

COVID-19 AND YOUTH UNEMPLOYMENT

CSI Response

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"For us to have that cohort of unemployed in what is the part of their lives that determines their economic wellbeing for the rest of their life, that is a tragedy for those individuals and a tragedy for the country" (Catherine Livingstone, 2014)

Social distancing, stay-at-home restrictions, border closures and business closures mandated by the Australian and State/Territory governments to contain the COVID-19 virus have significantly reduced the adverse health impacts we have seen around the world but at the same time have created widespread economic shocks.

This Fact Sheet highlights how these shocks have resulted in disproportionate disruption to youth employment, and outlines how younger people will be more likely to face deeper impacts in their employment with consequent social impacts in years to come. This Fact Sheet focuses on the vulnerabilities facing young people in this moment, and how younger Australians can be supported through immediate and long-term challenges ahead.

COVID-19 and employment for young people

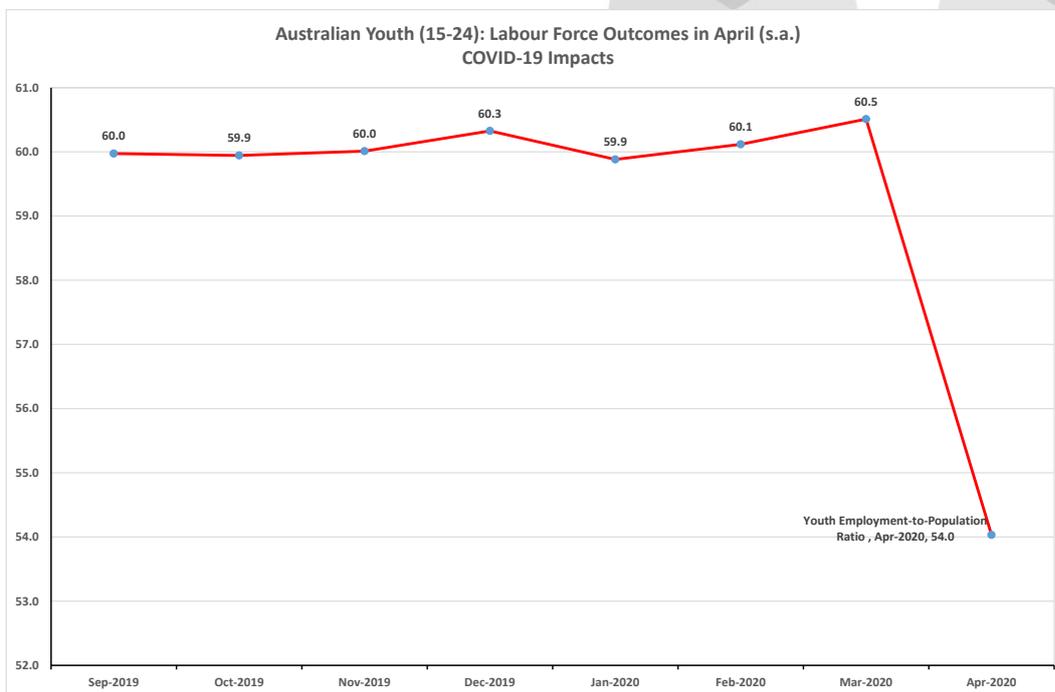
- Prior to the COVID-19 pandemic, young people aged 15-24 were already disproportionately adversely affected in the labour market compared to other age cohorts. In December 2019, the youth unemployment rate was 11.5%, more than double that of the general population, of 5.1% (ABS, 6202.0 Labour Force, Australia, seasonally adjusted estimates).
- COVID-19 restrictions, including direct business closures, social distancing, and stay-at-home provisions have hit young people particularly hard in Australia. The youth labour market is characterised by higher levels of employment in consumer facing roles—such as in retail, hospitality, events, fitness and entertainment industries—and considerably higher rates of part-time employment and casual work than the general population¹. During the COVID-19 crisis, these characteristics of the youth labour market have meant that young people are more susceptible to losing their jobs and also having their hours reduced, as businesses lose custom and face an uncertain future.
- The Australian Government responded to the projected increases in unemployment with a temporary increase of \$550 per fortnight to the JobSeeker Payment, relaxation of mutual obligation requirements, and the introduction of the JobKeeper Payment scheme. As young people are more likely to be casuals working in insecure employment, many were not eligible for the JobKeeper Payment which enabled employees with longer-term attachments to a specific business maintain a formal connection with their (eligible) employer.

