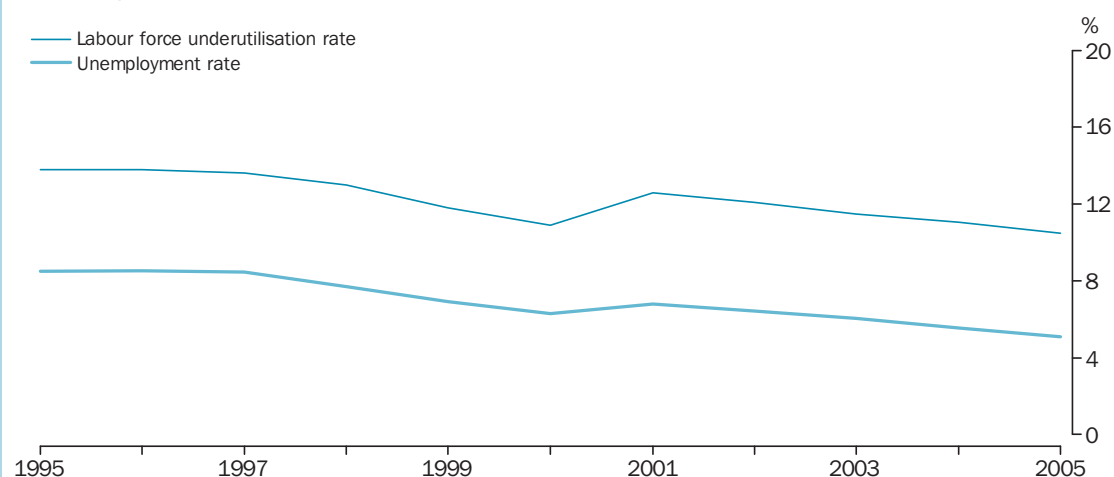


# Work: key points

Unemployment and labour force underutilisation rates(a)



(a) The labour force underutilisation rate is the number of unemployed and underemployed persons, expressed as a proportion of the labour force.

Source: Australian Labour Market Statistics, October 2005, cat. no. 6105.0.

The unemployment rate has had a downward trend since the last recession in the early 1990s. The annual average unemployment rate was 8.2% during 1995. Since then it has generally fallen, to be 5.1% in 2005. On average the unemployment rate was lower in the 1960s and early 1970s, than it has been since the mid 1970s.

## The relationship between work and progress

Paid work is the way most people obtain the economic resources needed for day to day living. Having paid work contributes to a person's sense of identity and self-esteem. People's involvement in paid work also contributes to economic growth and development.

## About the headline indicator and its limitations: Unemployment rate

While a single indicator covering all that is important to progress in the work dimension is not available, useful indicators of progress may be obtained by looking at the extent to which people are working their preferred number of hours. The unemployment rate, which is the number of unemployed people expressed as a proportion of the labour force, is a widely used measure of underutilised labour resources in the economy. This has been chosen as the headline indicator, because of its relevance to economic and social aspects of work. The graph above also includes the labour force underutilisation rate, which is a measure of the number of unemployed and underemployed people, expressed as a proportion of the labour force.

## Work: Other indicators

Labour force underutilisation rate; long-term unemployment rate; proportion of people working; retrenchment rate; unemployment to population ratio; casual employees; people working part-time or longer hours (50 hours a week or more); average hours worked per week by full-time workers.

## Some differences within Australia

Significant economic and social changes over recent decades have altered the way in which work is organised and carried out. Some of these changes have been reflected in the rapid growth of part-time and casual employment. There are also notable differences in unemployment rates among different sub-groups – young people and Indigenous Australians have higher rates of unemployment than the population average.

## Links to other dimensions

Improvements in employment may assist progress in other areas and *vice versa*. See also the commentaries *National income, Education and training, Crime, Health, Economic hardship*, and *Family, community and social cohesion*.

# Work

## Progress and the headline indicator

Paid work is the way most people obtain the economic resources needed for day to day living, for themselves and their dependants, and to meet their longer term financial needs. Having paid work contributes to a person's sense of identity and self-esteem. People's involvement in paid work also contributes to economic growth and development.

