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ACCI Business Leaders Summit

Productivity, Employment and Business Australia

Michele Levine, CEO, Roy Morgan Research

August 2015





2015 sees Australia in a precarious position: serious economic issues; an increasingly complex international environment and now corruption emerging almost everywhere we look;

and politically, an unpopular Tony Abbott led L-NP Government which does not appear ready, willing or able to deal with the issues that confront it and which is hampered by a dysfunctional Senate.

Conservative Governments, especially those that need to change, are inherently 'at odds' with the operational arm of Government, the Public Service, with the powerful inertia of its own culture. The dysfunctional Senate makes it just that much harder.

Serious Economic Issues

Unemployment, Commodity prices, Budget deficit

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Serious economic issues include:

- high levels of unemployment, especially youth unemployment and with falling ‘hours worked’ the emergence of under-employment as a major issue as part time jobs increase at the expense of full time jobs;
- the dramatic fall in the iron ore, coal and oil prices that has seen the end of the mining boom; the falling value of Australian dollar leading to concerns about cost of living;

Inextricably intertwined with these economic problems is the political context.

The Tony Abbott L-NP Government has lost the support of a great deal of the Australian electorate and some of his backbenchers and moreover has made promises about Industrial Relations (specifically not to tackle IR) that have paralysed the Government in terms of much needed action to free up the labour force.

If an election were held today the L-NP Government would not be returned. However the sheer size of the vote for other parties at the last election is an indication that the Australian electorate does not see a credible alternative in the current Opposition Labor Party.

New Era for Employment & business

Powered by Globalisation; and disrupted by technology

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The world of business has entered a new era:

In the late 80s, globalisation and the increase of the middle class in emerging nations was seen as a huge opportunity for all kinds of products and services. We've seen many competitors for the emerging wealth. and globalisation is now having a huge effect on the world. We are truly a global village.

Technology, the enabler, has developed a life of its own – the Internet and constant connectivity via smart phone other mobile devices – and is the ultimate disruption.

Every industry is seeing fragmentation and convergence at the same time powered by technology and the opportunities afforded by the global marketplace.

Our economies are linked, and new communication technologies provide up-close and real-time media coverage of terrorism attacks, war, and natural disasters.

For most businesses – these are ‘uncontrollable factors’ ...

The controllable factors are – infrastructure, marketing, branding and our nations productivity

It is important to understand the ‘uncontrollable factors’ as they provide the context within which the industry operates. And perhaps more importantly they provide insight into the critical issue of ‘Timing’.

It's Time

All indications are that it's now time to put all our efforts behind our nation's productivity – and get it right for now and the future.

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All indications are that it's **now** time to put all our efforts behind our tourism industry – and get it right for now and the future.

But let's look at the underlying themes:

Society

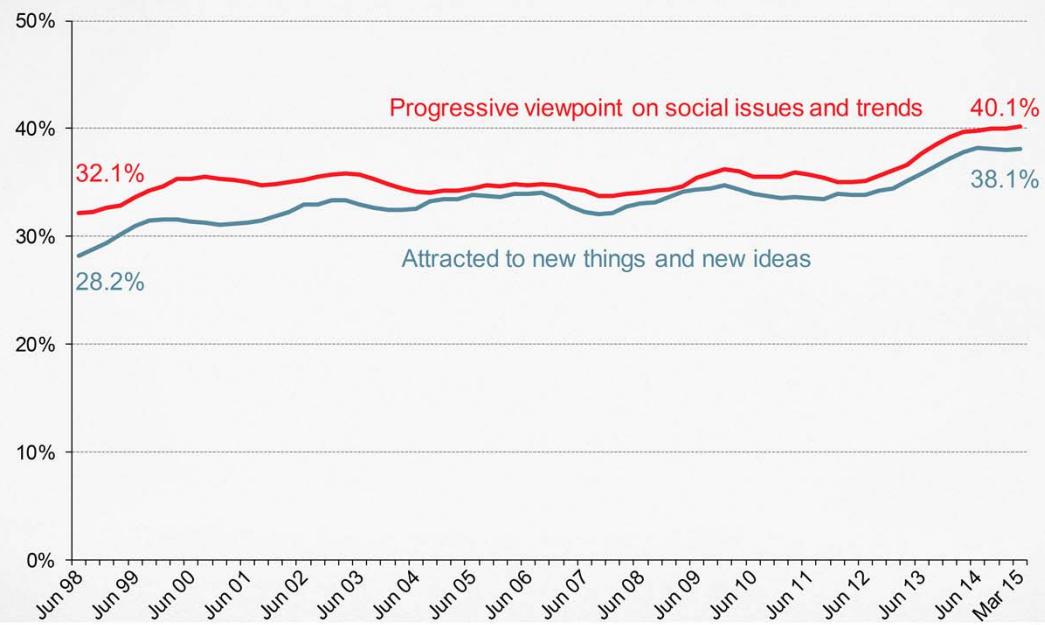
Australia as a nation is growing and ageing; increasingly educated, socially progressive and open to new technology

