Australian Government response to Questions on Notice

Question 1: We’ve got a rise in the – a small rise, albeit – rise in the profitability of the non-resources sector and a substantial rise in real unit labour costs. Am I correct in interpreting that as meaning that the fall in profitability that’s the other side of the coin from the rise in real unit labour costs, is overwhelmingly concentrated in the resources sector?

• Recently, prices growth across the economy has been unusually weak, reflecting falling prices for our commodity exports and competitive pressures on domestic price growth (excluding imports) from the high Australian dollar, consumer caution and changing patterns of household expenditure.

  – The GDP deflator fell by 1.1 per cent through the year to the December quarter 2012, the third consecutive quarter in which through-the-year growth was negative. The outcome was driven by a 13.8 per cent decline in export prices owing to a 20.9 per cent fall in non-rural commodity prices over the period. The fall in export prices was partially offset by modest growth of 2.5 per cent in domestic prices (excluding imports).

• Weak prices growth has contributed to an increase in real unit labour costs (that is, the cost of labour per unit of output produced after adjusting for price movements).

  – Real unit labour costs rose by 1.9 per cent over 2012, compared to an average fall of 0.3 per cent per year over the past 10 years.

  – In contrast, nominal unit labour costs, which do factor in price changes across the economy, rose by just 0.8 per cent over 2012, compared with growth of 3.1 per cent per year on average over the past 10 years.

• Although weakness in prices has affected real unit labour costs across a range of sectors, the mining sector has experienced particularly strong growth in real unit labour costs, reflecting the significant decline in commodity prices.
Question 2: The Commonwealth notes in its submission that there's been some softening in the area and it would seem that it increased with the GFC and has remained at that high level for the period since with some increase in the year to February 2013. Do we know anything about the characteristics of the unemployed persons in that group? You make the general submission that young people are particularly vulnerable during period of economic and labour market weakness as they tend to have less education, skills and experience. But within that group, within the 15 to 24-year-old bracket, is that also the distinguishing feature, that those who are unemployed within that group tend to be the ones that have less education, skills and experience than the youth in that group that are employed? Do we know anything about those characteristics?

1. **ABS data**

Out of a total of 3 159 300 youth in Australia, there were 247 500 unemployed youths (defined as persons aged 15-24 years) in April 2013, accounting for over a third (36.1 per cent) of total unemployment. An unemployed person is defined as person who was not employed, actively seeking work and currently available for work. Males accounted for 56.6 per cent of total youth unemployment in April 2013.

Of the unemployed youth, 108 400 (43.8 per cent) are in full time study. In total there were 2 544 600 youth in full-time work or study.

**Unemployed youth by state**

New South Wales recorded the largest share of total national youth unemployment (accounting for 29.3 per cent of total youth unemployment), followed by Victoria (26.0 per cent) and Queensland (23.4 per cent).

At 15.7 per cent, Tasmania recorded the highest youth unemployment rate of any State or Territory in April 2013, followed by Queensland (12.8 per cent) and Victoria (12.7 per cent). By contrast, Western Australia recorded the lowest youth unemployment rate, at just 9.0 per cent in April 2013.

- In July 2012 (latest available data), the most commonly reported main difficulties in finding work cited by unemployed youths were ‘Insufficient work experience’ (15.1 per cent) and ‘Too many applicants for available jobs’ (13.3 per cent). In contrast, 11.9 per cent said they experienced ‘No difficulties at all’.

**Disengaged youth**

The proportion of youths who were disengaged (either unemployed or not in the labour force (NILF) and not in full-time education) stood at 12.2 per cent in April 2013, up from the 11.9 per cent recorded a year earlier. The proportion of youths who were unemployed and not in full-time education stood at
4.7 per cent in April 2013, while the proportion of youths who were NILF and not in full-time education was higher, at 7.5 per cent.

- Female youths had a slightly higher rate of disengagement than male youths (12.9 per cent and 11.5 per cent respectively). The proportion of disengaged male youths is fairly evenly split between those who are unemployed and not in full-time education (5.5 per cent) and those who are NILF and not in full-time education (6.0 per cent). On the other hand, disengaged female youths are primarily NILF and not in full-time education (9.1 per cent).