The number of people in Australia in paid employment has grown steadily over the last 25 years. In 1980, there were 6.3 million employed people in Australia. By 2005, largely due to population growth, this had increased by 59% to 10 million people. Since 1980, the employment to population ratio has increased from 58% to 61%.

Once in paid employment, many aspects of work affect people's wellbeing, such as hours worked, levels of remuneration, job satisfaction and security, opportunity for self-development, and interaction with people outside the home. An ideal indicator of progress would reflect these and other aspects of work to measure the extent to which Australians' work preferences are satisfied.

While a single indicator covering all these aspects is not available, useful indicators of progress may be obtained by looking at the extent to which people's aspirations for work, or more work, are unsatisfied. The unemployment rate, which is the number of unemployed persons expressed as a percentage of the labour force, is a widely used measure of underutilised labour resources in the economy. It has been chosen as the headline indicator because of its relevance to the economic and social aspects of work.

Measures of underutilised labour such as the unemployment rate are sensitive to changes in the economy. For example, the unemployment rate is widely used as a key indicator of changing economic conditions across the business cycle.

In 1995, the annual average unemployment rate stood at 8.2% as a result of the economic recession in the early 1990s. Since then it has generally fallen, to stand at 5.1% in 2005. Broadly consistent measures of unemployment are available back to 1966. The unemployment rate has risen considerably since the late 1960s, when it averaged about 2%. There was a marked increase from 2.3% in 1973 to 5.8% in 1981. In 2004, the annual average unemployment rate fell below 6% for the first time since the early 1980s. Over the past 25 years there has been a consistent pattern to changes in the unemployment rate. It has tended to rise quickly during economic downturns and fall slowly during economic expansions.

### Associated trends

The labour force underutilisation rate is the proportion of people in the labour force whose labour is underutilised. It provides a wider view of underutilised labour than the unemployment rate,

## Unpaid work

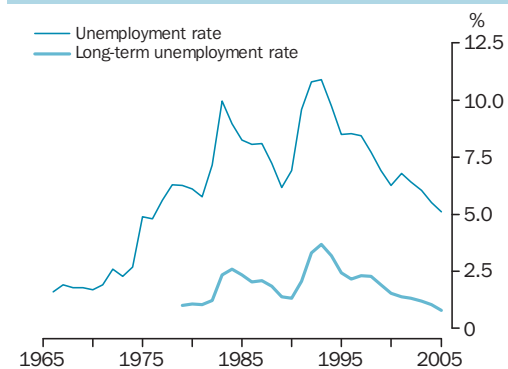
This section focuses on people in or seeking paid work. But a great deal of work is undertaken outside of the market economy and is unpaid. In 1997, an estimated 19.3 billion hours of unpaid housework and unpaid volunteer and community work were undertaken in Australia. ABS estimates put the value of this work at \$261 billion, which was equivalent to 48% of GDP.<sup>1</sup> Most of this was attributable to housework (91%) and a large share of it represented work undertaken by women (65%). For further discussion on voluntary work see the *Family, community and social cohesion* chapter.

While there was an increase in the number of unpaid hours worked between 1992 and 1997 (up by 0.4 billion hours), the value of unpaid work relative to GDP declined (down from 52% of GDP in 1992). The decline was partly due to the rapid increase in demand for labour in the market economy, so that relatively more work was done on a paid rather than an unpaid basis. Also wage rates for jobs such as housework (on which estimates of the value of unpaid work are based) did not grow as substantially as wage rates for higher skilled jobs. Other factors, such as rapid growth in technological innovation and the changing size and composition of households, has affected the estimated value of unpaid work.

as it takes account of both the unemployed (i.e. people who were not working but who were actively looking and available for work) and the underemployed (i.e. people working less than 35 hours a week who wanted to, and were available to, work additional hours). Between 1995 and 2005, the labour force underutilisation rate fell from 14% to just over 10%. Its movements closely tracked those of the unemployment rate.

People unemployed for long periods may experience greater economic hardship, and may have more difficulties in finding employment because of the loss of relevant skills and employers' perceptions of their 'employability'. The long-term unemployment rate is the number of people who have been continuously unemployed for a period of 12 months or longer, as a percentage of the labour force. In 2005, the annual average long-term unemployment rate was 0.8%, compared with 2.5% in 1995 in the aftermath of

## Unemployment and long-term unemployment: longer term views



Source: Labour Force, Australia, detailed electronic delivery (cat. no. 6291.0.55.001).