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Australia as a nation is growing, and ageing. Our population is now over 23.5 million, and as the baby boomers turn 65+ that is the group that will be growing fastest and the group with the greatest wealth and spending power.

Progressive Views



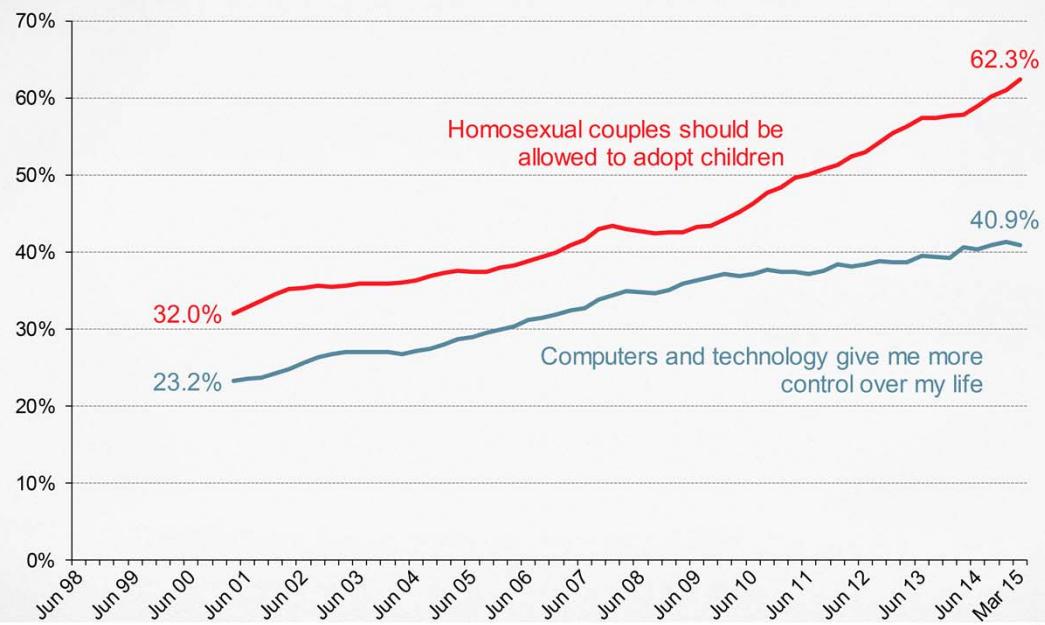
Base: Australian population aged 14+
Source: Roy Morgan Research; 12 month moving average

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We are increasingly educated, and increasingly socially progressive and attracted to new ideas.

Progressive Attitudes



Base: Australian population aged 14+
Source: Roy Morgan Research; 12 month moving average

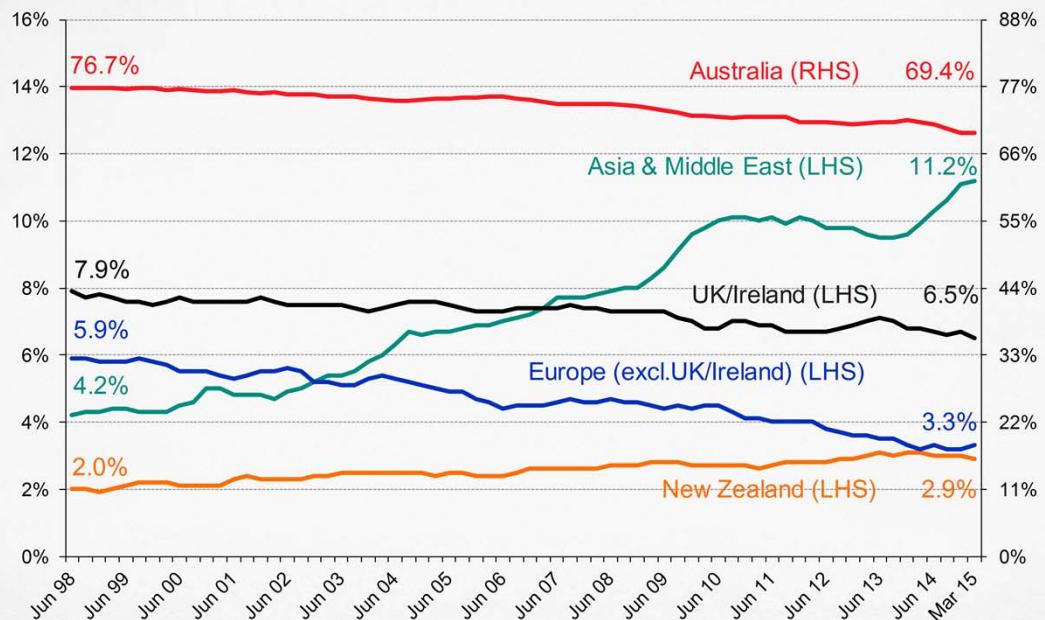
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This manifests in such things as being open to homosexual marriage and adoption and open to new technology.

