

BCEC

Bankwest Curtin Economics Centre

LABOUR MARKET UPDATE

Providing monthly updates and expert insights and analysis around key labour market indicators.

Professor Alan Duncan



Underemployment may not be as big a problem as we think

Underemployment (the share of the workforce that want to work more hours) has been a growing feature of the Australian labour market for some time now. Underemployment remained below unemployment trends over the last century, but the two series crossed at the start of the millennium and underemployment has continued to track above unemployment since then. But what's behind the rise of underemployment? And does this give cause for concern?

We do know that youth underemployment is a key driver behind these trends, with the underemployment ratio among young people aged 15-24 rising considerably since the start of the 2000's. This aligns to an increase in the number of young people extending their education and combining study with work, and suggests that underemployment for many – particularly younger – workers is a temporary state. Underemployment among those of prime working age has increased since the global financial crisis – but with women starting at a higher point. Older workers have seen a greater increase in underemployment over this time, and often face greater workforce challenges including [discrimination](#). When underemployment is pervasive and impacting on living standards and economic security is where we need to focus our attention. Read more in this month's Special Feature.

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Victoria: a shining beacon in the Australian labour market?

The latest labour market figures portray Victoria as a shining beacon in the Australian labour market. Full-time employment growth for Victoria has been the strongest among states (up 3.3%) compared to a rise of 2.2% nationally. There are 40,000 fewer unemployed persons in Victoria now compared to a year ago, and underemployment is also down considerably on year-to-date measures.

If we thought that nationally the unemployment rate (5.2%) was pretty much at full employment – then Victoria's at 4.7% is full to the brim....and our most populous state NSW is overflowing at 4.5%. And while wages growth generally may be lower than what economists would have expected with unemployment rates at this level, Victoria has seen the strongest growth in wages over the last year (up 2.2%), reflecting the tighter labour market.

Government investment in capital infrastructure is driving most of the economic activity in Victoria, as shown in our most recent [Quarterly Economic Commentary](#), and the Construction sector is benefiting, with 37,000 workers added to this sector in the last twelve months. Participation is down on trend terms however, and the reliance on public investment is something to keep an eye on.

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Unemployment does not discriminate in WA

As mentioned in the last monthly release, WA is catching up, albeit very slowly, to national labour market trends. The state's employment figures are on the rise, with more jobs created in the last month on a full-time basis. Part-time and full-time employment both grew from September 2017, so the trend is positive - but there is still a long way to go.

WA's unemployment rate showed no change from August 2018, having increased over the year to September 2018 (up 0.3 ppts). This increase in unemployment rate affected both genders, with WA being the only region where unemployment increased for both men and women. WA also has the second highest youth unemployment rate, at 14.6%. This has remained essentially unchanged from September 2017.

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Table 1: Employment changes - states and territories

For another month in succession, the Australian labour market has shown positive signs on both year-to-date and monthly measures. From August 2018, around 26,400 workers were added to the Australian labour force, taking the total employment size to 12.6 million.

The majority of these workers (21,500) were employed on a full-time basis, with strong full-time employment growth in Victoria and Queensland over the last twelve months.

Western Australia still trails the other populous states when it comes to jobs growth, growing by only 1.0% over the last year. The good news is that full-time employment has been growing at a faster rate, turning the tide on previous trends.

Nationally, since September last year, part-time employment grew slightly faster than full-time, 2.7% compared with 2.2%. The pattern of employment growth is diverse across states and territories. In NSW, part-time employment grew 3.5 times faster than full-time employment (7% compared to 2%). In Vic, however, the pattern is the opposite: full-time employment expanded by 3.3% while part-time employment had just 1.3% growth. The nation's capital (ACT) is the only region with negative growth in full-time employment, whereas growth in part-time employment is negative in Qld, Tas and NT.

