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Long-term unemployment

[www.abs.gov.au/socialtrends](http://www.abs.gov.au/socialtrends)

ABS catalogue no. 4102.0

ISSN 1321-1781

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# Long-term unemployment

People who are unemployed for long periods of time may experience economic hardship and be at greater risk of poverty than those unemployed for shorter periods. They can also miss out on the networks and social interactions that employment can offer, while low income and lack of access to the job-market can lead to disadvantage and in turn social exclusion.<sup>1</sup> Families with members who are unemployed for a year or more (long-term unemployed) may also be negatively affected, and there is concern that this may contribute to intergenerational disadvantage.<sup>2</sup>

What's more, the longer people are unemployed, the harder it may become to return to, or gain, employment. This can be related to the gradual loss of social or workplace networks, relevant skills, confidence, motivation or because of employers' negative perceptions of their 'employability'.<sup>3</sup>

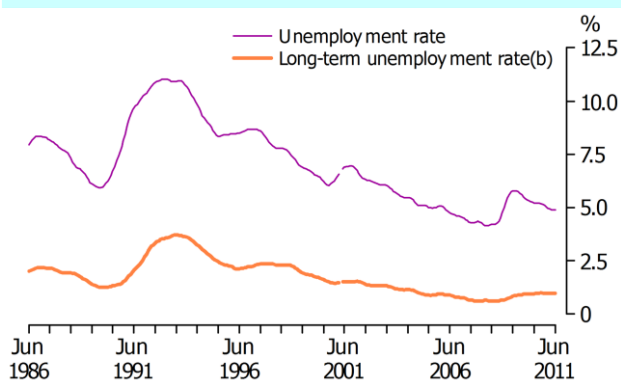
Long-term unemployment places a strain on the economy because of people's reliance on government pensions or allowances.

## Trends in long-term unemployment

Australia's unemployment rate peaked soon after the economic downturn of the early 1990s. Since then it has generally declined, with only three notable increases – the biggest in mid-2009 around the time of the global financial crisis.

The long-term unemployment rate shows some of the same patterns as the general unemployment rate – peaking in the early 1990s and generally declining since.

### Long-term unemployment rate(a): trend



(a) People unemployed for 52 weeks and over as a proportion of the labour force.

(b) Break in series at April 2001 due to changes in methodology. For more information see Explanatory Note 18 in ABS Labour Force, Australia (cat. no. 6202.0).

Source: ABS [Labour Force, Australia, Detailed - Electronic Delivery, February 2011 and June 2011](#) (cat. no. 6291.0.55.001); ABS [Labour Force, Australia, June 2011](#) (cat. no. 6202.0)

## Data sources and definitions

Most of the data in this article has been sourced from the ABS Labour Force Survey.

A person is *unemployed* if they were aged 15 years and over and were not employed in the reference week, and:

- had actively looked for full-time or part-time work at any time in the four weeks up to the end of the reference week and were available for work in the reference week; or
- were waiting to start a new job within four weeks from the end of the reference week and could have started in the reference week if the job had been available then.

A person is *long-term unemployed* if they were continuously unemployed for 52 weeks or more.

The *unemployment rate* is the proportion of the labour force who were unemployed.

The *long-term unemployment rate* refers to the proportion of the labour force who were long-term unemployed.

In this article, the *long-term unemployment ratio* refers to the proportion of the unemployed population who were long-term unemployed.

*Non-dependent children* are people aged 15 years and over who:

- do not have a spouse or offspring of their own in the household;
- have a parent in the household; and
- are not full-time students aged 15–24 years.

*NewStart allowance* is a Centrelink payment for people looking for paid work, who are aged at least 21 but below the Age Pension age, who are prepared to enter into an Employment Pathway Plan and meet activity test requirements, and who are not involved in industrial action.

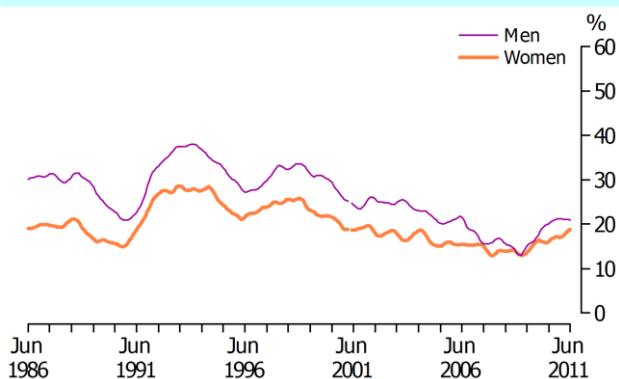
However, the long-term unemployment rate was less volatile over the period, not showing the same peaks and troughs as the general unemployment rate.