Clearly these things have an impact on our holiday preferences and activities – the arts, historical places are increasingly part of our holiday repertoire.

Country of Birth



Note: Approximately 7% were born in other countries.

Base: Australian population aged 14+

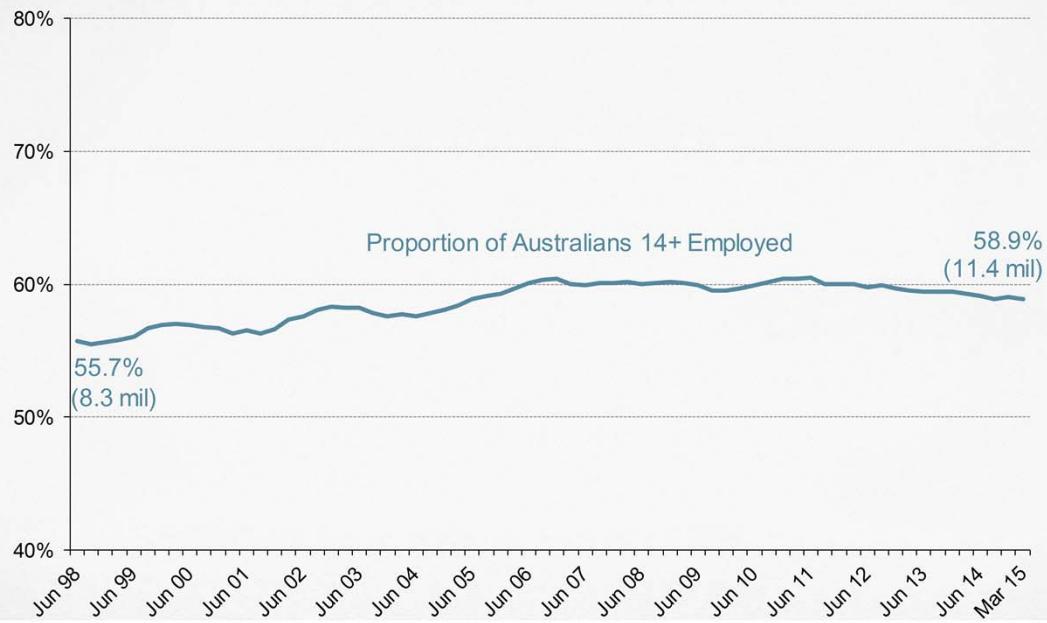
Source: Roy Morgan Research; 12 month moving average

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Now only 69% of Australians were born here. More than 30% were born overseas. We are increasingly international in our make up, and our food preferences, and desire to see and engage with the world. We are a very different nation than we were even 10 years ago.

Australians in Employment



Base: Australian population aged 14+
Source: Roy Morgan Research; 12 month moving average