	Employed Persons ('000)	Change from:				Change from Aug-2018 ('000)		Change (%) from Sep-2017	
	Sep 2018	Aug-2018 ('000)	Rank	Sep-2017(%)	Rank	Full-Time	Part-time	Full-Time	Part-time
Australia	12,640.8	▲ +26.4	---	▲ +2.4%	---	+21.5	+4.9	▲ +2.2%	▲ +2.7%
NSW	4,040.9	▲ +8.6	1	▲ +3.4%	1	+2.7	+5.9	▲ +2.0%	▲ +7.0%
VIC	3,312.2	▲ +7.9	2	▲ +2.6%	2	+9.1	-1.2	▲ +3.3%	▲ +1.3%
QLD	2,490.2	▲ +1.9	3	▲ +1.6%	3	+5.4	-3.5	▲ +2.5%	▼ -0.4%
SA	839.0	▼ -1.0	8	▲ +1.3%	4	+0.1	-1.1	▲ +1.2%	▲ +1.6%
WA	1,347.5	▲ +1.9	3	▲ +1.0%	6	+3.4	-1.5	▲ +1.2%	▲ +0.6%
TAS	249.3	▼ -0.2	6	▲ +0.7%	7	-0.4	+0.1	▲ +1.2%	▼ -0.2%
NT	137.2	▼ -0.7	7	▲ +1.2%	5	-0.7	-0.0	▲ +3.6%	▼ -7.6%
ACT	228.9	▲ +0.2	5	▲ +0.5%	8	-0.4	+0.6	▼ -0.1%	▲ +1.8%

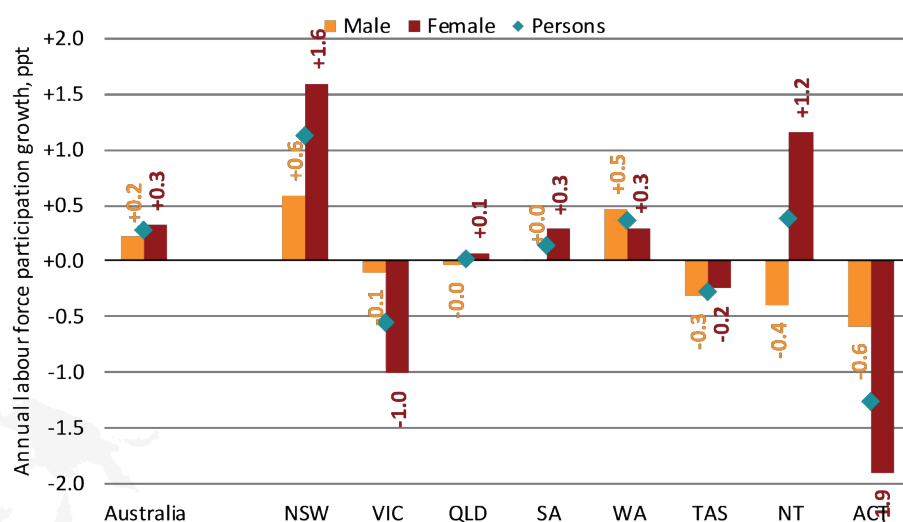
Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0

Notes: Trend values are used. Numbers may not sum to totals due to rounding.

Figure 1: Growth in labour force participation – states and territories

Nationally, the labour force participation rate (LFPR) grew by around 0.3 percentage points (ppt) over the year to September 2018, with female LFPR growing at the same rate. The increase among men was slightly less, +0.2 ppt. The highest increase across states and territories was among women in NSW, +1.6ppt, with the NT the second highest +1.2ppt. NSW has, also, seen the highest increase in labour force participation among men over the last 12 months, increasing by 0.6ppt. For WA, the male LFPR expanded by 0.5 ppt, whereas for women it grew at a slower rate, an increase of +0.3ppt.

Labour force participation growth in Vic, Tas and the ACT was negative for both genders when comparing September 2018 with September 2017. The reduction in the ACT's female LFPR was the highest, -1.9ppt, recognising that both the ACT and NT estimates can be quite volatile. Vic also had a significant reduction in the female LFPR, a -1.0ppt shrinkage. WA, SA and NSW are the only jurisdictions where the change in male LFPR was positive. In other states and territories the male LFPR shrunk.



Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0

Notes: Trend values are used. Figures show growth from September 2017 to September 2018.

Table 2: Unemployment changes – states and territories

The national unemployment rate has dropped to 5.2% on trend values in the latest September 2018 figures. This represents a 0.1ppt reduction from August 2018 and a 0.3ppt reduction from September 2017. There are currently 688,500 unemployed people looking for work – a significant reduction of 10,500 over the last month and around 30,000 fewer unemployed since September 2017.

Vic has had the highest decrease in unemployment, with 40,000 fewer persons unemployed since a year ago. This has seen Vic's unemployment rate fall by 1.2ppt in the last 12mths reaching 4.7%. NSW has also seen a consistent reduction in its u/e rate and it currently stands at 4.5%.

