with Youth Allowance for 18 to 20 year olds in the labour force adds another level to the interaction between incomes and the tax—transfer system. Previously, these people were eligible for Newstart Allowance subject to an income test on their own income. Now, however, the entitlement of these people to a payment is subject to not only an income test on their own income but an income test on the income of their parent(s) as well. Thus, if their parent(s) increases their private income, this may impact on the level of Youth Allowance received by a 20 year old unemployed person.

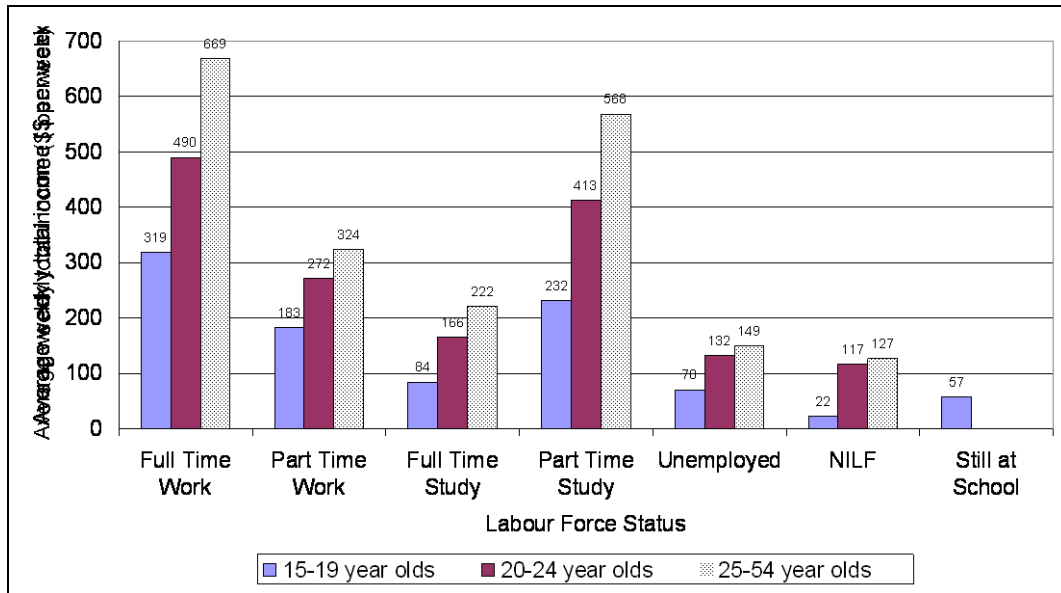
Comparing the incomes of young adults with people of other ages

Comparing incomes of one age group in the population to the incomes of other people needs to be undertaken with caution. As we have discussed earlier, the 20 to 24 year old population is made up largely of single people. The rest of the Australian population, however, has higher proportions of married couples with and without children and sole parents. Thus, to compare the incomes of the 20 to 24 year old population with the remainder of the population would require the use of equivalence scales to account for people with different numbers of children and so on. To avoid these issues, single 20 to 24 year olds are compared with other singles. In particular, single 15 to 19 year olds and prime age singles.

Overall, as Figure 6 shows, older singles who are either working or studying part time generally have substantially higher average total incomes than 20 to 24 year old singles. For instance, prime aged singles who are working full time have an average weekly total income of \$669 per week, some \$179 per week more than the average for singles aged 20 to 24 years working full time. This result is not unexpected because of the longer labour force experience of older people and therefore, their ability to command higher wages. In a similar way, the average incomes of 20 to 24 year olds who are working or studying part time are significantly higher than those for 15 to 19 year olds in the same employment/study status.

The average incomes of 20 to 24 year olds who are either unemployed or in the other not in the labour force category are slightly lower than those for older single people but substantially higher than those for 15 to 19 year olds. This would at least partly reflect the age—related and family status—related value of social security payments.

Figure 6: Average weekly total income for single people by labour force status and age group, 1995/96



Source: ABS, 1994/95 and 1995/96 Survey of Income and Housing Costs

Conclusion

This report has shown the disparate activities and income levels of young adults aged between 20 and 24 years. The majority of them are single and almost three quarters are employed, mostly full time.

The average incomes of young adult males exceed those for females at all age levels between 20 and 24 years. When considering all males and females, the average total income has increased by just \$6 per week in real terms between 1990 and 1995/96.

Average total income for those in the other not in the labour force category and full time students increased the most between 1990 and 1995/96 while average income for part time workers and part time students fell significantly.

The majority of young adults aged between 20 and 24 years have no post—secondary qualifications. Just ten per cent of them have a university qualification and 15 per cent have a skilled vocational qualification. The proportion of people with different educational qualifications has changed little between 1990 and 1995/96.

For those with wage and salary income, the level of average wage and salary income hardly changed in real terms between 1990 and 1995/96, increasing by just \$3.70 per week on average. The proportion of people working in groups of hours was also relatively stable with a small increase of two percentage points in the number of people working part time and a corresponding decrease from 84 to 82 per cent in the proportions of people working full time.

Those 21 to 24 year old wage and salary earners with the highest incomes tend to be single men with full time jobs and a post secondary qualification and still living at home (with a relative) or in a group house. Those most likely to be low income earners are single young women with no post secondary qualifications working in the retail industry or studying.

This study also finds that the interaction of the current income tax and social security systems does not provide a strong financial incentive for those with low incomes to increase their income. Single people in the labour force or studying full time, couples with and without children and sole parents not in the labour force were shown to face high EMTRs at low and middle levels of private income.

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