The long-term unemployment rate was, like general unemployment, at an all-time low throughout most of late 2007 and 2008 (0.6%), although both increased going into 2009. While unemployment started to decline again in late 2009, long-term unemployment has not shown the same pattern, appearing relatively stable over the 12 months to June 2011 (at 1.0%).

## ...as a ratio to unemployment

In January 1994, following the recession of the early 1990s, one in three (34%) unemployed people were long-term unemployed. The ratio for men (38%) was higher than for women (28%). A decline over the following years in long-term unemployment numbers relative to general unemployment saw a decrease in the long-term unemployment ratio. By February 2009 just over one in eight (13%) unemployed men and women were long-term unemployed.

## Long-term unemployment ratio(a): trend(b)



(a) People unemployed for 52 weeks or more as a proportion of all unemployed people.

(b) Break in series at April 2001 due to changes in methodology. For more information see Explanatory Note 18 in ABS Labour Force, Australia (cat. no. 6202.0).

Source: ABS [Labour Force, Australia, Detailed - Electronic Delivery, February 2011 and June 2011](#) (cat. no. 6291.0.55.001)

Since then, the long-term unemployment ratio has risen and in June 2011 it had increased to one in five (20%) and a small difference had reopened between men (21%) and women (19%).

## Who are the long-term unemployed?

In 2010–11, there were on average 116,700 long-term unemployed people, and over half (56%) were men. In comparison, 52% of all unemployed people were men.

While around two-thirds (66%) of the long-term unemployed were aged 15–44 years, the long-term unemployed did tend to be older than the general unemployed population (33% were aged 45–64 years compared with 22% of the total unemployed).

Many people (45%) who were in long-term unemployment had in fact been unemployed for two years or more. Most of these people were men (58%), and most were aged 15–44 years (60%).

The annual average long-term unemployment rate for 2010–11 was 1.0%, and this represented around one-fifth (19%) of the unemployed population (the long-term unemployment ratio). While the rate was similar between men (1.0%) and women (0.9%), there was a slight difference in the ratio (21% for men compared with 17% for women) and there was further variation across age groups.

## ...younger people

The long-term unemployment rate was highest for people aged 15–24 years (1.5%, compared with around 0.8% for most other age groups). However of all age groups, they had the lowest long-term unemployment ratio (13%), due to high overall unemployment for young people.

## ...older people

In older age groups, long-term unemployment rates were fairly consistent at around 0.8%, except for men aged 55–64 years where the long-term unemployment rate increased to 1.2%.

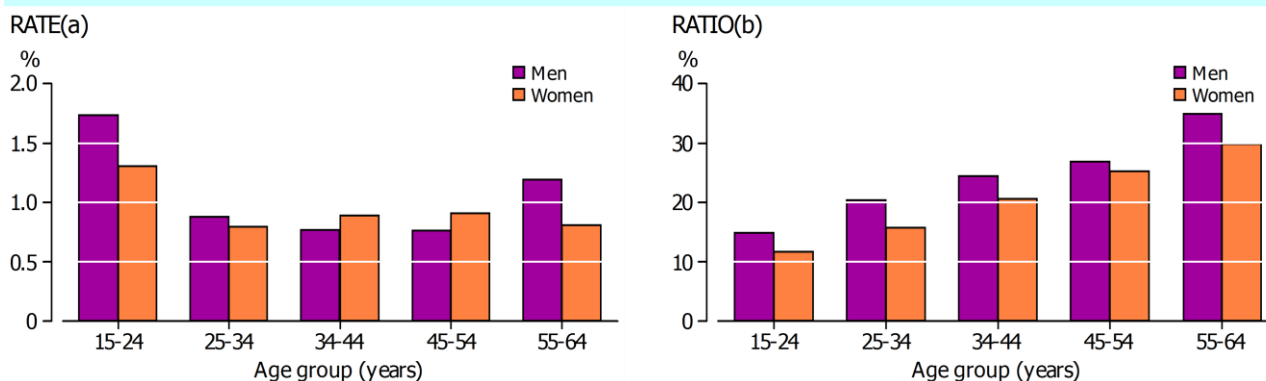
Generally, the older unemployed people were, the more likely they were to have been in long-term unemployment. In 2010–11, one-third (33%) of unemployed people aged 55–64 years were long-term unemployed. This compared with 22% of those aged 35–44 and 13% of those aged 15–24.

## ...across Australia?

In 2010–11, New South Wales had a high long-term unemployment rate (1.1%) and ratio (22%) while Western Australia (0.6% and 14%), the NT (0.4% and 15%) and the ACT (0.4% and 11%) had both low rates and ratios.

