



Australian Government

Department of Employment and Workplace Relations

Very Long-Term Unemployment in NSW

Introduction

This report details some of the key aspects of very long-term unemployment (VLTU) in NSW. For this report, VLTU will be defined as unemployment of 24 months or more duration in order to conform with ABS published data. This differs from the DEWR definition of VLTU which in most cases is around three years.

The analysis is based on data from the Australian Bureau of Statistics (ABS) *Labour Force Survey*. The time-series ABS data has been seasonally adjusted and trended (or smoothed) by the NSW Labour Economics Office. The most recent trend figures can be subject to considerable revision as information for subsequent months will enable refinement of the seasonal adjustment and the averages used.

Summary

- The number of VLTU in NSW has declined significantly from 65,600 at the end of 1993 to 21,800 in April 2006.
- In April 2006, the VLTU share of the total number of unemployed was 13% for males and 8.7% for females.
- The share that VLTU comprises of total unemployment increases with age, rising from 4% for 15-24 year olds to 28% for 55-64 year olds.
- The VLTU share of total unemployment is lower in Sydney than in the remainder of the State.
- The VLTU are more likely to be seeking full-time work (83%) than are those unemployed for less than one year (70%).
- Around 28% of VLTU have been unemployed for at least five years.
- The average duration of unemployment for VLTU is approximately 4.5 years.

Contact: Richard Smith (02) 9246 0679
NSW Labour Economics Office, DEWR

Internet address: www.workplace.gov.au/leo Select "New South Wales" then "Publications"
June 2006

Change in definition of VLTU

Prior to April 2001, the ABS calculated a person's duration of unemployment as the time since his or her last full-time job. However, since April 2001 the duration is calculated from the person's last job irrespective of a full-time or part-time nature in order to align with international conventions.

Data using the new definition is only available from April 2001 onwards. The earlier sections of this report (up to and including gender) use the pre-April 2001 definition in order to have a consistent time series. The sections thereafter are based on the new definition. In the year to April 2006, the estimated number of VLTU in NSW is 1,500 lower using the new definition compared to the pre-April 2001 definition.

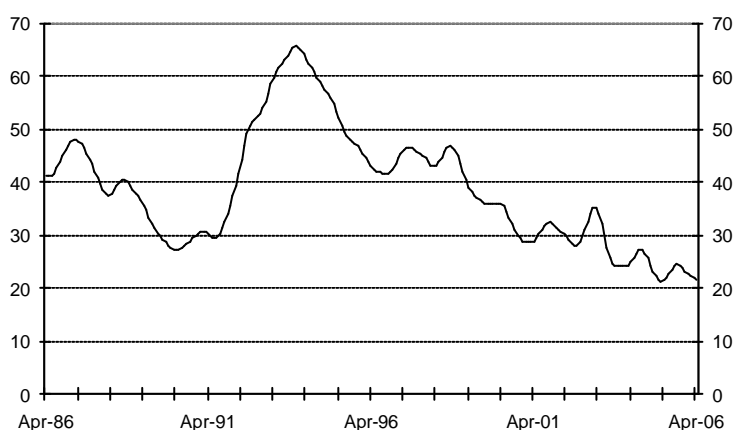
Some of the *ABS Labour Force Survey* data in this report, such as for regions and age groups, are based on small sample sizes and should be treated with extreme care. Data in this report is for NSW unless indicated otherwise.

VLTU and share of total unemployment

The typical pattern for very long-term unemployment is for it to rise steeply with a recession (as it did in the early 1990s) and then, as economic growth resumes, to decline at a more gradual rate.

After peaking at around 65,600 in late 1993, the number of very long-term unemployed has generally declined. There were only 21,800 VLTU in April 2006, being the lowest figure in the past 20 years.

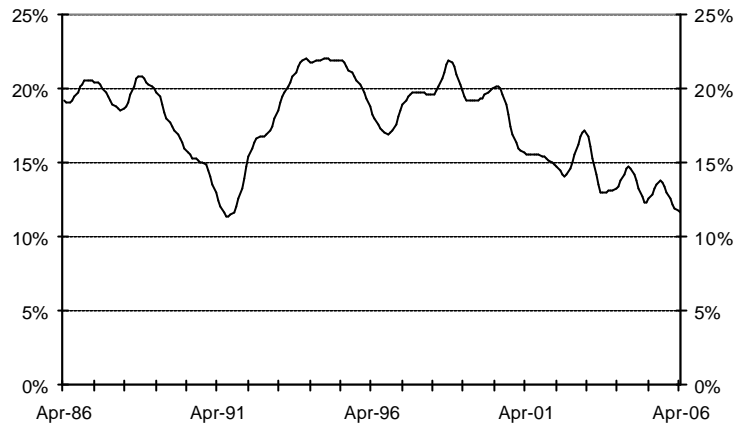
Very Long-term Unemployed (000s), NSW, Trend, 1986-2006



Source: *ABS Labour Force Survey* trended by the *NSW Labour Economics Office*

After peaking at 22% in late 1994, the share that VLTU comprises of the total number of unemployed fell to 11.6% in April 2006. The April 2006 share was the lowest in 14 years and was only slightly higher than the share prior to the recession of the early 1990s.