### Unemployment and retrenchment rates



(a) People who were retrenched or made redundant over the 12-month period before the survey, as a percentage of all people who had been employed at some time over the same period. Surveys were conducted in February of the relevant years. (b) From 1992 onwards the survey was only conducted every 2 years. Source: Labour Mobility, Australia, February 1980 to February 2004, cat. no. 6209.0; Labour Force, Australia cat. no. 6202.0.

the last recession. Movements in the long-term unemployment rate often lag movements in the total unemployment rate.

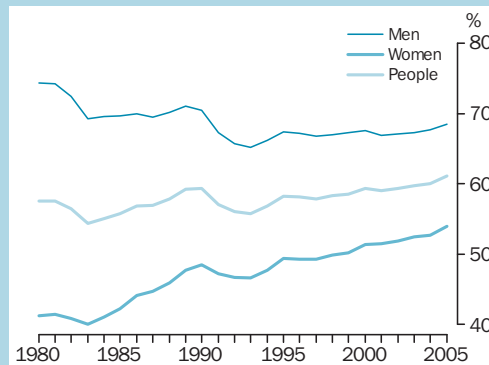
#### Job security

People's feelings of job security are thought to be closely linked to changes in the level of unemployment.<sup>2</sup> This may be a consequence of people seeing other employees being retrenched or made redundant.

As might be expected, the retrenchment rate moves similarly to the unemployment rate through each economic cycle and has generally declined through the mid to late 1990s. In the 12 months from March 2003 to February 2004, some 270,700 people were retrenched or made redundant. This number represented 2.7% of all people who had been employed during the same period, a proportion considerably below that recorded in the 12 months from March 1993 to February 1994 (5.4%) following the peak of the last recession. However, the fall that occurred during the 1990s was slower than that which occurred in the 1980s following the recession in the earlier part of that decade.

One way to measure people's perception of job security is to consider the proportion of workers who report that they do not expect to be working with their current employer or in their current business in 12 months' time. In November 2005, 10.0% of people in the workforce had this expectation. However, 8.5% of employees thought they would do this for voluntary reasons. Only 1.5% of employed people in 2005 thought they would need to leave their job for involuntary or economic reasons.<sup>4</sup>

### Proportion of people working



Source: Labour Force, Australia, detailed electronic delivery (cat. no. 6291.0.55.001)

#### Proportion of people working: employment to population ratio

The headline indicator for work focuses on unemployment, which is a measure of the extent to which people's desire for work is unsatisfied. But any assessment of progress in the work dimension needs also to consider changes in the number of people working. One way to measure whether there has been an increase or decrease in the proportion of people working is to calculate the employment to population ratio. This is done by taking the number of employed people and dividing it by the population of people who could be potentially employed. In this case we have used the civilian population 15 years and over.

There have been some significant changes in people's working patterns over the past 25 years. One highly significant change has been the growth in the proportion of women working in paid employment. This change reflects changes in the traditional roles of full-time employment for the male partner, and child care and household responsibilities for the female partner, which began around the 1960s and gained momentum over the 1980s and 1990s.<sup>3</sup> While the proportion of men working fell from 1980 to 2005 (74% to 69%) the proportion of women working increased (from 41% to 54%).

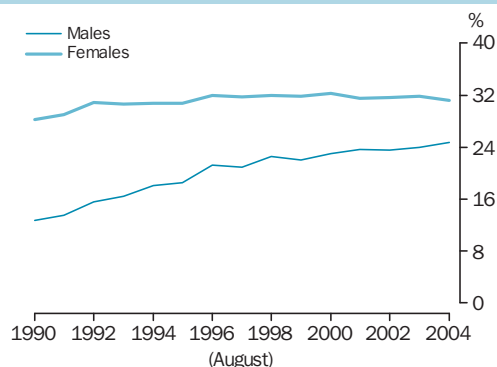
The period 1980 to 2005 also saw major changes to industry and workforce structure. Employment growth was concentrated in the service sector. Much of this growth was in part-time and casual jobs.

