

ON THE TREADMILL: YOUNG AND LONG-TERM UNEMPLOYED IN AUSTRALIA

Youth unemployment has been marching upward in Australia in the aftermath of the Global Financial Crisis in 2008. The unemployment rate nationally among those aged 15 to 24 at March 2014 stands at 12.5 per cent – more than double the overall rate of unemployment.

The experience of being young and unemployed is also changing. The inexorable rise in the incidence of youth unemployment has come alongside an increase in the length of unemployment for those aged 15 to 24. In January 2008, the average duration of unemployment for a young person in Australia was slightly above 16 weeks. More than five years later – by February 2014 – the average duration had risen to nearly 29 weeks (ABS, 2014).

As **Figure 1** shows, the number of young people who are long-term unemployed, defined as unemployed for 52 or more weeks, has significantly increased since 2008. According to the latest Australian Bureau of Statistics data, in February this year, more than 50,000 people aged between 15 and 24 have been on the unemployment treadmill for more than 52 weeks.

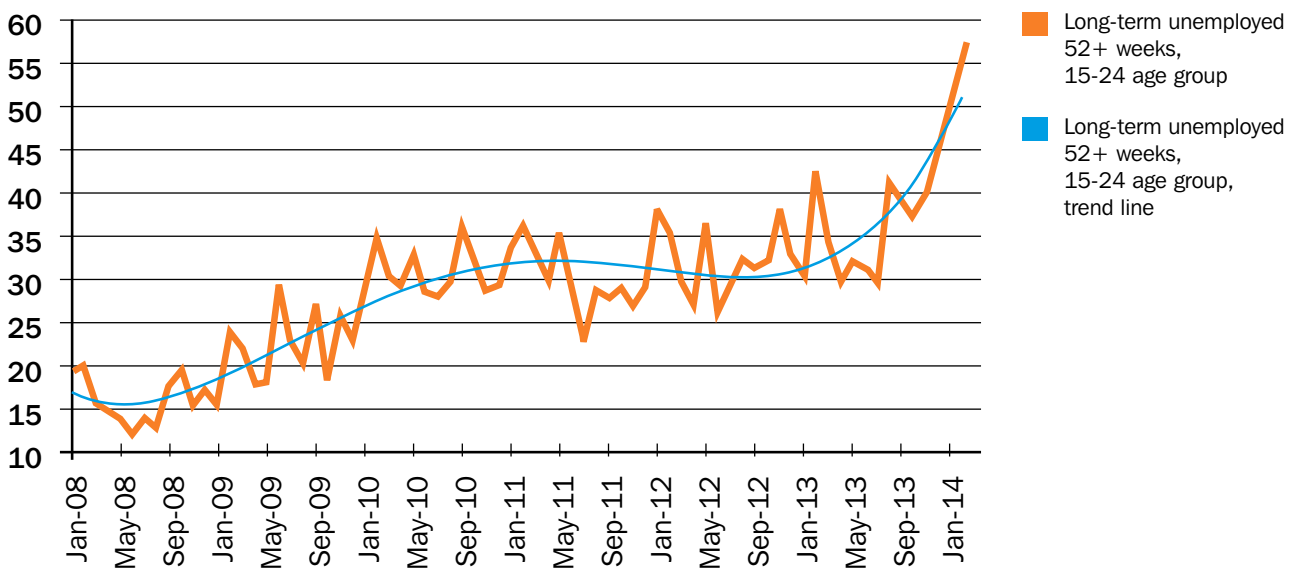


Figure 1: Long-term unemployed persons (000's) Australia, 15–24 age group, Jan 2008 – Feb 2014

(Source: ABS, Labour force, Australia, (cat. no. 6291.0.55.001), data cube UM3, trend estimates derived using a polynomial of order 5.)

The number of long-term unemployed in this age group has more than tripled since 2008. As a consequence of this increase, the 'long-term unemployed' category now accounts for an increasing share of youth unemployment. In short, by February 2014, more than 18 per cent of the unemployed young people in Australia were consigned to long-term unemployment.

