

Rising unemployment in Australia points to Iran war's deepening impact

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24 May 2026

Job losses among younger workers in Australia pushed up the seasonally adjusted unemployment rate from 4.3 percent in March to an almost five-year high of 4.5 percent in April, according to the Australian Bureau of Statistics (ABS).

These official results, while understating the real level of joblessness, provide an indication of the worsening price being paid by working-class households, and especially young people, for the criminal US-Israeli war on Iran, which continues to be fully supported by the Albanese Labor government.

By the ABS survey estimate, the total number of people employed fell, driven by 56,400 fewer people aged 15 to 24 years old working in April. Youth unemployment rose by 0.9 points from 10.2 percent to 11.1 percent, the highest since October 2021 during the first phases of the COVID pandemic.

Overall, the number of unemployed people increased by 33,000 to 692,500 people. Both full-time and part-time employment fell, by 11,000 and 8,000 people respectively. The workforce participation rate also dropped from 66.8 percent to 66.7 percent, meaning that more workers were giving up actively looking for work.

The overall ABS underutilisation rate—measuring the percentage of workers unemployed or looking for more working hours—rose by 0.1 points to 10.3 percent, or about 1.4 million people, in seasonally adjusted terms.

As well as the war sending prices soaring for fuel, food, transport, housing and other necessities, and thus depressing spending and production, the burden on young workers is being magnified by job cuts by employers exploiting AI.

Alex Joiner, chief economist for IFM Investors, an industry superannuation fund-backed entity, told the *Australian Financial Review* (AFR): “The sharp rise in youth unemployment has often been a precursor to economic weakness, but they also may be bearing the

brunt of AI-induced changes in hiring patterns.”

In reality, the ABS results are a gross underestimation of the growing toll of unemployment and underemployment, primarily because the ABS defines anyone working even a single hour a week as employed.

According to the data published by the Roy Morgan survey company, unemployment totalled 10.1 percent of the workforce, or 1,635,000 workers, in April, and underemployment amounted to another 10.2 percent, taking the underutilisation rate to 20.3 percent, or more than 3.2 million workers.

Those figures actually fell slightly in April from March, because of a drop of 94,000 people in the number seeking work, which is another indicator of job destruction and recessionary pressures.

Roy Morgan surveys people aged 14+ on whether they are looking for work, regardless of the arbitrary one-hour threshold. This provides more accurate figures than the ABS data.

Economists told the AFR the ABS jobs figures could be an early sign that the economy was slowing because of higher interest rates and the uncertainty caused by the Middle East conflict. But their main focus was on the prospect that the Reserve Bank of Australia (RBA) might not now raise its cash rate by another 0.25 percent at its June 15 meeting.

In fact, the ABS data triggered a rise in Australian share prices, which was literally a celebration of the job losses, which the RBA and the Labor government itself have deemed necessary to supposedly stem inflation.

So far this year, the RBA has hiked its cash rate three times, in February, March, and May, by a total of 0.75 percent to 4.35 percent, inflicting particular pain on workers paying off home mortgages. An average homebuyer, paying off a \$735,000 loan, is being hit by about \$333 a month extra, or nearly \$4,000 a year.

The minutes of the RBA's meeting in May showed it

assessed the labour market “as being a little tight.” In other words, the central bank, acting on behalf of the corporate ruling class, is intent on driving up joblessness to suppress wages and consumer spending, and this is backed by the Albanese government.

Responding to the ABS jobs data, Treasurer Jim Chalmers told reporters in Perth on Thursday afternoon: “Nationally, the unemployment rate ticked up a bit as we have been expecting it to do.”

His Treasury Department’s latest forecasts, released with Labor’s May 12 federal budget, predicted that unemployment would rise to 4.5 percent in 2026–27 and 2027–28. However, in a downside scenario for the economy in which the war continued and the price of oil jumped to US\$200 a barrel this year, the unemployment rate would rise to 5 percent in 2026–27 and 2027–28.

The RBA’s forecasts are more severe. They show the unemployment rate rising to 4.7 percent in June 2028. In an adverse scenario modelled by the central bank, unemployment could reach 5.1 percent by then if the war dragged on and the price of oil peaked at US\$145 a barrel this year.

A recession is threatened. Treasury expects the economy to grow only 1.75 percent in 2026–27 and 2.25 percent in 2027–28, according to its updated forecasts included in the budget, but the RBA expects just 1.3 percent and 1.4 percent over the same periods.

In a “more severe” downside scenario modelled by Treasury, the economy would suffer negative real growth in the September quarter of 2026 if oil prices reached \$US200 a barrel.

Both Treasury and the RBA expect the cost-of-living crisis to deepen because of the war. “Price pressures stemming from the conflict are expected to broaden in the coming months,” the Treasury said in the budget papers. “Food prices will be particularly affected ... [and] the prices of newly constructed dwellings are also likely to increase.”

Food prices could continue to increase for up to a year, according to Treasury. Higher prices for urea, a key input of fertiliser, would “place upward pressure on global food prices.”

Treasury said living standards would go backward, with real wages declining in 2025–26. In the budget’s “severe” scenario, the fall in living conditions would be even greater. Inflation would be 7.25 percent by December—nearing the 2022 peak of 7.9 percent.

The forecasts point to intensifying housing supply and affordability shortages. The budget papers predicted that

dwelling investment would rise to 5 percent in 2025–26—which is not enough to cover sky-rocketing construction costs—and drift down by 2027–28.

“Sustained increases in fuel and other construction input costs across the housing supply chain will create challenges for project feasibility and cashflow management for businesses in the industry,” Treasury said.

The RBA expected worse, with dwelling investment to fall over the year to June 2028.

A recent report by food rescue charity OzHarvest gave a picture of the hardship already being experienced in the working class because of the war. It warned of a growing jump in the number of people going without meals since the war began.

Its annual Frontline Report survey of about 875 charities across Australia found that about 350,000 people were seeking food relief each month, with charities turning away more than 74,000 people monthly because of increased demand.

Ronni Kahn, founder of OzHarvest, said the demand for food relief was growing faster than she had ever seen in more than two decades. “We’re seeing tradies in their vests coming to our free supermarkets, and the queue is around 500 to 600 people.”

OzHarvest said lifting income support payments above the poverty line and indexing them to wages and prices was the best way to address the rising cost of living. But the Albanese government rejected any such relief in the budget, while allocating billions of dollars more for military spending to prepare for war, and gutting spending on disability services and other crucial social programs.

Workers in Australia, together with their fellow workers internationally, are being forced to bear an ever-greater burden for the widening war, in which the Labor government is participating through the dispatch of SAS troops, missiles and a war command plane to the Gulf.

To discuss how to halt the escalating war and Labor’s accompanying offensive on the working class, register to join the public meetings called by the Socialist Equality Party and the International Youth and Students for Social Equality.



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