See also the international comparison for employment to population ratio in the *International comparisons of progress* essay on page 188.

#### Casual employment

There has been strong growth in the number of casual employees over the last two decades. Casual employees are usually not entitled to paid leave but receive a higher rate of pay to compensate for this and their lack of permanency. The number of casual employees can be approximated by the number of employees who are not entitled to paid holiday leave or paid sick leave.<sup>5</sup> On this basis, the proportion of male employees who are casual employees has almost doubled, increasing from 13% in 1990 to 25% in 2004. Over the same period, the proportion of female employees who are casual employees increased from 28% to 31%. The pace of change has slowed in recent years.

### Casual employees(a)



(a) Employees who were not entitled to either paid holiday or sick leave in their main job as a percentage of all employees. Casual employees included employees who operate their own incorporated enterprise with or without hiring employees.

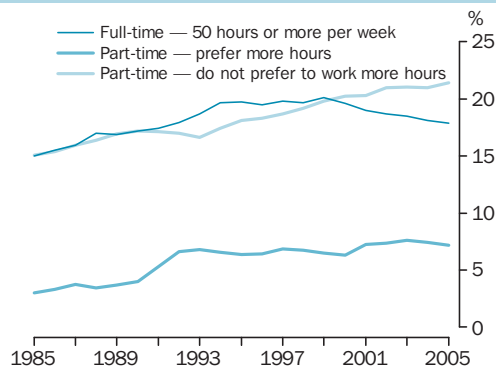
Source: *Weekly Earnings of Employees, Australia* cat. no. 6310.0. For data after 1998, *Employee Earnings, Benefits and Trade Union Membership Australia* cat. no. 6310.0.

These changes, which have occurred in association with rapid growth in employment in service industries, are viewed by many employers and employees as beneficial. For example, for people employed in such jobs, often women and younger people, the flexibility associated with such arrangements may suit their particular needs. But the extent to which people's preferences for alternative work arrangements are not being satisfied also needs to be considered.

### Hours worked

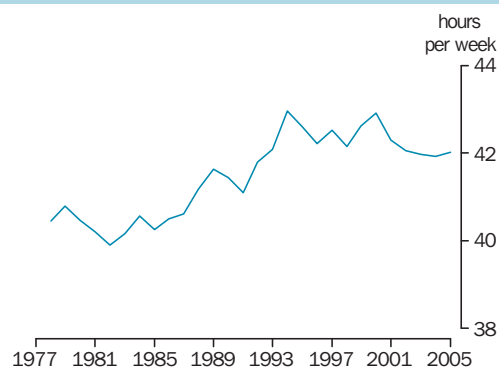
There has been a trend away from the traditional 9-to-5 job towards more diverse arrangements.<sup>6</sup> The increased availability of part-time work has widened opportunities for people to balance work with family responsibilities, participate in education, or make the transition to retirement. The proportion of employed people working part-time has increased from 16% in 1979 to 29% in 2005. But not all part-time workers are working their preferred number of hours. In 2005, 7% of employed people worked part-time and wanted

### People working part-time or long hours(a)



(a) Annual averages as a percentage of all employed people. Source: *Labour Force, Australia, detailed electronic delivery* (cat. no. 6291.0.55.001).

### Average hours worked per week, full-time workers(a)



(a) An average of hours actually worked, including overtime, by full-time workers, divided by the number of full-time workers. Figures are for August of each year.

Source: *Labour Force Australia, detailed, Electronic delivery* (cat. no. 6291.0.55.001).

to work more hours. This compares with 3% in 1985 and 6% in 1995.

