



Brotherhood of St Laurence  
Working for an Australia free of poverty



# Youth unemployment monitor

## December 2020

# COVID the great disruptor

## Another blow to youth employment

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The COVID-19 pandemic has been the great disruptor of our time. As we navigate the changing face of COVID-normal, our hopes pinned to the promise of a vaccine, the future has never felt so uncertain.

In Australia, the COVID recession has compounded a decade of high youth unemployment that followed the GFC. The youth unemployment rate is now close to the highest level seen this century and at a new crisis point.

This recession put the brakes on three decades of economic growth. Young people have been hit hard, bearing the brunt of job losses in businesses most affected by lockdown and social distancing restrictions—restaurants, bars, retail outlets, gyms, entertainment and tourism.

School leavers missed out on opportunities to land their first job. University students lost the service industry jobs supporting them through their studies. Most young people weren't in jobs where they could work from home.

In June 2020, unemployment among people aged 15 to 24 reached a 23-year high of 16.4%. While it had dropped marginally by October, it remains disturbingly high at 15.6%. That's 337,224 young Australians unable to find work. Youth unemployment is higher than the post-GFC peak of 14.4% in 2014.

As lockdowns in most states ended, the marginal jobs growth was largely in part-time work, reinforcing the existing labour market trends. Young people are joining an increasingly part-time, casual and insecure workforce.

The double-whammy for young people has been underemployment, which had already overtaken the unemployment rate before the pandemic. Youth underemployment spiked in April 2020 and remains high at 17.9%.

Combine unemployment and underemployment and you have one in three young people in the labour force unable to get enough hours of work to make ends meet.

Young women suffered higher initial job losses, with the sudden closures in largely female-dominated industries such as hospitality, accommodation and retail. Young men were more likely to have their hours cut dramatically and find themselves underemployed. In the slight recovery, the story flipped. Unemployment among young women fell to 14% in October, but underemployment remains higher at 20.1%. For men, underemployment dropped but unemployment stands at 16.3%.

Historically, young people have been the most vulnerable to shocks in the job market. High youth unemployment persists for years after a recession. The blow that COVID has dealt young people in 2020 will leave long-term scars. Those entering the labour market during a recession can expect lower wages and fewer opportunities for career progression, and the impact can last a lifetime.

Australia's recovery must incorporate measures that address underlying problems in the labour market to create an economy that works for young people and gives them opportunities to build a sustainable working life.

## COVID deals another blow to youth employment

When the pandemic began in Australia, the government's public health response was swift, and included restrictions on non-essential business activity and enforced shutdowns. This resulted in sudden job losses and a steep climb in unemployment. Measures such as JobKeeper (to help businesses retain and pay their employees) moderated the impacts of the lockdown, but those already disadvantaged in the labour market, such as youth, were hit hard (Jericho 2020). This has left youth unemployment at close to the highest rate this century, with a long road to recovery.

### Sudden impacts and long-term patterns

The shutdown saw total unemployment rise from around 5% in February 2020 to 7.4% in June, while youth unemployment soared to 16.4%, up from 11.6% in February (Figure 1).

Since then there have been some signs of improvement, with the October seasonally adjusted unemployment rate at 7%, reflecting the gradual end of lockdowns in most states and territories—except for Victoria—from August 2020. But youth unemployment remains high at 15.6%, with some 337,224 young people unable to find work.

This spike follows a decade of high youth unemployment following the impacts of the GFC in 2008 (Borowczyk-Martins 2017). And a recent upturn in youth unemployment in October, led by Victoria with its prolonged lockdown, shows that recovery is likely to be some way off.