Qld has the highest unemployment rate across states and territories 6.1%, which has increased by 0.2ppt from September 2017. WA and Tas are the other two regions that have seen an increase in the u/e rate over the last 12 mths.

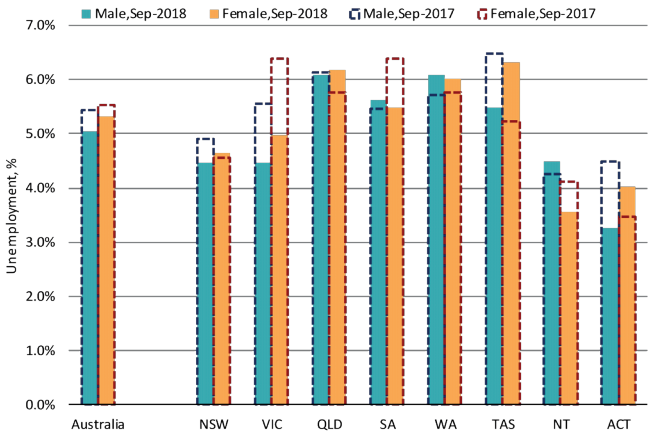
Since August 2018, there has been no significant change in the u/e rate across all states and territories, with the exception of NSW and Vic.

	Unemployment Rate	Rank	Change (ppt) from:		Unemployed ('000)	Change ('000) from:	
			Aug-2018	Sep-2017		Aug-2018	Sep-2017
Australia	5.2%	--	▼ -0.1	▼ -0.3	688.5	▼ -10.5	▼ -29.1
NSW	4.5%	3	▼ -0.1	▼ -0.2	192.6	▼ -3.2	▼ -1.9
VIC	4.7%	4	▼ -0.1	▼ -1.2	163.5	▼ -2.6	▼ -40.3
QLD	6.1%	8	▲ 0.0	▲ +0.2	162.5	▲ +0.3	▲ +7.2
SA	5.6%	5	▲ 0.0	▼ -0.3	49.3	▼ -0.2	▼ -2.5
WA	6.1%	7	▲ 0.0	▲ +0.3	86.8	▼ -0.5	▲ +5.5
TAS	5.9%	6	▲ 0.0	▲ +0.0	15.7	▲ 0.0	▲ +0.3
NT	4.1%	2	▲ 0.0	▼ -0.1	5.9	▲ +0.1	▲ +0.2
ACT	3.6%	1	▲ 0.0	▼ -0.4	8.5	▼ -0.1	▼ -1.0

Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0

Notes: Trend values are used.

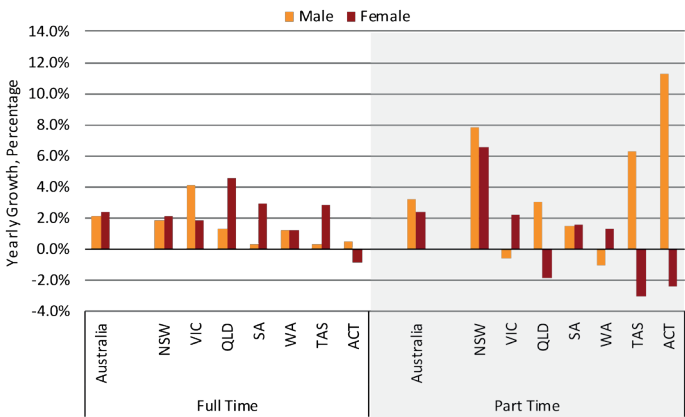
Figure 2: Unemployment rate by gender – states and territories



Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0
Notes: Trend values are used.

The unemployment rate has fallen for both men and women nationally in the last 12 months, but more so for men, reaching 5.0% where a year ago it stood at 5.5%. Women have also seen a decrease over this period, but the u/e rate remains slightly higher than men's at 5.3%. Unemployment patterns vary across states and territories. WA is the only region where both gender's unemployment rate has gone up in the last year. In NSW, Qld, Tas and the ACT, the unemployment rate for women has increased but for men in those regions, it has fallen. However, in the NT and SA the pattern is the opposite. That is, the female unemployment rate has fallen while the male unemployment rate has increased. Victoria is the only jurisdiction where the pattern of changes is similar to those at the national level, which is no doubt driving these trends.