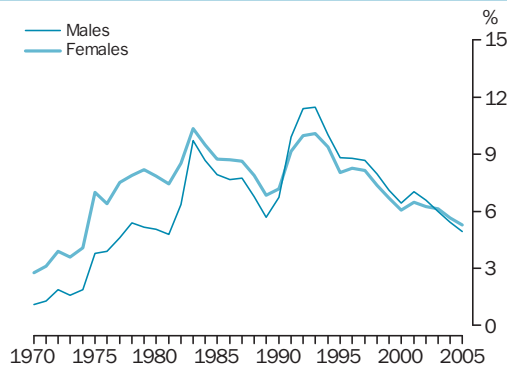
The average number of hours worked by full-time workers, and the proportion of employees who work long hours, have also increased in recent decades. Average hours worked by full-time workers in 1979 stood at 41 hours, compared with 43 hours in 1995 and 42 hours in 2005. The proportion of employees who worked 50 hours or more increased between 1979 and 1999, from 14% to 19%, but had declined slightly to 18% in 2005. The proportion of employees who worked very long hours (60 hours or more), continued to increase from 8% to 11% between 1979 and 2005.

### Some differences within Australia

In a job market where there are too few jobs for all those actively seeking paid employment, groups with characteristics that are in low demand (e.g. people with low levels of educational attainment, limited relevant work experience, or in relatively poor health) have greater difficulty in securing a job. Among the most disadvantaged groups in this regard are young people, older people with work experience in occupations that have declined in demand, and Indigenous Australians. The extent of disadvantage for some of these groups is examined in more detail below.

Significant economic and social changes over recent decades have altered the way in which work is organised and carried out. There have also been changes in the composition of the workforce, and in the way pay and other employment conditions are set. Some of these changes have been reflected in the rapid growth in part-time and casual employment, the emergence of different employment arrangements, and the increase in working hours. The impact of these changes has not been uniform across the various subgroups within the population.

### Unemployment rates, by sex



Source: Labour Force, Australia, detailed electronic delivery (cat. no. 6291.0.55.001).

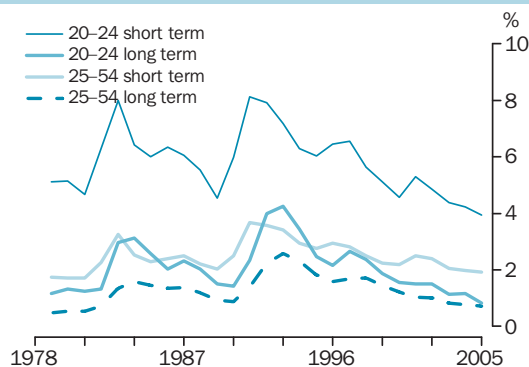
### Male/female differences

As with their increasing participation in education and training, Australian women have taken a more active role in the labour force than was the case two decades ago. This can be illustrated by considering the changes in participation rates over time. The labour force participation rate is a total of the employed plus the unemployed as a percentage of the civilian population aged 15 and over. In the years from 1985 to 2005, the labour force participation rate for women increased from 46% in 1985 to 54% in 1995 and 57% in 2005. In contrast, the participation rate for men decreased from 76% in 1985 to 74% in 1995 and 72% in 2005.

Unemployment rates among men and women continue to change relative to each other. The rates for women were lower than those for men throughout the 1990s. In 2003, the male rate fell below the female rate, although they were very close. This situation continued through to 2005.

The increase in women's participation in employment has been strongly associated with an increase in part-time work, with women accounting for the majority of part-time workers (72% in 2005). Although most of the workers in part-time employment prefer part-time work to

### Unemployment to population ratio(a), by age group



(a) Unemployed people looking for full-time work. Source: Labour Force, Australia, detailed electronic delivery (cat. no. 6291.0.55.001).

### International comparison – unemployment rate



Source: OECD in Figures 2005/supplement 1.

The unemployment rate is a widely used measure of underutilised labour resources in the economy. Unemployment has both an economic and social dimension.

In 2004, the unemployment rate in Australia was 5.4%. This compared with 9.2% a decade earlier in 1994. There were twelve OECD countries that in 2004 had a lower unemployment rate than Australia, with Luxembourg the lowest at 2.8%. Poland had the highest unemployment rate in 2004 at 19.0% (up from 14.4% in 1994).

During the period 1994 to 2004, many OECD countries experienced declines in their unemployment rate. This was notably so for Ireland, where strong economic growth was coupled with declining unemployment. In 1994 the unemployment rate in Ireland was 14.8%, falling to 4.4% in 2004. Other countries experiencing large declines in their unemployment rate during this period were Spain (from 24.2% to 11%), and Finland (from 16.6% to 8.8%).