**Figure 1 Unemployment rate (%) for selected age groups, October 2000 to October 2020**

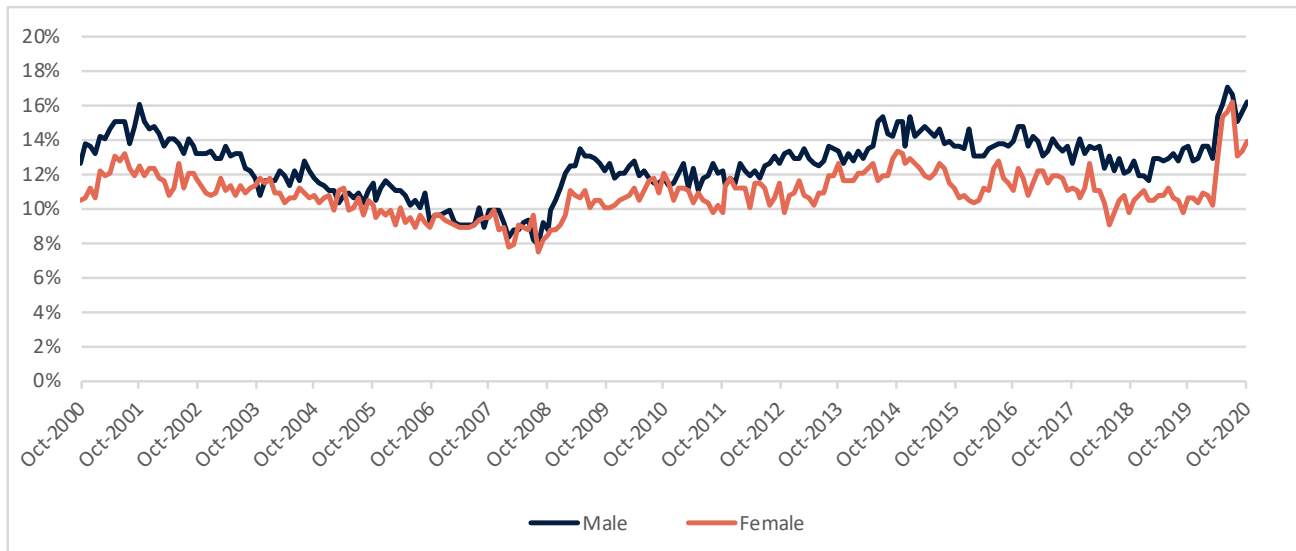


Source: ABS 2020, Labour force, Australia, October 2020, Cat. no. 6202.0, seasonally adjusted data, Tables 1 and 13. Released 19 November 2020

## Contrasting trends for young men and young women

Young men and young women have been affected by this crisis in different ways. In July—in the midst of the crisis—young women’s unemployment (16.3%) peaked at nearly the same rate as young men’s (16.7%). Since then, the unemployment rate for young women has fallen faster than young men’s, though it was still 14% in October, compared with 16.3% for young men (Figure 2).

**Figure 2 Youth unemployment rate (ages 15 to 24)(%) by gender, October 2000 to October 2020**



Source: ABS 2020, Labour force, Australia, October 2020, Cat. no. 6202.0, seasonally adjusted data, Table 13. Released 19 November 2020

These recent high levels of youth unemployment, observed for both men and women, build on existing patterns of disadvantage, including the long-term growth in part-time rather than full-time employment, which has led to increased underemployment.

## Underemployment

Before the pandemic, underemployment rates (that is, the percentage of workers who want more hours) had overtaken unemployment rates, especially for young people aged 15–24. And this age-group has been much more likely to be underemployed than those aged over 25 (Figure 3). Underemployment of young people spiked during the crisis, peaking at 23.6% in April, then falling to 17.9% in October but remaining high.

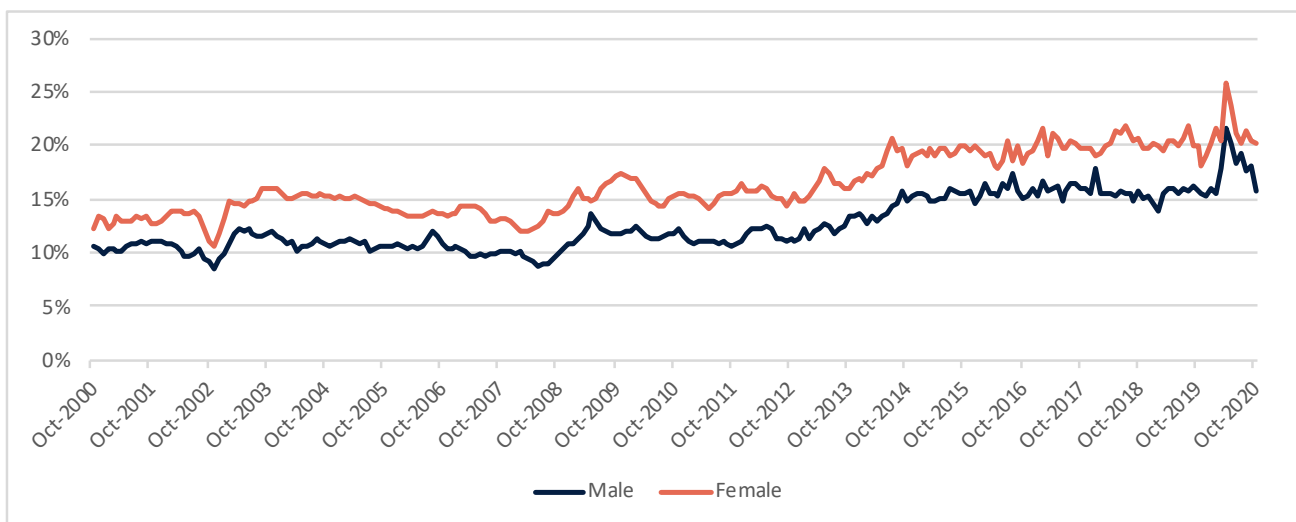
**Figure 3 Underemployment rates (%) for selected age groups – October 2020 to October 2020**