The Latest Labour Force Statistics: April 2020

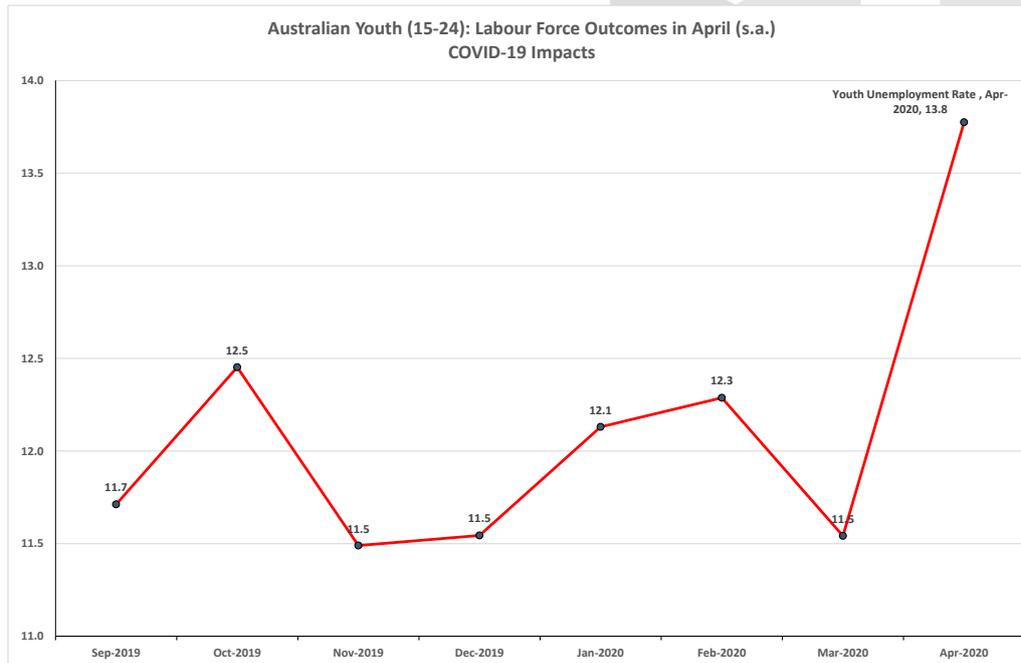
- The recently released April 2020 Labour Force Statistics reveals that the COVID-19 crisis had the largest one-month impact on employment that we have ever seen in Australia. A close look at the statistics indicates that Australia's youth (aged 15-24) are bearing the brunt of the economic contraction resulting from our COVID-19 response.
- The April Labour Force data shows that in one month alone, an estimated 213,000 young people aged 15-24 lost their jobs (seasonally adjusted estimates). This represents 35% of the close to 600,000 Australians that lost work in April.

¹ Dhillon, Z., and N. Cassidy (2018), Labour Market Outcomes for Younger People, RBA Bulletin, June, <https://www.rba.gov.au/publications/bulletin/2018/jun/labour-market-outcomes-for-younger-people.html>

- The youth employment-to-population ratio dropped dramatically from 60.5% in March to 54.0% in April 2020. The fall in employment would have been greater had it not been for the JobKeeper payment. However, it is clear from the disproportionate adverse impact experienced by young people that JobKeeper arrangements failed to protect many young people, but had a stronger effect for workers over the age of 25.
- The youth unemployment rate rose from 11.5% to 13.8% in April. The rise in unemployment would have been much higher had it not been for revised JobSeeker arrangements that removed strict job-seeking requirements and provided for supplementary payments. And of course, the COVID-19 stay-at-home provisions put a clamp on job-seeking actions in any case. In essence, young people who lost their jobs, in the main moved into to JobSeeker payments (if they were eligible which those on temporary visas were not) but no longer fulfilled the two definitional requirements of unemployment as defined in international labour force frameworks, namely to be actively seeking work and available to start work. This points to a large cohort of young people who are now jobless and have no formal connection to an employer, but are not directly counted as unemployed.



