


## Chapter 80

# Youth Labor Underutilization in Australia Following the Global Financial Crisis

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### ABSTRACT

*In the wake of the Global Financial Crisis, although the Australian economy remained largely buoyant in aggregate terms, outcomes across different groups were not evenly shared. In labor market terms, different demographic groups appeared to more or less impacted by the post-GFC economic environment. One such group were young people, who witnessed a change in employment fortunes compared to others in the labor force. This chapter provides an investigation of these uneven labor market outcomes and presents an analysis of youth labor underutilization using pooled panel data, taking account of both individual level supply-side factors together with the strength of the local labor market (demand-side). The result is an analysis that accounts for the impact of changing macroeconomy, local labor market conditions, and the employability assets of young individuals. The result illustrates the impact of the post-GFC economy of the youth labor market.*

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## **INTRODUCTION**

In the period following the Global Financial Crisis (GFC), there was general agreement that the Australian economy had managed to deflect much of the negative impacts that had seen other international economies suffer from diminished levels of economic growth with serious flow-on effects to labor markets. This resilience was heralded by both the Australian government and international organizations, such as the IMF, as an example of good economic management. According to one Australian media outlet, ‘[I]luckily in Australia we avoided a long-term unemployment problem—in part due to China, but also because of the massive stimulus program put through by the Rudd Government’ (Pickering, 2014). While it is certainly true that the Australian economy managed to remain buoyant while others faltered, it is equally true that in the period following the GFC, changes in the performance and management of the macro-economy have resulted in a gradual diminishing of economic performance across many areas, not least the labor market. Labor market changes extended beyond simply shifts in unemployment and included increases in broader measures of joblessness including underemployment and underutilization, diminishing job security perceptions and changes to the very nature of work. What has been especially concerning has been the long-term impacts on joblessness and employment disadvantage. While all labor sub-markets have been impacted, the impact on the youth labor market has been heightened with significant impacts on the level of both unemployment and underemployment.

Understanding the post-GFC patterns of youth labor underutilization is the focus of this chapter. Its main purpose is to consider the factors associated with youth underutilization including the characteristics of at-risk individuals and the characteristics of the local labor markets and the macro-economy that individuals operate in. The analysis in the chapter provides a unique opportunity to consider the ways that these cross-cutting factors have impacted on labor market outcomes. By utilizing panel data regarding labor market outcomes for individuals aged between 15 and 24 years of age and linking the individual data to broader macro-level factors. The panel data, covering the years 2008 to 2015, is taken from the Household, Income and Labor Dynamics Australia (HILDA) survey and is combined with regional labor market statistics from the Australian Bureau of Statistics. This combined dataset allows the following research questions to be addressed:

1. What was the impact of supply side characteristics on the risk of an individual’s labour being underutilised?
2. What was the impact of aggregate/ spatial demand side characteristics on the risk of an individual’s labour being underutilised? and
3. What was the impact of macro-economic forces in the post-GFC period on an individual’s labour being underutilised?

## **LABOR UNDERUTILIZATION AND YOUNG PEOPLE: PATTERNS AND PROBLEMS**

It has been widely acknowledged that in Australia, as elsewhere, the labor market plight of young people aged between 15 and 24 has been increasingly bleak in the period following the Global Financial Crisis. In the period prior to the global downturn, both unemployment and underemployment (and hence underutilization) had been trending lower, a situation that had been in play since the last major downturn

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