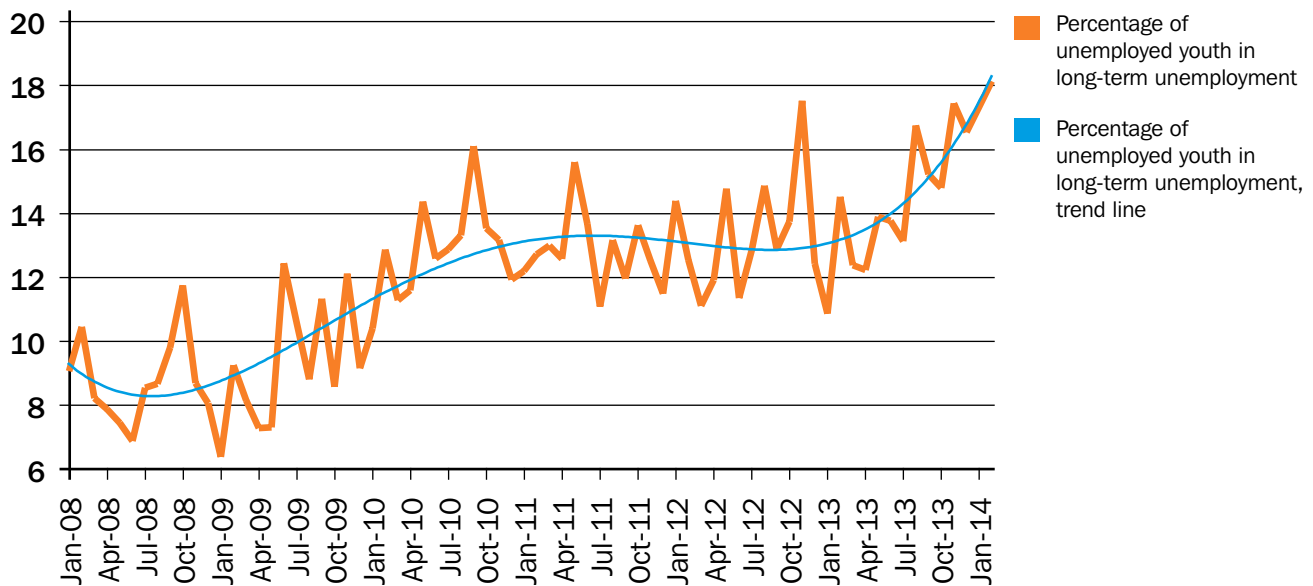


Figure 2: Proportion of unemployed youth in long-term unemployment (%) Australia, 15–24 age group, Jan 2008 – Feb 2014

(Source: ABS, Labour force, Australia, (cat. no. 6291.0.55.001), data cube UM3, trend estimates derived using a polynomial of order 5.)

THE IMPACT OF BEING YOUNG AND LONG-TERM UNEMPLOYED

A growing number of Australian youth are in danger of being locked out of stable employment for the long term. While the dynamic Australian economy offers immense opportunities, it also comes with great risks especially for young people. With employers now placing a premium on education, skills and work experience, securing that first step on the job ladder has become a harder and more complex task. The current labour market is a tough environment for all young people to negotiate, particularly those who are disadvantaged.

The experience of unemployment hurts a young person's financial and psychological well-being, and these effects are felt more severely by those who experience long-term unemployment. The length of unemployment critically influences the prospects of securing employment because the longer a person stays out of the labour market, the less likely they are to find a job.

MORE THAN IMMEDIATE HARDSHIP

The consequences of youth unemployment go beyond the immediate hardship experienced while unemployed. In fact, being unemployed as a young person increases the risk of unemployment later in life and has a deleterious impact on long-term welfare.

The impact of youth unemployment on future employment was recently analysed by Buddelmeyer and Herault (2010) (www.ncver.edu.au/publications/2318.html). These authors used data from the Longitudinal Surveys of Australian Youth (LSAY) to look at the impact of youth unemployment

on subsequent outcomes. They found evidence of the scarring effect of youth unemployment, that is, experiencing unemployment or underemployment can increase the chances of subsequent and ongoing unemployment. Unemployed people lose ‘employability skills’ or are overlooked by potential employers.

The scarring effect can be particularly important among low-skilled individuals, as for this group accumulating job experience is critical to their engagement in the labour market.

Ongoing research at the Brotherhood of St Laurence aimed at analysing the impact of youth unemployment suggests a link exists between being unemployed when young (15–24 years of age) and adverse outcomes later in life. This research makes use of the longitudinal data from the Household, Income, and Labour Dynamics in Australia (HILDA) Survey. Started in 2001, the HILDA survey interviews about 13,000 individuals every year.

Of the 2172 individuals included in our sample, 312 reported having been unemployed when they were young. Table 1 below compares the levels of unemployment and education of individuals in this group when they were 25 or older with the levels of those who did not experience unemployment when young.

Our results suggest that those who experience unemployment while young are more likely to be unemployed, have poor health and have lower educational attainment when they are older than those who are not affected by unemployment while young.

We found that more than 20 per cent of those who experienced youth unemployment were unemployed again when they were above 25 years of age. This proportion is more than three times as high as among those who were not unemployed while young (6.4 per cent). Youth unemployment is also associated with lower educational attainment: more than 62 per cent of those unemployed in their youth have less than Year 12 education and only 4.5 per cent have tertiary education. Lastly, those who were unemployed in their youth also report poorer health outcomes than the comparison group.

Table 1: Youth unemployment and outcomes later in life

Characteristics when aged 25+	Persons who were unemployed in their youth (N=312)	Persons not unemployed in their youth (N=1,860)
Unemployed (%)	20.2	6.4
Education: tertiary (%)	4.5	13.3
Education: less than year 12 (%)	62.2	34.7

(Source: HILDA survey, waves 1–11.)