

Job Search Methods, Neighbourhood Effects and the Youth Labour Market

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Survey data suggest that around one third of teenagers successfully find work through friends and relatives, one third find work by directly contacting employers and another third use indirect methods such as newspapers or employment agencies. In contrast, less than 10 percent of unemployed teenagers report that they are using friends and relatives as their main job-search method, and two thirds report that they are mainly using an indirect method of search. This paper examines what factors affect the way teenagers look for work in order to explain why we observe this behaviour. This is done by developing an economic model of an individual's search method choices that pays special attention to the role of local labour market conditions, and estimating job-search method choices of unemployed teenagers from the Australian Youth Survey (AYS).

We find that respondents from better-educated backgrounds are more likely to search using friends and relatives or directly contacting employers in preference to searching in the newspaper or through the CES. There is some evidence that higher neighbourhood unemployment rates and longer durations of unemployment decrease the probability of using direct job search methods. Higher neighbourhood unemployment rates also increase the probability that the CES will be used as the main job-search method. The fact that less successful methods are used in neighbourhoods where unemployment is high may help explain how an exogenous shock, eg the closure of a local employer, could be amplified, resulting in the increasing concentration of unemployment documented by Gregory and Hunter (1995).

JEL Classifications: J64

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