Source: ABS 2020, Labour force, Australia, October 2020, Cat. no. 6202.0, seasonally adjusted data, Table 22. Released November 2020

Prior to COVID-19 young women had higher rates of underemployment than men of the same age, with one in five female workers under 25 underemployed since 2014 (Figure 4). This gender gap has persisted, but narrowed during the 2020 economic crisis. Underemployment among young men rose sharply from the onset of the pandemic, reaching 21.6% in April; however, it fell more quickly as restrictions were eased, to 15.8% in October.

**Figure 4 Youth underemployment rate (%) by gender – October 2020 to October 2020**

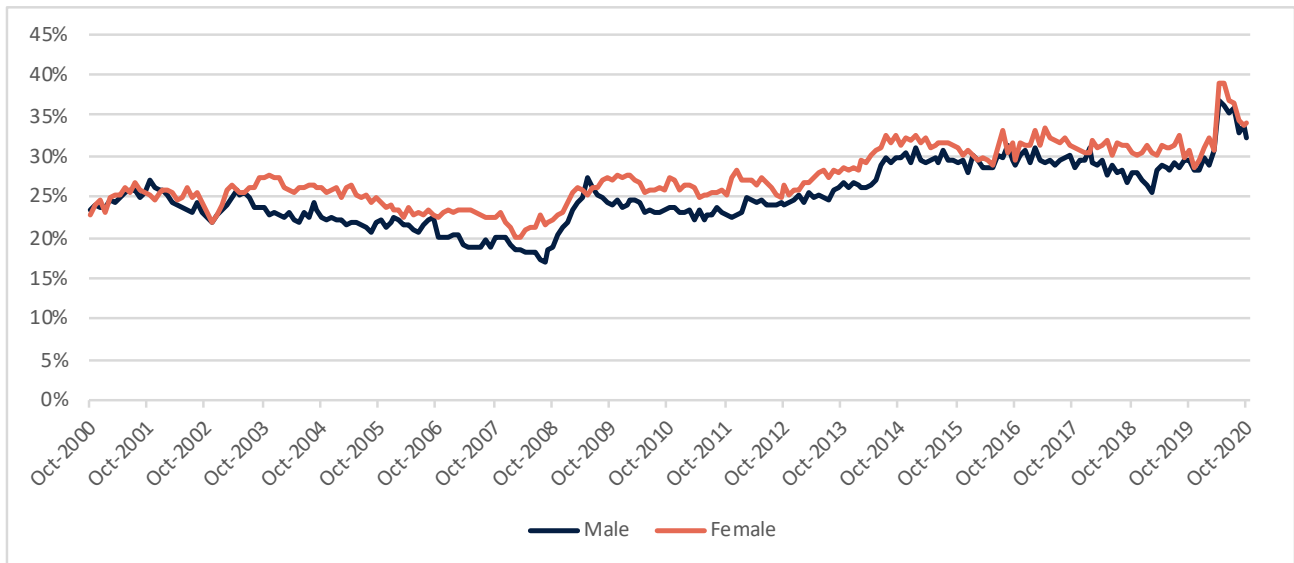


Source: ABS 2020, Labour force, Australia, October 2020, Cat. no. 6202.0, seasonally adjusted data, Table 22. Released November 2020

## Underutilisation

Underutilisation refers to the total of unemployment and underemployment. While unemployment has been more common among young men than young women, underemployment has been more common among young women. For most of the past 20 years the combined effect has been that underutilisation rates for young women have been higher. Figure 5 shows that these trends converge—with around a third of young women and of young men in the labour force underutilised in October 2020.

**Figure 5 Underutilisation rate 15–24 by gender, October 2000 to October 2020**



Source: ABS 2020, Labour force, Australia, October 2020, Cat. no. 6202.0, seasonally adjusted data, Table 22. Released 19 November 2020.

## A part-time recovery?

As the lockdowns around the country have ended, many of the jobs that were lost in the first few months have returned. But growth in part-time jobs has greatly outstripped growth in full-time positions. This means many young people are facing an increased risk of underemployment, a trend also observed following the GFC.