Source: CSI UWA based on ABS 6202.0 Labour Force, Australia, Table 13: Labour force status for 15-24 year olds by Sex - Seasonally adjusted



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- The loss of employment was not the only sharp change that occurred. Among young people who have retained employment, there has been a dramatic rise in underemployment (those working fewer hours than they want to) from an already high and rising number. As of April 2020, 484,500 young people are working fewer hours than they would like. This is an increase of 56,245 from March 2020.

Where are the impacts of COVID-19 on youth unemployment most likely to be felt?

The Youth Labour Market was already in a difficult state prior to COVID-19

- Recent research by Michael Coelli and Jeff Borland estimates that, after the Global Financial Crisis, the crowding out of the labour market post-crisis reduced the proportion of young Australians (15-24 years) engaged in employment by 4.3 percentage points and had long-term effects for the decade following the crisis².
- As a result, more young people have become long-term unemployed. And, many of those who are employed full-time have had to first accept part-time work or spend extra time and resources (doing things such as unpaid internships) to get it.³ Young people who were long-term unemployed prior to COVID-19 now face even more difficulties in getting work and those in employment, greater difficulties in achieving target level of hours.
- One lasting effect that has occurred after past crises, and that is likely to follow the COVID-19 pandemic, is that young people making the transition from education to work will find it more difficult to find employment at entry-level positions due to increased competition for jobs and declining availability of jobs.

² Borland, J. (2020). *Labour Market Fact Sheet #55, March 2020*. University of Melbourne.

³ Borland, J. (2020). *The next employment challenge from coronavirus: how to help the young*. Article published in The Conversation.

Accessed on April 15, 2020 at: <https://theconversation.com/the-next-employment-challenge-from-coronavirus-how-to-help-the-young-135676>

Young people in insecure employment

Young people who are employed are less likely to be eligible for the JobKeeper payment as they are less likely to have contracted positions and more likely to have been employed by the same employer for less than 12 months. In August 2019, 41.8% of employed young people (aged 15-24) had the same employer for less than 12 months compared to 16.8% of those aged 25-64⁴. A greater proportion of employed young people were employed on a casual basis (55.4%), compared to those aged 25-64 (32.2%)⁵. People in lower paid, temporary contracts are more likely to be fired first during a crisis.

Young people from disadvantaged backgrounds

There is evidence that young people from disadvantaged backgrounds tend to be more negatively impacted by the economic effects of a crisis. For example, analysis of the period after the Global Financial Crisis shows that young people with bachelor's degrees remained largely unaffected. Those in full-time study at the time suffered a drop in employment, they recovered after a decade. However, those not in full-time study at the time of the Global Financial Crisis, and who do not have a bachelor's degree (or higher), saw a massive fall in their likelihood of employment by 11 percentage points, which has only partly been reversed⁶.

Youth in regional areas

Overall youth unemployment rates mask considerable variability across regions. In some regional areas, such as the Queensland Outback region, over 25% of the youth were unemployed before the pandemic⁷. The current economic climate will disproportionately affect regions already facing high youth unemployment rates. This includes remote, rural and even outer suburban locations.

Increasing demand for limited jobs in the wake of the pandemic will make it difficult for young adults to enter the labour market. With limited options for education and employment in regional areas, this may result in migration of youth to urban areas in search of opportunities.⁸

What are the consequences of young people experiencing unemployment and even long term unemployment?

- In the immediate future, unemployed young people are at greater risk of experiencing mental health problems⁹. Research published in 2015 found that as the youth unemployment rate rose, mental health issues (anxiety, depression, panic attacks) among young people simultaneously rose.¹⁰
- The unemployment levels that young people are experiencing are likely to have long-term

⁴ Australian Bureau of Statistics 2020, *Characteristics of Employment (August 2019)*, TableBuilder. Findings based on use of ABS TableBuilder data.

⁵ This is an estimate, based on the proportion of those that did not report being entitled to paid sick or holiday leave. Australian Bureau of Statistics 2020, *Characteristics of Employment (August 2019)*, TableBuilder. Findings based on use of ABS TableBuilder data.