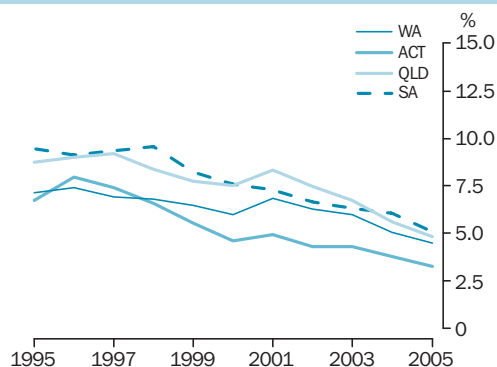
full-time work, 4.3% (90,100) of female part-time workers and 8.5% (68,400) of male part-time workers wanted to work full-time and were available, and actively looking for full-time work in August 2005.

### Age group differences

Levels of involvement in the paid workforce vary through life. Participation increases with age as young people move from education and training (often combined with part-time work) to full-time jobs. It remains relatively high during people's thirties and forties, and then declines towards the years of retirement. Participation in the labour force is interrupted for many women as they take time out to raise families. In recent years, women have increasingly participated in the workforce during their childbearing years, often in part-time jobs.

The likelihood of being unemployed is also partly related to life-cycle stages. In particular, young people tend to have a relatively high unemployment rate. In 2005, 5.8% of 20–24 year-olds in the labour force were looking for full-time employment. However, most (more than 83%) of this unemployment was short-term (less

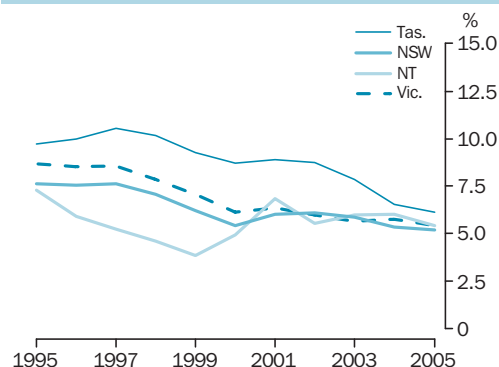
### Unemployment rate – states and territories with the lowest rates in 2005(a)



(a) Annual average rate.

Source: Labour Force, Australia, Spreadsheets (cat. no. 6202.0.55.001).

### Unemployment rate – states and territories with the highest rates in 2005(a)



(a) Annual average rate.

(Source: Labour Force, Australia, Spreadsheets (cat. no. 6202.0.55.001).

than one year), in part influenced by young people entering the labour market for the first time.

Young people can have difficulty finding work during an economic downturn, and the proportion becoming long-term unemployed increases. In 1993, 4.3% of 20–24 year-olds were long-term unemployed and looking for full-time work, whereas for 25–54 year-olds it was 2.6%. By 2005, the proportions had become quite similar (0.8% and 0.6%).

### Aboriginal and Torres Strait Islander peoples

Indigenous Australians continue to have substantially lower levels of labour force participation and higher levels of unemployment than the rest of Australia's population, despite some gains in this area. In 2002, 64% of Indigenous adults aged 18–64 were in the labour force (a similar proportion to 1994), compared with 79% of the non-Indigenous population in this age group. And while the unemployment rate for Indigenous adults decreased over this period (from 37% in 1994 to 20% in 2002), this was still substantially higher than the rate for non-indigenous adults (6%). To some extent these disparities reflect where people live and the job opportunities available to them. The 2001 Census of Population and Housing showed that among those aged 15 and over, more than one-quarter (27%) of all Indigenous people were living in a remote or very remote part of Australia compared with just 2% of non-Indigenous people. Between 1994 and 2002, the proportion of Indigenous people aged 18–64 in mainstream employment (non-CDEP jobs) rose from 31% to 38%. Much of this gain was in part-time employment which increased from 8% to 12%. In 2002, a further 13% of Indigenous people aged 18–64 were employed in the CDEP scheme. Most CDEP participants were in remote areas, while in non-remote areas there was a higher proportion of people in mainstream employment.