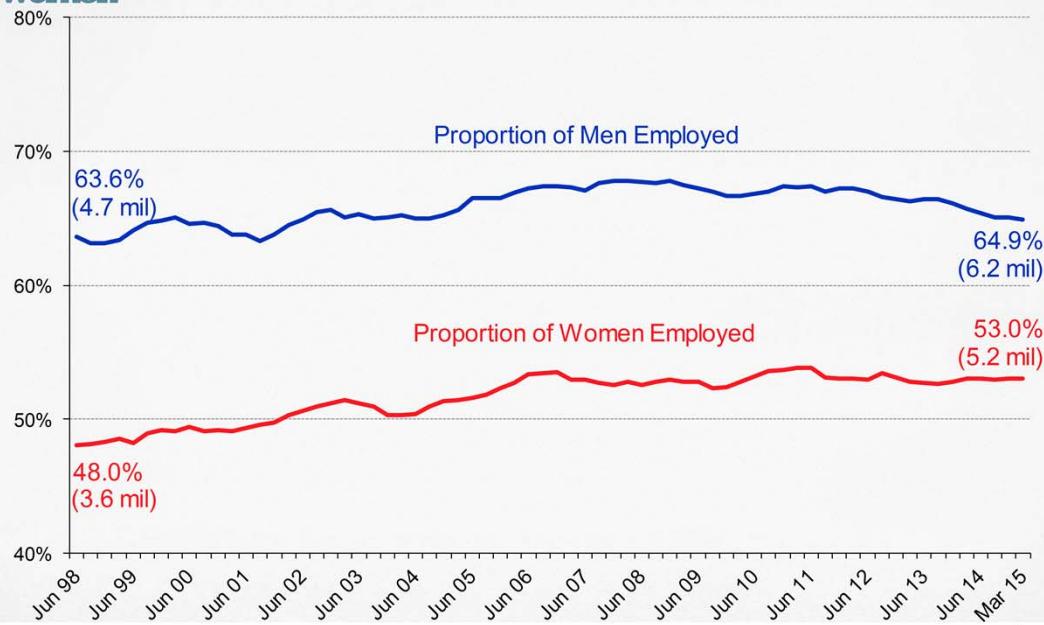
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An increasing proportion of Australians are employed.

Australians in Employment

- Men vs. Women



Base: Australian population aged 14+
Source: Roy Morgan Research; 12 month moving average

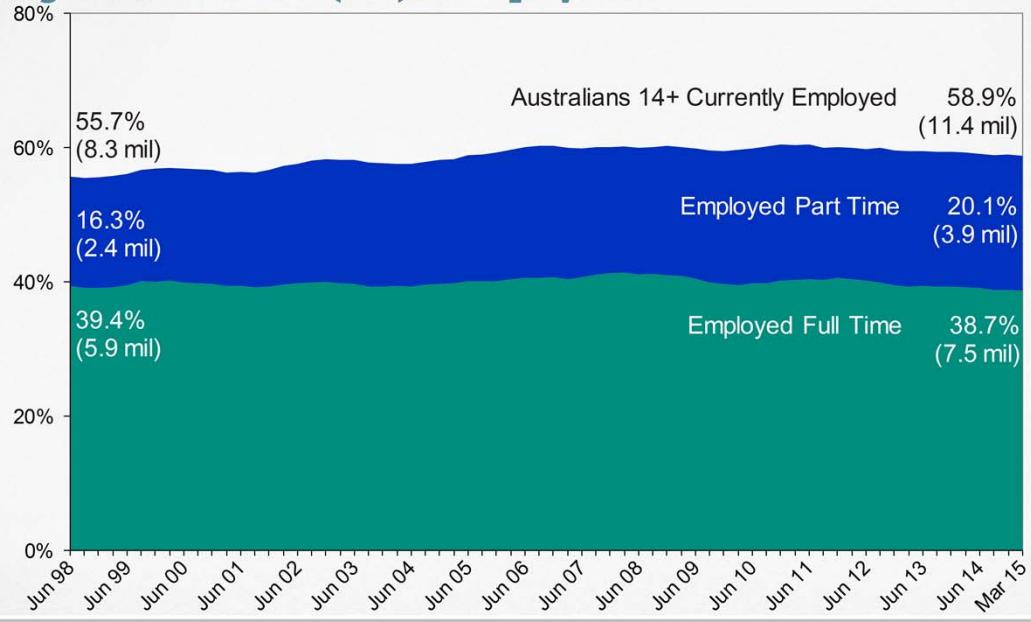
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While both male and female employment rates increased until around 2006, female employment then flattened, while male employment continued to increase until 2008 and has since come down.

Workforce Structure

- increasing % of Australians (14+) in Employment



Base: Australian population aged 14+
Source: Roy Morgan Research; 12 month moving average

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We see a clear shift away from full time employment and to part time employment.