**Study status**

In May 2012\(^1\), just over half (50.2 per cent) of all unemployed youths were enrolled in either full-time or part-time study. Of those not enrolled in study, 56.0 per cent at least had Year 12 or equivalent qualifications.

- Youths who were not enrolled in study and whose highest level of educational attainment was Year 11 or below recorded an unemployment rate of 23.4 per cent in May 2012.

**Highest educational attainment**

Among the youth not in full-time education, those unemployed tend to have lower education attainment than those employed, as shown in Table 1 below. For example, while 43.5 per cent of youth who were not in full-time education and unemployed did not have Year 12 or equivalent, only about 20 per cent of youth who were employed and not in full-time education did not have Year 12 or equivalent. On the other hand, the proportion of youth who were employed and not in full-time education is about three times of youth who were unemployed and not in full-time education.

Furthermore, the unemployment rate for 15-24 year olds who were not in full-time education declined with educational attainment. Those with less than Year 12 had an unemployment rate of 19.4 per cent, compared to 3.9 per cent for people with a degree.

**Table 1: Highest educational qualification of youth not in full-time education, May 2012, per cent**

<table>
<thead>
<tr>
<th></th>
<th>Employed</th>
<th>Unemployed</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degree</td>
<td>15.4</td>
<td>5.6</td>
<td>3.9</td>
</tr>
<tr>
<td>Diploma</td>
<td>6.6</td>
<td>4.0</td>
<td>6.5</td>
</tr>
<tr>
<td>Cert III/IV</td>
<td>21.1</td>
<td>15.1</td>
<td>7.5</td>
</tr>
<tr>
<td>Year 12</td>
<td>36.4</td>
<td>31.8</td>
<td>9.0</td>
</tr>
<tr>
<td>Less than Year 12*</td>
<td>20.4</td>
<td>43.5</td>
<td>19.4</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>10.2</td>
</tr>
</tbody>
</table>

* includes Cert I and II.

Source: ABS Education and Work, May 2012 (cat no 6227.0).

\(^1\) Latest available data on the type of enrolment by labour force status and level of highest educational attainment.
2. HILDA data

Data from the Household, Income, and Labour Dynamics in Australia (HILDA) Survey sheds some further light on the circumstances of unemployed youth relative to those who are employed. From the HILDA data (see Table 2), we find that youth who are employed:

- are more likely to be enrolled in a course, and much more likely to be enrolled in full time study than youth who are unemployed; and
- have higher levels of educational attainment – unemployed youth aged 18 to 24 are almost twice as likely to have no more than Year 11 (or less) education, compared to employed youth in the same age bracket.

These differences are accentuated as age increases – that is, the differences are smallest among the 15-17 age group, but the educational attainment and participation gap rises substantially from age 18, and is greatest for 23-24 year olds. This is because that most 15-17 year olds (whether employed or otherwise) are still in school, whereas by the age of 23-24 those who have been able to undertake further studies have done so and have a much higher probability of being employed, while those who were not able to do so are much more likely to be unemployed.

Although the HILDA data is unweighted, we nonetheless find that the educational attainment data from the HILDA are broadly in line with those in Table 1, suggesting the unweighted sample is broadly in line with national averages.
Table 2: Study and educational attainment of unemployed and unemployed youth (ages 15 to 24) estimated from the 2011 HILDA survey.

