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Real unemployment in Australia is far higher than claimed by the ABS, and high under-employment keeps a lid on the wage growth of workers

by Michele Levine, Gary Morgan and Julian McCrann

The latest Roy Morgan employment estimates for March 2022 show that although unemployment in Australia has come down to its lowest level since the pandemic began just over two years ago, there are still more than 2.3 million Australians (16.2% of the workforce) who are either unemployed or under-employed.

There were [1.13 million Australians \(7.8% of the workforce\) unemployed in March and even more, 1.23 million, under-employed \(8.4% of the workforce\)](#). This compares to the [ABS estimate of 563,000 unemployed Australians \(4.0% of the workforce\) and 926,000 under-employed \(6.6% of the workforce\)](#).

Everyone needs to understand the widespread community transmission of COVID-19 is responsible for the largest impact on the Australian labour market and workplaces employment across the country.

The Health Department website shows there are today well over 450,000 Australians currently infected with COVID-19 – a number far higher than at any time during 2020-21. This high case-load is caused by the highly transmissible Omicron ‘variant’ of COVID-19 which has spread around Australia in two distinct waves.

The first Omicron wave began in early December and led to infections peaking in mid-January at over 700,000 before declining rapidly over the next few weeks and bottoming in February. A second Omicron wave began in early March and is still ongoing with tens of thousands of new cases every day.

The high caseload means over 450,000 Australians are currently forced into week-long isolation because of being infected with the virus, and many hundreds of thousands more, such as family members living in the same house, are forced into periods of isolation due to being close contacts of those who are infected.

The forced isolation of many employees is in turn forcing businesses to hire more workers on part-time hours. In March part-time employment increased by 289,000 to a near-record high of over 4.7 million. This is where all the employment growth in the labour market has come from over the last few months.

Since October 2020 when the final COVID-19 lockdowns in NSW, Victoria and the ACT ended, part-time employment has increased from 4,281,000 to 4,712,000 – an increase of 431,000. In contrast, during the same time period full-time employment is down by 60,000 to 8,678,000.

This equates to a net increase of 371,000 employees – all caused by the increase in part-time work.

The correlation between part-time employment and under-employment is well understood - as part-time employment increases, under-employment tends to increase at the same time. This is certainly what happened in March as part-time employment increased by 289,000 and under-employment increased by 93,000 to 1.22 million.

As companies and businesses are forced to hire employees on reduced hours to cover for those workers who are in forced isolation, but would like to work more hours, the level of employment increases but there are also more workers who would ideally like to work more hours – the under-employed.

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As long as outbreaks and transmission of COVID-19 is forcing hundreds of thousands of Australians into isolation this trend of higher part-time employment, and a high under-employment rate, is set to continue – which means wage growth will remain below expectations.

Unfortunately media commentators fail to understand that by itself, lower unemployment, will not facilitate wages growth unless this a substantial reduction in the number of Australians who are under-employed – which is more closely correlated to wage growth due to being on the ‘margin’ between full-time and part-time work.

The latest Australian wage growth figures show annual wage growth of [2.3% over the year to December 2021](#) compared to estimated [CPI during that period of 3.5%](#). These figures show that wage growth is failing to keep pace with inflation – and this situation has clearly worsened in 2022.

In addition, the Russian invasion of Ukraine prompted a large spike in the prices of key energy products such as coal, oil and gas which flowed directly through to the Australian economy. In mid-March petrol prices spiked to a new record high at an average of over \$2.14 a litre. Although the petrol price has since dropped, and the petrol excise has been slashed for six months, these increased costs are still flowing through into other parts of the economy such as food and goods.

The rising inflation is putting more pressure on workers to earn more money and this means that more workers in part-time employment need to work more hours to compensate for the higher level of inflation in the economy - the under-employed are ‘feeling the pinch’ of inflation.

We have already seen much higher inflation in the United States, so far this year at an annual rate of [8.5% in March – the highest in over 40 years](#). Thus far Australia has yet to experience this level of inflation but as these inflationary pressures continue to build world-wide they will impact on Australia in the second half of this year.

As we head towards next month’s Federal Election it is absolutely vital that both major parties detail how they will deal with the growing threat of inflation as well as adopt policies that properly tackle the ongoing high level of unemployment and under-employment in the Australian economy.

Over [2.35 million Australians \(16.2% of the workforce\) are currently either unemployed or under-employed](#) and this represents a ‘huge slice’ of the electorate who need to know which major party is really serious about tackling Australia’s long-term problem of high labour under-utilisation.

The [Roy Morgan unemployment and under-employment estimates show Australia has had over 2 million Australians either out of work, or looking for more work](#), nearly continuously since December 2011 – more than a decade ago.

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