Unemployment rate in Australia twice the official figure

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Following the release earlier this month of the Australian Bureau of Statistics (ABS) monthly labor force figures for October, Federal Treasurer Peter Costello declared they demonstrated that "nearly every Australian who wants to work can find an opportunity." He went on to boast that "full employment" was now in sight.

The official unemployment rate was 5.6 percent, signifying that for the third consecutive month it had come in under the 6 percent mark. An ecstatic Costello claimed unemployment was now at a level "once considered a fantasy".

The treasurer's comments are worth considering. In the first place they reveal, once again, to what extent the perspective of creating genuine full employment has been abandoned by the major political parties. Costello's gauge for "full employment" is an unemployment rate of 5 percent. This means, on current official figures, more than 520,000 eligible people remaining without work.

As for an unemployment rate of 5.6 percent representing levels "once considered a fantasy", Costello can only be hoping that the majority of the population has no memory of the time when such a rate would have been considered a national disgrace. In 1961, for example, a 2 percent unemployment rate almost cost the Menzies coalition government the election.

Since Costello's somewhat preposterous public grandstanding, various reports have emerged providing a more sombre view of the employment situation. On November 13, announcing a new study on unemployment, the Australian Council of Social Services (ACOSS) told the media that the standard measure relied on by the government to determine the unemployment rate had "failed to capture" major changes in Australia's job market. It was "now masking the real extent of joblessness and hardship that exists".

Entitled *Hidden Unemployment in Australia,* the ACOSS study is based on estimates of hidden unemployment between 1983 and 2001. It indicates that while the present official rate is 5.6 percent, the "real extent of enforced joblessness is over 12 percent—around twice the standard figure". The welfare agency's study "conservatively" estimates that some 716,000 "hidden unemployed" are excluded from the official rate.

Those not counted include mothers who wish to work but can't afford childcare; people with disabilities needing more accessible transport or needing jobs closer to home; discouraged mature-aged workers who have given up looking for work; and people doing limited casual work. Those who work as little as just one hour a week are excluded from the unemployment figures, as are those who perform unpaid work in a family business or on a family farm. Official unemployment stands at 627,000, but when "hidden unemployment" and "underemployment" (people working part time, but who desire more hours) are included, the figure leaps to 1,343,000.

The study also notes a continuing "disturbing trend" away from full-time permanent jobs to casual and part-time employment, and records that "in the 1990s only about 25 percent of all new jobs were full time and about 75 percent casual".

It points out that while in 1983, 83 percent of employed people were working in full-time jobs by 2003 the number had fallen to 71 percent. In 1983, 94 percent of working males were employed full time, but only 85 percent in 2003.

A study conducted by researchers at Monash

University in Victoria touches on the extent of the destruction of full-time jobs in labour-intensive industries. In the six years to 2002, for example, 21,000 jobs in the textile, clothing and footwear sector were eliminated. A Victorian state government report in October showed that 46 percent of the people retrenched from this sector between 1997 and 2003 had not been able to find alternate comparable work. Many had become self-employed in low-paid home industries.

While the creation of part-time casual jobs has helped drag down the official unemployment rate, it has also resulted in the destruction of decent working conditions and living standards for hundreds of thousands of ordinary working people. Workers in casual employment are expected to be on almost permanent call and to work scattered shifts. Moreover, they are mostly not entitled to holiday pay or a range of other entitlements and benefits associated with full-time jobs.

Other reports indicate that the fall in the official unemployment rate is heavily reliant on the current boom in the construction industry—a boom that many economic analysts predict could soon come to an end. What a collapse, or even a slow-down, in the building industry would signify for the unemployment rate can be estimated by figures for the state of New South Wales (NSW).

In the 12 months to August this year, nine out of every ten jobs created in NSW—or 44,000 out of 47,000—were in construction. The NSW construction sector, including home building, commercial and infrastructure projects, now employs 8.3 percent of all workers, up 1 percent in the past six years. As a proportion of full-time work, the sector accounts for nearly 10 percent of all employment, up 2 percent in six years. Some 259,300 people are currently employed in construction, as compared with 180,800 in 1997.

The situation in NSW highlights a national trend. Nationally, in the year to August, the construction sector accounted for about half of all jobs created and 8 percent of all existing employment. Over the same period, jobs in the sector grew by 80,000 nationally, or 11.5 percent.

The Oliver Internet Job Index released in early November revealed that while overall national job vacancies increased by only 0.1 percent in October, vacancies in the building industry soared 29.14 percent.

An article in the *Sydney Morning Herald* November 15 hinted at the precarious nature of the situation in construction, reporting that while industry analysts believed there was enough work "to keep construction activity strong into next year" they noted that "if the sector loses steam, employment and the broader economy will suffer".

Last month, Macquarie Bank's chief economist Richard Gibbs warned that the "heavy reliance" on construction had "left the economy more vulnerable" to a downturn in the industry. "If the construction sector was to hit the wall we would see fairly large losses of male full-time employment," he said.

Jobs that would be hard hit by a construction slowdown go far beyond those actually engaged in building, manufacturing or supplying building materials. Industries involved in the manufacturing and retailing of the household items, furniture and white goods currently being purchased to equip new homes would also be badly affected. Over the past two years, spending on furnishings has been rising at 8 percent a year, or twice its normal rate, thereby pushing up employment in the retail sector.

Much of the increase in consumer spending in the household sector is fueled by a massive increase in credit, which is growing at an annual rate of around 20 percent. According to national account figures for the June quarter, the household savings rate was minus 1 percent, meaning consumer spending is 1 percent greater than disposable income.

Like the boom in construction, the growth of consumer credit is referred to in financial circles as a "credit bubble". The terminology, of course, is not accidental. It indicates that both are expected to burst, with devastating consequences for consumers and jobs.