<table>
<thead>
<tr>
<th>Age</th>
<th>Study</th>
<th>Educational Attainment (not enrolled in full-time study)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Enrolled in a course/school</td>
<td>Full-time study</td>
</tr>
<tr>
<td></td>
<td>A: Unemployed Youth</td>
<td></td>
</tr>
<tr>
<td>15-17</td>
<td>68%</td>
<td>52%</td>
</tr>
<tr>
<td>18-19</td>
<td>52%</td>
<td>47%</td>
</tr>
<tr>
<td>15-19</td>
<td>48%</td>
<td>36%</td>
</tr>
<tr>
<td>20-22</td>
<td>20%</td>
<td>13%</td>
</tr>
<tr>
<td>23-24</td>
<td>6%</td>
<td>2%</td>
</tr>
<tr>
<td>20-24</td>
<td>15%</td>
<td>9%</td>
</tr>
<tr>
<td>15-24</td>
<td>33%</td>
<td>24%</td>
</tr>
<tr>
<td>B: Employed (at least 1 hour per week) Youth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15-17</td>
<td>82%</td>
<td>63%</td>
</tr>
<tr>
<td>18-19</td>
<td>39%</td>
<td>34%</td>
</tr>
<tr>
<td>15-19</td>
<td>59%</td>
<td>48%</td>
</tr>
<tr>
<td>20-22</td>
<td>28%</td>
<td>23%</td>
</tr>
<tr>
<td>23-24</td>
<td>16%</td>
<td>9%</td>
</tr>
<tr>
<td>20-24</td>
<td>23%</td>
<td>17%</td>
</tr>
<tr>
<td>15-24</td>
<td>37%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Source: DEEWR estimates from the Household Income and Labour Dynamics in Australia Survey, Wave 11, unweighted.

<sup>2</sup> Includes Certificate III, Certificate IV, Diploma and Advanced Diploma.

<sup>3</sup> Includes Certificate I, Certificate II and Certificate not further defined.
3. Research on youth unemployment and transitions using LSAY

Marks and Fleming (1998)\textsuperscript{4}

This study examined unemployment among Australian youth between 1980 and 1994 using the Longitudinal Survey of Australian Youth (LSAY) data and covered young people’s experience from age 14 to 33. The main findings were:

- Low school achievement in literacy and numeracy was consistently associated with youth unemployment, with effects continuing through to age 33
- Year 12 completion reduced the incidence of unemployment, especially between the ages of 18 and 22, after controlling for school achievement and background factors
- After controlling for Year 12 completion and literacy and numeracy achievement, post school qualifications did not reduce the likelihood of unemployment further
- Men were generally more likely to become unemployed and were less likely to exit unemployment compared to women when post school qualifications and labour market experience were taken into account
- Age had a strong effect, net of other factors, with older young people less likely to become unemployed reflecting the accumulation of labour market experience and increased maturity
- Background effects such as socio-economic background and ethnicity had moderate effects on becoming unemployed, net of other factors
- The national unemployment rate for the whole labour force had a positive relationship with youth unemployment
- Influences on youth unemployment duration were school achievement (measured through achievement in literacy and numeracy in Year 9), Year 12 completion (at younger ages), having a degree (at middle ages), marriage and unemployment experience.

McMillan and Marks (2003)\textsuperscript{5}

This study examined the experiences of the LSAY Year 95 cohort from age 14 to age 19 (initial post school years), with main findings:

- Literacy and numeracy achievement was the strongest of the influences on unemployment considered in this report. Literacy and numeracy achievement influences the chances of becoming a non-completer, and its influence continues in the post-school years. Its influence is similar among both non-completers and completers, after controlling for other background and educational characteristics.
- Socioeconomic background is one of the strongest influences on unemployment. Its influence on unemployment is similar for both non-completers and completers, after controlling for other background and educational characteristics. This suggests that parents with higher occupational


status are more able to assist their children obtain employment, for example through access to networks and other job search skills.

- School non-completion is associated with higher unemployment rates in the early post-school years. However, after controlling for the influence of a range of background and educational factors, the picture becomes less clear.

  - Among non-completers there are differences between early and later school leavers, with later school leaving being associated with higher unemployment. In contrast, the odds of completers being unemployed were not significantly different from those of early school leavers, after controlling for other background and educational factors. It must be remembered that the school completers examined in this chapter did not include those who entered higher education after leaving school.

- The benefits of various types of post-school education and training differ between non-completers and completers. For non-completers, the completion of an apprenticeship reduces the risk of unemployment in the early post-school years.
4. 15-24 year olds – what are they doing? March 2013

Notes: Only includes DEEWR income support payments, so does not sum to total population.

**Sources:** ABS, Labour Force, Australia, March 2013 (Cat. No. 6202.0); ABS Education and Work, May 2012 (Cat. No. 6227.0); and Centrelink Administrative Data (Blue Book Dataset). Note: ABS Data for Civilian Population only. Numbers are rounded to the nearest 100.