Within the states, there was also a difference in long-term unemployment between the capital city and the balance of the state. The long-term unemployment rate was slightly higher outside the state capitals (1.2%) than within them (0.9%). The long-term unemployment ratio was also slightly higher outside state capital cities (22% compared with 18%).

## Long-term unemployment rate(a) and ratio(b), by age and sex: annual average – 2010-11



(a) The proportion of the labour force who were long-term unemployed.

(b) The proportion of the unemployed population who were long-term unemployed.

Source: ABS [Labour Force, Australia, Detailed - Electronic Delivery, June 2011](#) (cat. no. 6291.0.55.001)

At a regional level, some of the highest rates of long-term unemployment, over double the national average, could be found in the Statistical Regions of Far North (Qld), Fairfield-Liverpool (NSW), and Northern Adelaide (SA).

Fairfield-Liverpool (NSW) was also a region with a high long-term unemployment ratio (34%), with one-third of all unemployed people in long-term unemployment. North Western and Central Western (NSW) — which includes towns such as Armidale, Dubbo and Bathurst — and Central Highlands-Wimmera (Vic.) were also regions where a large proportion of unemployed people were long-term unemployed (31% and 29% respectively).

### ...in different types of households?

Long-term unemployment has the potential to impact upon not just the individual concerned, but also their families. Children with unemployed parents may face additional challenges and may see a negative impact upon their education and future prospects.<sup>2</sup> In this context it is important to see what kind of Australian households are most likely to be affected by long-term unemployment. One group with a high rate of long-term unemployment were non-dependent male children aged 15 years and over living with their parents. Their long-term unemployment rate was two and half times the average (2.5%, with a ratio of 23%). Lone mothers also had a high rate of long-term unemployment (2.4% and a ratio of 26%). Men living alone had a relatively high rate of long-term unemployment (1.7%), and a relatively high long-term unemployment ratio (30%).

While people in couple relationships (with or without children) had a low long-term unemployment rate (0.5%), the sheer size of this group meant that it made up one-third (33%) of all long-term unemployed people.

### Selected regions of high long-term unemployment (LTU); annual average –2010-11

	LTU Rate %	LTU Ratio %	Labour force (000's)
<b>High rates</b>			
Far North (Qld)	2.5	27.6	148.8
Fairfield-Liverpool (NSW)	2.4	33.8	169.9
Northern Adelaide (SA)	2.1	26.7	193.8
<b>High ratios</b>			
Fairfield-Liverpool (NSW)	2.4	33.8	169.9
Nthn, N. Western and C. West (NSW)	1.7	30.8	258.9
Central Highlands-Wimmera (Vic.)	1.9	28.5	112.3
<b>Australia</b>	<b>1.0</b>	<b>19.2</b>	<b>11,993.8</b>

Source: ABS [Labour Force, Australia, Detailed - Electronic Delivery, June 2011](#) (cat. no. 6291.0.55.001)

### Discouraged job seekers

The official measure of unemployment requires a person aged 15 years or over to be wanting to work, available to start work and actively looking for work. Discouraged job seekers are people who wanted to work, were available to start work, but were not actively looking for work because they believed they would not find a job for any of the following reasons:

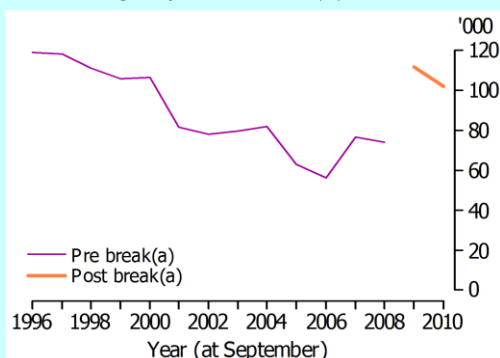
- considered to be too young by employers;
- considered to be too old by employers;
- believes ill health or disability discourages employers;
- lacked necessary schooling, training, skills or experience;
- difficulties because of language or ethnic background;
- no jobs in their locality or line of work;
- no jobs in suitable hours; and
- no jobs at all.

In September 2010 there were 102,100 discouraged job seekers. Although there were fewer discouraged job seekers than a year prior (111,800 in 2009), the figure was still higher than any other year since 2000.

In September 2010, around one-third (35%) of discouraged job seekers were aged 65 years and over, with similar proportions aged 15–44 years (35%) and 45–64 years (30%).

Around three-quarters (74%) of discouraged job seekers aged 65 years and over reported that the main reason they were not actively looking for work was because they were considered too old by employers. Younger discouraged job seekers aged 15–44 years were more likely to have cited their lack of necessary schooling, training, skills or experience (34%) or the lack of jobs in their locality or line of work (22%).