Figure 3: Yearly growth in full-time and part-time employment by gender

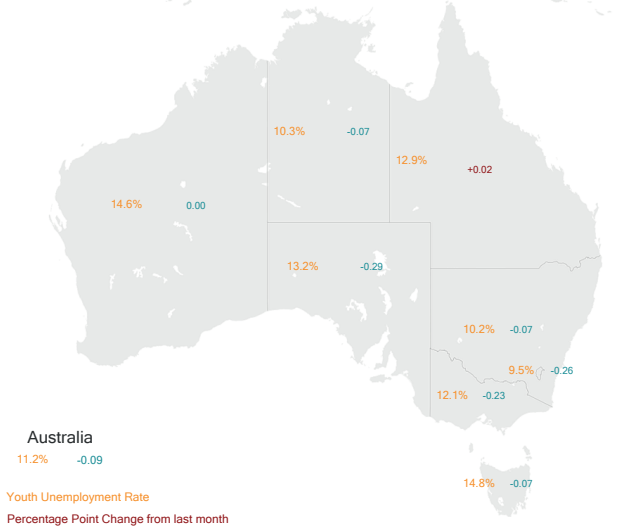


Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0
Notes: Trend values are used. Figures show growth from September 2017 to September 2018.

Full time employment has gone up for both genders across almost all states and territories within a year since September 2017. The exception is the ACT, where female full-time employment fell but for men it increased slightly. Qld saw the strongest full-time employment growth among women over the last 12mths, followed by SA and Tas. Among men, Victoria saw the strongest full-time employment growth in the last 12mths among the states and territories.

Growth in part-time employment across states and territories is quite disperse. The ACT, NSW and Tas had the highest growth in male part-time employment. NSW also had the strongest growth in female part-time employment across states and territories. In Qld, Tas and the ACT female part-time employment shrunk. Vic and WA are the only two regions where male part-time employment reduced, not significantly though.

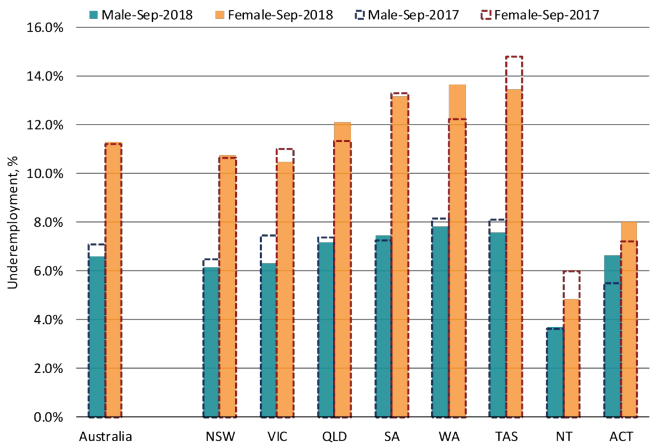
Figure 4: Youth unemployment – states and territories



Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0
Notes: Figure shows unemployment rate for 15-24 year olds. For states and territories, values are smoothed using 13-month rolling average. Percentages are rounded.

With a reduction of 0.09ppts from September 2017, the national youth unemployment rate stands at 11.2%. Qld is the only region where the youth u/e rate has gone up in the last 12 months (+0.02 ppts). All other states and territories have seen a reduction in the youth unemployment rate. The biggest was in SA (-0.29 ppts), with the youth u/e rate lowering to 13.2% for the region. WA saw next to no movement in the youth u/e rate over the last 12mths and remains the second highest rate at 14.6%. The highest rate of youth unemployment is in Tasmania at 14.8%, although this is down by 0.07ppts since September 2017. The lowest rate was in the ACT, which is significantly lower rate than other jurisdictions, at just 9.5%.

Figure 5: Underemployment ratio by gender – states and territories



Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0
Notes: Trend values are used.

The national underemployment ratio has fallen slightly over the year to September 2017, with higher underemployment among women (at 11.3%) than men (at 7.1%). Yet this conceals some notable state differences, with female underemployment on the rise in NSW, Qld, WA and the ACT on year-to-date measures. Underemployment in the ACT increased for both men and women, rising by 1.15ppts to 8.1% for women and by 0.81ppts to 6.7% for men. Male underemployment fell in most regions except SA, NT and the ACT, but female underemployment has gone down in Vic, Tas and the NT. Male underemployment decreased strongly in Vic, with a decrease of 1.2ppts now bringing the Vic rate to 6.3%. The highest fall in female underemployment was in Tas, a 1.4ppt reduction. Underemployment is less prevalent as an issue in the two territories, and with a less of a gap between men and women.