⁶ Borland, J. (2020). *The next employment challenge from coronavirus: how to help the young*. Article published in The Conversation. Accessed on April 15, 2020 at: <https://theconversation.com/the-next-employment-challenge-from-coronavirus-how-to-help-the-young-135676>

⁷ Brotherhood of St. Laurence March 2019. Smashing the avocado debate: Australia's youth unemployment hotspots. <http://library.bsl.org.au/showitem.php?handle=1/11134>

⁸ Australian Clearinghouse for Youth Studies (2015). Engaging young people in regional, rural and remote Australia. https://docs.education.gov.au/system/files/doc/other/young_people_in_regional_rural_and_remote_australia.pdf

⁹ Thern, E., de Munter, J., Hemmingsson, T., & Rasmussen, F. (2017). Long-term effects of youth unemployment on mental health: does an economic crisis make a difference?. *Journal of Epidemiology and Community Health*, 71(4), 344-349.

¹⁰ Roy Morgan. (2015). Rising unemployment among young Aussies matched by increasing anxiety, depression and stress. Finding No. 6244. Accessed at: <http://www.roymorgan.com/findings/6244-rising-youth-unemployment-increasing-anxiety-stress-depression-201505220539>

impacts on their economic wellbeing¹¹. Young people aged 15 – 24, with little or no work experience, entering the job market during a crisis are especially vulnerable. There is evidence that acute economic shocks, such as pandemics, can have profound long-lasting impacts on this cohort at a population level¹². Studies have shown that those who are moving into the labour market during a major economic downturn have a lower probability of employment, and the future earnings for this cohort are cut for a decade or more¹³.

- Without timely and targeted intervention, young adults are at a high risk of missing out on a strong entry into the labour market and, therefore, of being financially disadvantaged and even being welfare dependent for their whole lives.
- Not only is employment a pathway for maintaining positive mental health¹⁴, it also facilitates social connections with others¹⁵. Long-term engagement in employment, and building a career, are often the key pathways in which young people can initially build skills and active citizenship, and navigate pathways for making their contribution to society.

What are our recommendations?

- Amend the JobKeeper eligibility requirements to cover more young people in the labour market and do not return JobSeeker payments to their original poverty level amounts at the cessation of the present additional supplement.
- Enable employment services to deliver more personalised support that can address multiple barriers to employment such as qualifications, transport, job readiness and communication skills and social supports, for example. Young people can especially benefit from assistance to remove secondary barriers to employment which will help them more effectively compete with other age cohorts.
- Address the increasing casualisation of the workforce, and ensure government policies do not exclude or marginalise those working in the “gig” economy.
- Support government macroeconomic policies to stimulate the economy and create jobs as quickly as possible.
- Prioritise employment programs targeted at young people to improve their employment prospects when the economy recovers. Priority should be given to the low skilled and long-term unemployed.
- Encourage young people in the final year of study to continue to study, thus delaying their entry into the labour force to a more favorable time. Providing exemptions from Higher Education Loans Scheme loans and offering free TAFE courses for 2021/16 are other ideas to help reduce the financial burden on a cohort that will be disproportionately hit by the COVID-19 economic shock.

¹¹ Schmillen, A., & Umkehrer, M. (2017). The scars of youth: Effects of early-career unemployment on future unemployment experience. *International Labour Review*, 156(3-4), 465-494.

¹² Gladwell, M. (2008). *Outliers*. Back Bay Books: New York. In this book Gladwell examines the negative impacts of cohorts of people who came of age during the First World War, Great Depression and Second World War, and found that the detrimental impacts lasted a lifetime.

¹³ Kelly, E., & McGuinness, S. (2015). Impact of the Great Recession on unemployed and NEET individuals' labour market transitions in Ireland. *Economic Systems*, 39(1), 59-71.

¹⁴ Steele, F., French, R., & Bartley, M. (2013). Adjusting for selection bias in longitudinal analyses using simultaneous equations modeling: the relationship between employment transitions and mental health. *Epidemiology*, 703-711.

¹⁵ Hoare, P. N., & Machin, M. A. (2010). The impact of reemployment on access to the latent and manifest benefits of employment and mental health. *Journal of Occupational and Organizational Psychology*, 83(3), 759-770.

¹⁶ Borland, J. (2020). *The next employment challenge from coronavirus: how to help the young*. Article published in The Conversation. Accessed on April 15, 2020 at: <https://theconversation.com/the-next-employment-challenge-from-coronavirus-how-to-help-the-young-135676>