### Discouraged job seekers(a)



(a) There is a break in the time series between 2008 and 2009, although it only has a small impact on the numbers. See the Explanatory Notes in the source below.

Source: ABS [Persons Not in the Labour Force, Australia, September 1996-2010](#) (cat. no. 6220.0)

### How skilled are they?

While not all jobs require vocational or higher education, having such qualifications may provide people with the skills and knowledge that can help them obtain employment.

The ABS Job Search Experience Survey shows that in July 2010, around half of long-term unemployed people (49%) had not attained

## Long-term unemployment and health

The ABS 2007–08 National Health Survey allows us to see where health differs between people who are long-term unemployed and those in employment. While a person's poor health may impact upon the amount of time they spend in unemployment, extended periods of unemployment and the potential resultant financial and/or psychological stress may also contribute to poor health.

People aged 15 years and over who were long-term unemployed were four times as likely as employed people to say that their health was only fair or poor (34% compared with 9%). They were twice as likely as employed people to be a current smoker (44% compared with 22%), twice as likely as those employed to have back pain, back problems or disc disorders (32% compared with 16%) and almost three times as likely to have mental or behavioural problems (27% compared with 11%).

The 2009 Survey of Disability, Ageing and Carers allows us to see where disability status differs between people who are long-term unemployed and those in employment. Of people aged 15–64 years living in households, people who were in long-term unemployment were around twice (or 2.3 times) as likely as employed people to have a disability (23% compared with 10%).

Year 12 or above as their highest educational attainment. This compared with around two fifths (41%) of people who had been unemployed for less than 12 months and with around one-quarter (24%) of those who had started their current job in the last 12 months.

## How many hours would they prefer to be working?

Many long-term unemployed would prefer to be working full-time hours.

In July 2010, three-quarters (75%) of long-term unemployed men and half (50%) of long-term unemployed women stated they would have preferred to have been working full-time hours (35 hours or more per week).

## Difficulties in finding work

The most common difficulty in finding work reported by long-term unemployed people was that there were too many applicants for the available jobs (54%). This was also the most common difficulty cited by people unemployed for a shorter period (47%).

Long-term unemployed people were more likely than those who had been unemployed for a shorter period to cite insufficient work experience (46% compared with 33% of short-term unemployed), lack of necessary skills or education (40% compared with 29%), and more likely to say that a job was too far to travel or they had transport problems (34% compared with 18%). They were also twice as likely to have cited their own health or a disability as one of the difficulties they faced in finding work (26% compared with 12%).

## International Comparisons



Australia's long-term unemployment rate in 2010 (1.0%) was low relative to rates in the United States (2.8%) and many European countries; however the long-term unemployment rate in New Zealand (0.5%) was around half that of Australia (1.0%).

Australia's long-term unemployment ratio in 2010 (19%) was also relatively low compared with most of the countries mentioned above; however again New Zealand's ratio was lower (8%).

Between 2008 and 2010 (which shows the impact of the global financial crisis), the long-term unemployment rate increased in all these selected countries. The most dramatic rise was in the United States, where it more than quadrupled from 0.6% to 2.8%. The largest increase in the long-term unemployment ratio was also in the United States. In 2008, only 1 in 10 (11%) unemployed people in the United States were long-term unemployed, whereas in 2010 over 1 in 4 (29%) were in the same situation.

## Long-term unemployment(a), selected countries; annual average – 2010

	Rate(b)		Ratio(c)	
	2008	2010	2008	2010
Greece	3.6	5.6	47.5	45.0
France	2.7	3.7	37.1	39.7
Italy	3.0	4.0	45.2	48.0
United States	0.6	2.8	10.6	29.0
United Kingdom	1.4	2.5	24.1	32.6
Sweden	0.8	1.5	12.5	17.4
Australia	0.6	1.0	14.9	18.6
New Zealand	0.2	0.5	4.0	8.1

(a) 'Long-term unemployment' can refer to different durations of unemployment in various countries. In this table it refers to unemployment of approximately more than one year (see the original source for accurate definitions).

(b) Long-term unemployed as a proportion of the labour force.

(c) Long-term unemployed as a proportion of the unemployed.

Note: Rates and ratios were derived from rounded data, therefore rounding errors may exist.

Source: International Labour Organization, [Short term indicators of the labour market](http://laborsta.ilo.org), viewed 29 August, 2011, <[laborsta.ilo.org](http://laborsta.ilo.org)>

## Steps taken to find work

Long-term unemployed people may undertake a variety of steps to find work. In July 2010, some of the most common steps taken included looking at ads for jobs in a newspaper (91%); or on the Internet (77%); and writing, phoning, or applying in person to an employer for work (87%).