FEATURE: UNDEREMPLOYMENT IN AUSTRALIA



Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0
Notes: Trend values are used.

The latest ABS labour force release included an expanded series of underemployment data, which allows us to look at the issue from multiple lenses.

Underemployment is a metric that is generally driven by the part-time workforce, with workers considered to be underemployed if they work part time but would like to work more hours.

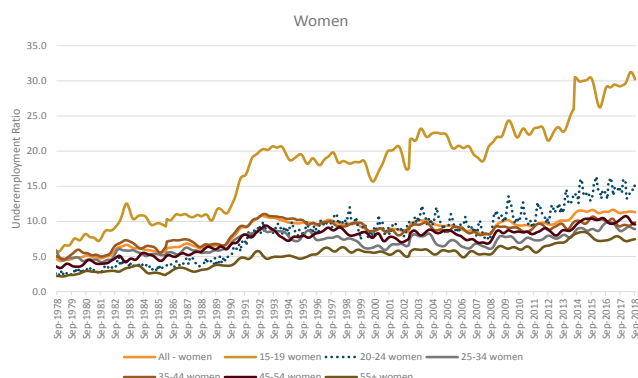
Underemployment and unemployment have generally tracked together over the last four decades – rising, falling and turning at broadly the same points in time. However, the underlying trends and growth trajectories in the two series have taken somewhat different paths. The underemployment ratio sat at around half the unemployment rate in the late 1970's – 3% against 6%. But with underemployment growing more consistently over the subsequent decades, the two series crossed at the start of the millennium, with underemployment continuing to track above unemployment since then.

The growth in part-time work as a standard form of employment over the same timeframe has no doubt played a role in this trend, with the expansion of the services sector, greater female labour force participation, the growth in the share of young people combining work with study, and a greater preference for part-time work, all contributing to an overall increase in the part-time workforce - and the greater incidence of underemployment.

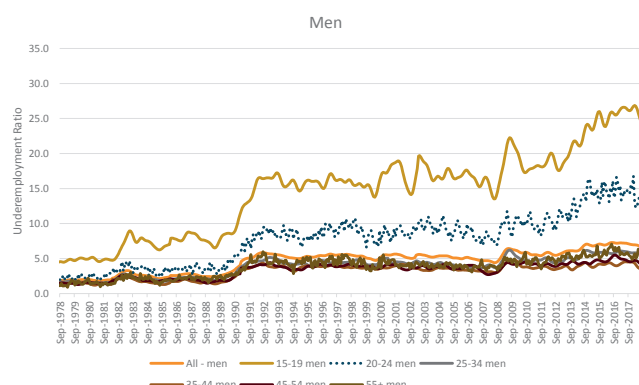
The key question is whether or not underemployment is as big a problem for workers as the ratio suggests. We've seen two points in time where the underemployment rate bounced up – the early 1990s recession and the 2008/09 global financial crisis. The labour market responses at times like these, particularly through the latest downturn, suggested that there was enough labour market flexibility to reduce hours or offer lower hours rather than laying people off. Of greater concern, and where we need to focus attention, is when underemployment becomes pervasive and impacts on living standards and economic security.

Looking at the age profile of underemployment, the youngest cohorts of women and men aged 15-24 years are clearly miles ahead of other age groups in reporting that their current working conditions provide fewer hours than they would like. This is particularly evident for the 15-19 age group, although the vast majority of these workers are still in full-time study. The rising rate over time for this group also reflects the increasing share of students who combine work with full-time education, a trend which has risen from around [30% to 50% since the mid-1980s](#). Underemployment for this age group is thus highly likely to be temporary in nature, which makes underemployment less problematic.

There is also a gender story here, with women far more likely to be underemployed than men. This is particularly the case among the prime-age workforce, a group that has seen similar growth in underemployment for both men and women since the global financial crisis. Yet underemployment has grown more strongly among the younger and older age cohorts of workers. Older workers often face more challenges in securing employment and working hours and are more likely to experience [discrimination in the workplace](#).



Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0
Notes: Trend values are used for all age groups except men and women aged 20-24 and men aged 55+ where original values are shown (trend values unavailable).



Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0
Notes: Trend values are used for all age groups except men and women aged 20-24 and men aged 55+ where original values are shown (trend values unavailable).



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