

# Australian unemployment figures provoke disbelief and criticism

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The accuracy of the Australian Bureau of Statistics (ABS) labour market survey was seriously questioned last week after its latest “seasonally adjusted” figures registered a national unemployment rate for October of 5.9 percent, down from 6.2 percent in September and the lowest level for five months. The underlying ABS trend rate remained at 6.1 percent, representing 765,000 people actively looking for work.

Despite mounting job destruction in manufacturing and mining, and large job losses in the public sector, the ABS survey found that 58,600 jobs, including 40,000 full-time positions, were created. Remarkably, nearly half the new jobs were in the state of Victoria, which has been hard hit by losses in manufacturing, particularly in workplaces associated with the car industry.

The October figures flew in the face of forecasts by many economic analysts who expected the rate to remain at 6.2 percent. As a result, concerns were expressed, certainly not for the plight of the unemployed, but rather about the inaccuracy of the data, which affect key economic decisions such as the Reserve Bank’s setting of interest rates.

Commonwealth Bank economists Michael Workmand and Diana Mosina declared that the jobs rise was “humungous and hardly believable.” Westpac economist Justin Smirk said the employment increase was “way too strong compared to our indicators of the labour market.”

Economics editor of the *Age*, Peter Martin, ridiculed the result by comparing the number of new jobs with the number of minutes in October. He concluded: “That’s right: more than one newly-employed Australian per minute, night and day. Around the clock a previously out-of-work Australian was funnelled into a new job every 46 seconds.”

An Australian Broadcasting Corporation news article said the figures “sound incredible and they should be treated as just that: not credible.” The article suggested that people should “focus on the trend estimate that had the unemployment rate unchanged.”

Not fazed by the criticism, Treasurer Scott Morrison declared that the statistics were “particularly pleasing” and in line with the Liberal-National Coalition government’s plans. “I congratulate the businesses that employed the 58,600 people who got jobs in October and the people who took on those jobs,” he declared.

The ABS figures have always grossly underestimated the real level of joblessness, by not including as unemployed anyone who worked one hour a week or more.

Over the past year, significant modifications have been made to the ABS survey, making it even less reliable. Former ABS head Bill McLennan, who worked at the agency for more than 40 years, recently told the *Australian Financial Review* (AFR) that the ABS monthly unemployment figures for the past six months “aren’t worth the paper they’re written on.”

The AFR published a letter from McLennan entitled, “The Monthly Labour Force Survey is broken,” identifying a number of flaws. The former ABS head said he was “alarmed” that the ABS decided to tolerate a far higher non-response rate—lifting it from 3 to 7 percent—as a cost-cutting measure. He explained that the decision could skew the results because those who failed to respond to the ABS survey had different unemployment/employment characteristics from those who did.

McLennan said the ABS had stopped all testing of the changes to its survey methods because it was short of funds. “Why the ABS should abandon the strict methodological and operational procedures that have

stood the ABS in such good stead for the last 50 years is a complete mystery to me,” he wrote.

The unreliability of the ABS figures is underscored by the Roy Morgan monthly jobs survey, which has consistently pointed to far higher levels of unemployment. It found that joblessness rose in October, compared to September, by 0.5 percentage points to 8.8 percent. When added to the underemployed—those working, but seeking more hours—17.4 percent of the workforce, or 2,198,000 people, were looking for work or wanting extra work.

The ABS figures cannot hide the social devastation being caused by the ongoing destruction of jobs. Falling commodity prices and a slowing Chinese economy have hit states dependent on mining investment and exports particularly hard. Moreover, the mining sector is no longer absorbing workers laid off in manufacturing.

While ABS jobless levels fell in most states, unemployment rose in Western Australia (WA) in October from 6.1 percent to 6.4 percent, the highest recorded for the state in 13 years. More than 3,000 mining jobs were shed in WA in the year to October. This figure does not include heavy job cuts in associated mining contracting and engineering firms.

In Queensland, where thousands of jobs have been axed across the coal mining industry, including by giant companies such as Glencore and Peabody Energy, the jobless rate fell marginally to 6.2 percent.

South Australia (SA) has seen major mining companies announce layoffs in recent months that are yet to register. The official rate for October was 7.5 percent, down from 7.7 percent in the previous month, but still the highest in the country. Over the past 12 months, 2,500 mining jobs have been eliminated across the state.

The dire jobs situation in SA is also driven by the elimination of jobs in the auto industry, which will escalate as General Motors Holden moves to total closure by 2017. Of the state’s 1.6 million people, 69,500 are now officially unemployed.

In the 12 months to May, the mining and resources sector as a whole shed close to 50,000 jobs nationally. Unemployment will rise sharply as the construction phase on several giant liquefied natural gas (LNG) projects ends. Research released by the ANZ bank in July estimated that 50,000 to 75,000 mining and

resources jobs would be lost in Australia over the next couple of years.

Other major job cuts that have been announced but not yet registered in official figures include:

Origin Energy announced last month it will axe another 800 jobs as construction of its Australia Pacific LNG project in Queensland winds down. The company cut around 1,000 operational jobs in the 12 months to August.

Bechtel, the lead contractor on the Chevron-run \$US29 billion Wheatstone LNG development project near Onslow in WA, will shed 150 jobs from its on-site workforce of 650 by late November.

Another 250 jobs will be cut at OneSteel’s Whyalla steelworks in SA in an attempt to cut costs. Also in SA, the company will also axe 600 jobs in January from its Southern Iron operation, south of Coober Pedy.



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