

## YOUTH UNEMPLOYMENT AND THE SIGNIFICANT IMPACT OF COVID-19

Q&A with Dr Anthea Bill, Lead Economist at HRF Centre on 12 June 2020

### **ABS figures show a rise in youth unemployment, which sits at 18.7% in Newcastle and Lake Macquarie and 15.7% in the rest of the Hunter. How do these figures compare to NSW and nationally?**

In April 2020 the youth (15 to 24 years) unemployment rate for NSW was 12.6%, while Australia-wide the rate was 13.9%.

There has been a bigger jump in the Hunter's youth unemployment rate than NSW and Australia from February. The Hunter's youth unemployment rate was trending below the state youth rate last year. Between February and April the youth unemployment rate in the Hunter has gone up 7 percentage points, compared to 1 percentage point increase in NSW and 0.8 percentage points in Australia.

### **Why are the figures so volatile and what is the best indicator of what is really going on?**

These measures are one of the best, if not the best available indicator. The [ABS Labour Force Survey](#) is the key source of official labour market data in Australia, however it is a national survey, not one designed specifically for the Hunter region. Because the survey isn't designed just for the Hunter or any particular region in Australia, data at a regional level has more sampling error (the figure in any given month is less likely to represent the true underlying figure than the result for the state or the nation). As a result, it means the figure 'bounces' around a lot.

Because of this the HRF Centre usually uses a 3-month moving average, however it would not make sense to do this when considering the impacts of COVID-19 which can only be seen in the movement from March to April to date.

### **What factors are driving Newcastle and the Hunter's youth jobless rates to be above the state and national levels?**

The 2016 Census tells us young people represent a greater share of people who are employed in the most impacted industries in the Hunter than other regions. For those working in *Accommodation and Food Services* (62% in Newcastle and Lake Macquarie LGAs) almost two in three are under the age of 30 years. This is above the national average and more than many regions in Australia.

The Hunter also recorded high youth employment in *Arts and Recreation* and in *Retail* in the 2016 Census. If this age-split has carried forward to 2020, then this is likely to be the key reason why we've seen the youth rate move up quicker in the Hunter than the state or nationally. However, the youth figures would need to remain high for successive months, in order to rule out some sampling error, which is another factor which could be driving the rate higher.

### **How much is COVID-19 to blame for the youth unemployment figures, bearing in mind that retail sales have been flat for the past 12 months and the bushfires have impacted some areas of tourism?**

Business NSW's [Business Conditions survey](#) looked especially at the impacts of COVID-19 in the March quarter 2020, and didn't point to cumulative impacts from the droughts and bushfires impacting heavily on the Hunter region compared to other parts of the state; particularly in the Hunter Valley and other areas outside of Newcastle and Lake Macquarie. Pre-COVID droughts and bushfires were a factor already impacting tourism in areas such as Port Stephens and Nelson Bay, and fires and drought impacted heavily over summer for Hunter Valley vineyards for example.

### **How do the unemployment figures compare historically? And how is this period different?**

The latest figures are high at a rate of 17.6 per cent. This figure compares to an average of 11.8 per cent over the last 10 years, and 11.9 per cent over the last 5 years. In 2019 the Hunter's youth unemployment rate averaged 10.9 per cent.

However, they are not the worst youth unemployment figures for the decade, with 20 per cent recorded in November 2014. They stayed high in early 2015 as a result of manufacturing job losses and the wind back in mining capital investment (end of the mining boom) impacting the region. The high rates were also very high following the closure of BHP steelmaking in the late 1990s.

### **What are the risks for the national economy of having sustained figures like this? What are you most concerned about in the figures you are seeing?**

The key risk is the blighting of young people's long-term work and earning opportunities just as they are getting started. Many young people were at a vulnerable point of transition between education and work, just as the pandemic has impacted. Young people are more vulnerable in the labour market anyway because they have shorter work histories and less acquired skills and qualifications. They are also more likely to work in jobs which are casual and therefore more likely to be wound-back or have hours cut when an economic downturn hits. The lockdown which has accompanied the COVID crisis has increased the impacts on youth because young people are more likely to be working in many of the industries which have been most heavily impacted by social distancing and lockdown restrictions.

Jeff Borland's [analysis of GFC impacts](#) in *The Conversation* shows that young people *without* a bachelor degree or higher qualification and not in full-time study, were much more likely to lose their job in the Global Financial Crisis (GFC), and that a lower likelihood of employment for this group has persisted post the GFC.

The unprecedented [support package](#) provided by Federal government will be providing a safety net for the moment, but post-September it is unknown how these young people will fare if impacted sectors have not rebounded or job losses spread to other sectors. If those supports are removed, or significantly tapered down, poverty is a risk - especially for young people in low income families and/or young people who do not have immediate family, broader family and/or friend support. Those youth will be particularly vulnerable to emotional, financial and housing stress, from ongoing loss of work.

### **Highlight the importance of the underutilisation statistics which are at an historic high of 37%. Why it is significant and what does high figure means?**

Underutilisation combines two measures unemployment and underemployment (people who are not working the hours they would like to be working). Australians overall experienced a big jump in underemployment in April 2020 - many fold the biggest jump at any other time in the series extending back to 1978. This reflects that COVID had not just impacted the number of people in work but also the number of hours worked.

The overall Australian underutilisation rate is now almost 20 per cent, and young people's is almost double that at 37 per cent. Young's people underemployment (another way of saying young people who want more hours of work than they are getting) increased in the GFC, with a higher rate than the rest of the population, and it still hasn't recovered. Refer again to the [article](#) from Jeff Borland for more context. Young people have been crowded out of employment since the GFC due to slower pace of economic growth and rising participation of older Australians.

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