### Differences according to place

Opportunities for work vary across Australia with the nature and strength of the economic base and the relative growth of industries from place to place and over time. This may reflect the fact that some places have been more affected than others by restructuring within the economy, and the move away from traditional manufacturing to service industries in particular. Other factors, including the population's age composition and growth, and the occupation and skill base of residents, can influence regional differences in unemployment.<sup>7</sup>

Among the states and territories, Tasmania consistently had the highest unemployment rate throughout the 1990s. But, as with each of the other states and the territories, unemployment rates have generally declined through the 1990s. In 2005, the states with the highest annual average unemployment rates were Tasmania, Victoria, the Northern Territory, and New South Wales.

### Factors influencing change

Factors that influence labour underutilisation can be characterised as those related to the demand for labour and those related to its supply.

The demand for labour is strongly influenced by economic activity and therefore varies over the business cycle. The demand for specific types of labour will also vary with structural change within the economy. For example, there may be a decrease in demand for workers who have the skills required for declining industries, and an increase in demand for those people with the skills needed in newer types of occupations.

Factors which affect the supply of labour also influence the indicators. Factors which influence the supply of labour include: population growth and immigration; the willingness of people to work; policies that affect levels of remuneration from work vis-a-vis income from the social security system (e.g. minimum wage, taxation and income support policies); attitudes to combining work and

family responsibilities; early retirement; and participation in education and training.

### Links to other dimensions of progress

Work, and the economic and social benefits that flow from it, are important to the wellbeing of individuals and the broader community. The underutilisation of labour resources is a lost opportunity for producing goods and services, and income support and other services provided to assist the unemployed use government funds which could be used in other ways.

There are links between work, or a lack of work, and other aspects of progress. For example, studies generally suggest that unemployment is associated with crime, with poorer health, and with higher risks of financial hardship and lower levels of social cohesion.<sup>8</sup> These associations tend to be stronger for those unemployed for longer periods of time. Reducing levels of unemployment may help to reduce the extent of these associated problems.

Economic growth is very strongly influenced by changes in labour force participation rates and labour productivity.

See also the commentaries *National income, Education and training, Crime, Economic hardship, Family, community and social cohesion, and Health*.

### Endnotes

- 1 Australian Bureau of Statistics 2000, *Unpaid Work and the Australian Economy, 1997*, cat. no. 5240.0, ABS, Canberra. Estimates of unpaid work were based on the ABS Time Use Survey.
- 2 Borland, J. 2001, 'Job stability and job security', in Borland, Gregory and Sheehan (eds), *Work Rich, Work Poor: Inequality and economic change in Australia*, Victoria University, Victoria.
- 3 Australian Bureau of Statistics 2001, 'Work — Paid Work: Trends in employment population ratios', in *Australian Social Trends 2001*, cat. no. 4102.0, ABS, Canberra.
- 4 Australian Bureau of Statistics 2006, *Australian Labour Market Statistics*, cat. no. 6105.0, ABS, Canberra.
- 5 Included in the statistics of casual employment are a group of people who many analysts would prefer to remove from the figures. In ABS labour statistics, owner managers of incorporated enterprises are classified as employees. They are included as casual employees if they do not have paid leave entitlements. Many would consider that if a person is an owner-manager of a business it is not of great concern if he or she is not entitled to paid leave, as other benefits such as control of the business, flexibility and profits compensate for the loss of leave entitlements. From 2001 it is possible to remove owner managers of incorporated enterprises from casual employment statistics. Figures from 2002 *Employee Earnings, Benefits and Trade Union Membership* indicate that the figure for casual employees as a percentage of all employees decreases from 27% to 23% if owner managers of incorporated enterprises are removed.
- 6 Australian Bureau of Statistics 1999, 'Decline of the standard working week', in *Australian Social Trends 1999*, cat. no. 4102.0, ABS, Canberra.
- 7 Australian Bureau of Statistics 2001, 'Unemployment trends and patterns', in *Australian Social Trends 2001*, cat. no. 4102.0, ABS, Canberra.

- 8 Borland, J. and Kennedy, S. 1998, 'Dimensions, Structure and History of Australian Unemployment', in Borland, J. and DeBelle, G. (eds), *Unemployment and the Australian Labour Market, Proceedings of a Conference*, Reserve Bank of Australia and Australian National University, Canberra.