These were also common steps for those who were only unemployed for a shorter period (77%, 78% and 84% respectively). They were also some of the most common steps for those who had started their current job in the last 12 months and who had been looking for work prior (48%, 62% and 70%).

Where the steps taken to find work by the long-term unemployed population differed the most from these other groups was in the proportion who reported registering or checking with Job Services Australia (JSA) and/or Centrelink. In July 2010, around three quarters (77%) of the long-term unemployed had registered with Centrelink as a job seeker, two-thirds (66%) had registered with a JSA provider and a similar proportion (65%) had checked with a JSA provider. These rates were almost double those for people unemployed for a shorter period, and around four times as high as those for people who had started their current job in the last 12 months and who had been looking for work prior. Despite this, there were still 14% of the long-term unemployed who had not registered/or checked with a JSA provider, with another employment agency, or registered as a job seeker with Centrelink.

## Pathways into long-term unemployment

Long-term unemployed people were more likely than the short-term unemployed to have lost their last job (mostly through being laid off, retrenched, or because the job was temporary or seasonal) rather than having left it (either for unsatisfactory work arrangements or for other reasons such as returning to studies). Of those who were long-term unemployed, almost three-quarters (72%) had lost their last job while around a quarter (27%) had left their last job.<sup>4</sup> This compared with 57% of short-term unemployed people having lost their last job and 43% having left their last job.

## Government pensions and allowances

In 2009–10, almost all (96%) of households with at least one long-term unemployed person had received some form of government pension or allowance in the previous financial year. Newstart allowance was one of the most common payments, with around half (53%) of these households having someone who received this payment.

In 2009–10, nearly three-quarters (71%) of households with at least one long-term unemployed person had at least 20% of their household income coming from government pensions or allowances, and over two-fifths (43%) had at least 90% of their household income coming from these sources. This financial dependence was less common for households without any long-term unemployed people. Around one-third (34%) of these households had at least 20% of their household income coming from government pensions or allowances.

## Comparing unemployment and the claimant count

The ABS Labour Force Survey (LFS) has provided the official measures of employment and unemployment on a monthly basis for over 50 years. Another important source of data is compiled by the Department of Education, Employment and Workplace Relations (DEEWR) and relates to a count of the number of Labour Market Payment (LMP) recipients.

While both of these series have tended to move broadly in line with each other over time, the two measures differ in many ways. For example, some people may be considered unemployed by the ABS, but they may have not have received LMP due to income from other sources. At the same time, other people who would not be considered unemployed by the ABS may be receiving LMP while working to supplement their income.

For a more in-depth discussion of the differences between these two perspectives see '[Comparing unemployment and the claimant count](#)' in [Australian Labour Market Statistics, Jan 2009](#) (cat. no. 6105.0).

## Looking ahead

Despite a recent peak, for almost eight years Australia's unemployment rate has been lower than at any other time within the last quarter of a century. This indicates an economy with a high demand for workers. In this context, people in long-term unemployment may be presented with more opportunities now than ever before to overcome barriers to their employment.

In the 2011–12 Australian Government Budget two measures, costing \$227.9 million, were announced that aim to specifically target the Very Long Term Unemployed (VLTU). One measure increases the obligations of VLTU job seekers to participate in activities designed to help them secure a job (increasing required participation from 6 to 11 months in a year). The second measure is a new wage subsidy that is designed to encourage employers to take on VLTU job seekers.<sup>5</sup>

## Endnotes

- 1 Australian Social Inclusion Board, [A Compendium of Social Inclusion Indicators: How's Australia Faring?](#), Canberra, p. vii, <[www.socialinclusion.gov.au](http://www.socialinclusion.gov.au)>.
- 2 Kalil, A., 2009, "Joblessness, family relations and children's development" in *Family Matters*, No. 83, Australian Institute of Family Studies, <[www.aifs.gov.au](http://www.aifs.gov.au)>.
- 3 Australian Social Inclusion Board, [A Compendium of Social Inclusion Indicators: How's Australia Faring?](#), Canberra, p. 29, <[www.socialinclusion.gov.au](http://www.socialinclusion.gov.au)>.
- 4 Excluding those who had never worked, whose last job was for less than two weeks or was more than two years prior.
- 5 Department of Education, Employment and Workplace Relations, "Building Australia's Future Workforce: Very Long Term Unemployment" factsheet within the *Budget 2011–12* section of DEEWR's website, <[www.deewr.gov.au](http://www.deewr.gov.au)>.

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