The immediate effect of the economic crisis on youth employment to date can be seen in two phases: from February to May, and June to October.

At the beginning of the crisis, in the period from February to May 2020, the number of youth in full-time employment fell by 10.1%. This was much greater than the fall of 3.3% for those aged 25 and over. Part-time work also fell in this period—by 21.7% for young people and by 9.6% for those aged 25 or more. The striking changes in part-time employment partly reflect the nature of this economic crisis, with shutdowns of retail, food and accommodation sectors, which have high levels of part-time work.

As restrictions were eased, from June to October full-time youth employment rose slightly (by 2.2%). But the marked growth in jobs for young people was in part-time work, with a 24.8% increase, more than double the increase for those aged 25 and over. And this was not enough to return to pre-COVID levels. Despite the rise in part-time jobs, employment remained lower in sectors affected by the shutdown.

For example, in October, employment for workers aged 20 to 29 in accommodation and food services remained 23% lower than in mid-March, with total wages for the sector down 17%, based on weekly payroll data. Over the same period, employment of this age group in retail declined by 4.2%. The arts and recreation sector saw a 15.5% decline, coupled with a fall in overall wages of more than 10%, for workers aged 20 to 29. However, the growth in part-time work is likely to continue as these sectors open up.

But the recent changes in employment for young people also reflect the long-term growth in part-time jobs. Part-time roles for all ages grew by an annual average of 2.3% in the 10 years to October 2019, while full-time roles grew by only 1.5% (ABS 2020). Some youth choose to work part-time, combining work with study or other commitments, but increasingly part-time work results in underemployment (Cassidy 2017).

The COVID recession follows a decade of decline in full-time employment for young people, with an annual average decline of 1.2% for young women, double the decline for young men (0.6%).

## Different impacts on men and women

More young women than young men work in sectors such as food services, accommodation and retail, which suffered the biggest initial job losses due to shutdowns (Borland & Charlton 2020). From February to May 2020, part-time employment for young men fell by 22.2%, almost three times the decline of full-time employment. Young women's employment in part-time work showed a similar decline (by 21.3%), but their full-time employment fell by 14.2%—almost double the 7.3% for men.

From June to October, part-time employment bounced back, with a recovery of 94% of the loss in part-time jobs for young men and 87% for young women. While full-time employment of both men and women increased, by 2.5% and 1.7% respectively, these gains fell a long way short of making up the initial loss. Full-time employment for young women fell by 12.7% from February to October, while full-time employment for young men fell by 4.9%.

## Short-term recovery, long-term scars

The COVID recession has been sudden, and despite some signs of recovery, it will likely continue the trend set by previous recessions. Young people face high levels of unemployment, with reported job vacancies for October 2020 still well below February 2020 levels for jobs requiring advanced diplomas or bachelor qualifications, even as vacancies for entry-level jobs return. This can lead to higher-skilled youth trading down and crowding out those with fewer skills, disadvantaging everyone (Altonji, Kahn & Speer 2014).

In addition, female-dominated sectors and occupations have long been characterised by high rates of insecure work and underemployment. Despite young women's educational attainment matching and often surpassing men's over the past few decades, many find it difficult to turn higher qualifications into high-paying and high-status jobs (Triventi et al. 2015). This has meant that even in other sectors, women are also more likely to work in part-time or casual employment (ABS 2020).

In another worrying sign, underemployment is also increasing for young men as full-time work becomes less available.

Poor initial employment outcomes create long-term employment 'scarring effects', limiting mobility and career progression and reducing earnings over the longer term.

## Building strong foundations for recovery

At the onset of the current crisis, youth unemployment remained well above pre-GFC levels and youth underemployment had been increasingly steadily for a decade. Previous recessions have shown that recovery of youth labour markets can take years, with the worst possibly still to come given that employment impacts tend to peak almost a year after the initial economic impact (Plumb, Baker & Spence 2010).

Limiting the long-term scars of the economic effects of the COVID-19 crisis will require addressing the long-term causes of youth under and unemployment. Breaking the pattern of young people's place at the bottom of the labour market will take more than a partial part-time recovery. It requires strong investment in building the foundations of an economy that works for young people. To address youth unemployment, we need to help young people into work by creating decent and sustainable jobs now and for the future, and supporting them to keep them earning, learning, and progressing their careers.

For this purpose, we call for:

1. Investment in jobs for young people
2. Dedicated youth specialist employment support
3. Development of high quality, flexible training pathways and improved access to quality career guidance
4. Enabling communities to lead and develop innovative, place-based solutions
5. Adequate income support that respects young people's dignity and autonomy

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