VLTU Share of the Unemployed, NSW, Trend, 1986-2006



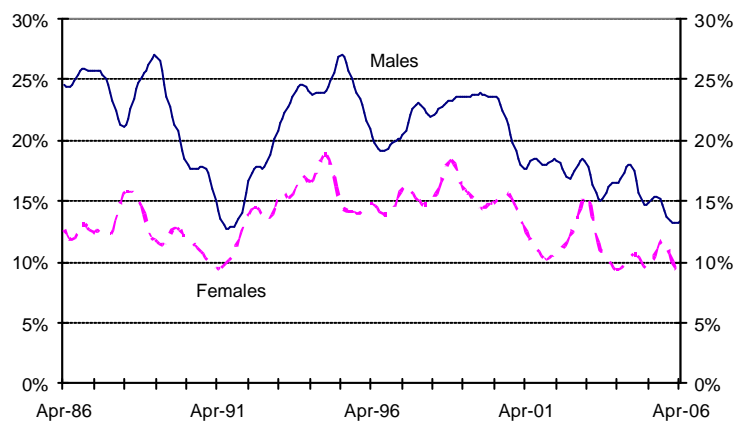
Source: ABS Labour Force Survey trended by the NSW Labour Economics Office

Gender

Both male and female VLTU numbers have fallen to almost one-third of their respective peaks of the early 1990s, while in April 2006, the VLTU share of the total number of unemployed was 13% for males and 8.7% for females.

The share that VLTU comprise of the total number of unemployed has been consistently higher for males than females, although the proportions were close in 1992 and 2003. Male VLTU rose sharply with the early 1990s recession, reaching 27% in April 1995, whereas the female peak was around 19% in October 1994.

VLTU Share of the Unemployed by Gender, NSW, Trend, 1986-2006



Source: ABS Labour Force Survey trended by the NSW Labour Economics Office

The lower proportion of unemployed females who are VLTU may partly be explained by a greater tendency for unemployed females to drop out of the labour force and by the strong employment growth in industries where females are more prominent (i.e. the service industries).

Age

The share that VLTU comprises of total unemployment increases with age. The table below refers to Australian data. The NSW data, which is more volatile being based on smaller sample sizes, displays a similar pattern. In the year to April 2006, only 4% of the total unemployed from the 15-24 years age group were VLTU, with the proportion rising to 28% for unemployed 55-64 year olds.

**VLTU Share of Total Unemployment by Age,
Australia, Year to April 2006**

15-24	4%
25-34	9%
35-44	14%
45-54	17%
55-64	28%

Source: ABS Labour Force Survey

The relatively low VLTU share for younger persons is partly attributable to the presence among unemployed young persons of recent leavers from full-time education who are in a transition to employment. Younger people also tend to have other options (such as study) available as well as having less investment in skills learnt on-the-job which may make them more flexible in the type of jobs sought. Furthermore, some employers may perceive that younger persons are more adaptable and have more relevant skills for their business.

Many of the older unemployed are males who previously worked in industries such as Manufacturing and Agriculture where employment has been in long-term decline. Australian data¹ indicate that the average duration of unemployment for persons whose last job was in Manufacturing or Agriculture was above the average for all industries, and that the occupations with the highest average duration since last job were the lesser skilled occupations of Labourers and Related Workers and Intermediate Production and Transport Workers.

¹ NSW data is not used as sample sizes involved are too small. Data is for the four quarters to February 2006.

Regions

Regional data for VLTU from the *ABS Labour Force Survey* are quite volatile as the sample sizes are small. These estimates suggest that Sydney has a comparatively lower VLTU share of unemployment than the balance of NSW.

VLTU, Sydney and Balance of NSW, Year to April 2006

	Number (000s)	VLTU Share of Total Unemployment
Sydney	10.6	10.4%
Balance of NSW	11.2	14.1%

Source: ABS Labour Force Survey

Looking for full-time/ part-time work

The prevalence of looking for full-time work rather than part-time work tends to increase with duration of unemployment. Some of the possible reasons for this include:

- persons seeking full-time work are less likely to withdraw from the labour force than those seeking part-time work;
- those unemployed for a long time are more likely to be males who are more likely to be seeking full-time work and to have been employed in industries where employment is in long-term decline;
- stronger growth of part-time employment compared to full-time employment over the past decade; and
- persons looking for full-time work are generally seeking more specific and harder to find employment.

Around 83% of VLTU in NSW for the year ended April 2006 were looking for full-time work compared to 70% of those unemployed for less than one year. There was only a little difference in the proportion of those looking for full-time work between those unemployed for one to two years and those unemployed for two years or more.

Unemployed Looking for Full-time or Part-time Work by Duration of Unemployment, NSW, Year to April 2006

	Duration of Unemployment		
	Less than 1 year	1 to 2 years	Over 2 years
Looking for Full-time work	70%	82%	83%
Looking for Part-time work	30%	18%	17%

Source: ABS Labour Force Survey

VLTU duration of unemployment

Almost 30% of the VLTU have been unemployed for five years or more.

VLTU Duration of Unemployment, NSW, Year to April 2006

	Number (000s)	Share of VLTU
2 years and under 3 years	9.7	45%
3 years and under 4 years	4.0	18%
4 years and under 5 years	2.0	9%
5 years and over	6.1	28%
Total 2 years and over	21.8	100%

Source: ABS Labour Force Survey

Average duration of unemployment

In the year to April 2006, the average duration of unemployment for the VLTU was 233 weeks or almost 4.5 years. The average duration of unemployment for all unemployed persons was 44 weeks.