Workforce Structure

| | | Jun 98 | Mar 15 | Change |
|------------------|----------------------|--------------|--------------|--------------|
| Men | Full Time | 53.9% | 50.4% | ▼ 3.5 |
| | Part Time | 9.7% | 14.5% | ▲ 4.8 |
| | Total Workers | 63.6% | 64.9% | ▲ 1.3 |
| Women | Full Time | 25.3% | 27.4% | ▲ 2.1 |
| | Part Time | 22.7% | 25.6% | ▲ 2.9 |
| | Total Workers | 48.0% | 53.0% | ▲ 5.0 |
| Total Population | Full Time | 39.4% | 38.7% | ▼ 0.7 |
| | Part Time | 16.3% | 20.1% | ▲ 3.8 |
| | Total Workers | 55.7% | 58.9% | ▲ 3.2 |

Base: Australian population aged 14+

Source: Roy Morgan Research; 12 months to June 1998 & 12 months to March 2015

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This is strongest for men. Full time work has shifted from 53.9% of men in 1998 to 50.4 in 2015.

Among women, employment has increased – both full and part time – but not to the same level as male employment.

Under Employment

| | Jun 98 | Mar 15 |
|---|--------------|--------------|
| Full Time | 39.4% | 38.7% |
| Part Time | 16.3% | 20.1% |
| Part time, looking for full time work | N/A* | 2.6% |
| Part time, looking for more hours | N/A* | 3.4% |
| <i>Total Under Employed</i> | <i>N/A*</i> | <i>6.0%</i> |
| Total Now Employed | 55.7% | 58.9% |
| Looking for Full Time Work | 3.8% | 3.5% |
| Looking for Part Time Work | 1.3% | 3.4% |
| <i>Total Looking for Work</i> | <i>5.1%</i> | <i>6.9%</i> |
| <i>Unemployment Rate (Base: Australian Workforce)</i> | <i>8.4%</i> | <i>10.5%</i> |
| Total in Workforce | 60.8% | 65.8% |
| <i>Total Not Employed & Not Looking for Work</i> | <i>39.2%</i> | <i>34.2%</i> |

*Question was not asked in June 1998

Base: Australian population aged 14+

Source: Roy Morgan Research; 12 months to June 1998 & 12 months to March 2015

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With the increase in part time work we are seeing an increase in under-employment, those working part time who would like to be working full time or more hours.

Technology

The Digital Disruption

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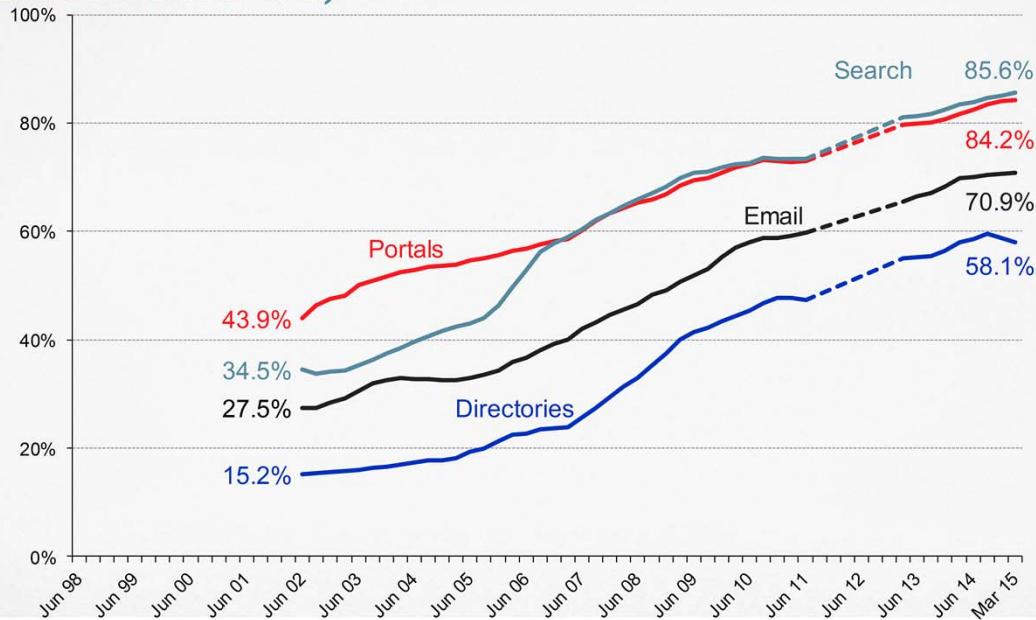
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Every industry is now digital!

The exponential growth of digital, mobile, video and the extraordinary extent of automation and variable pricing of everything from hotel room to airline seats to media is having an impact of the very essence of the business landscape.

Traditional Websites

(visited in the last four weeks)



— - Represents a change in methodology from respondent recall to machine based measurement

Base: Australian population aged 14+

Source: Roy Morgan Research; 12 month moving average

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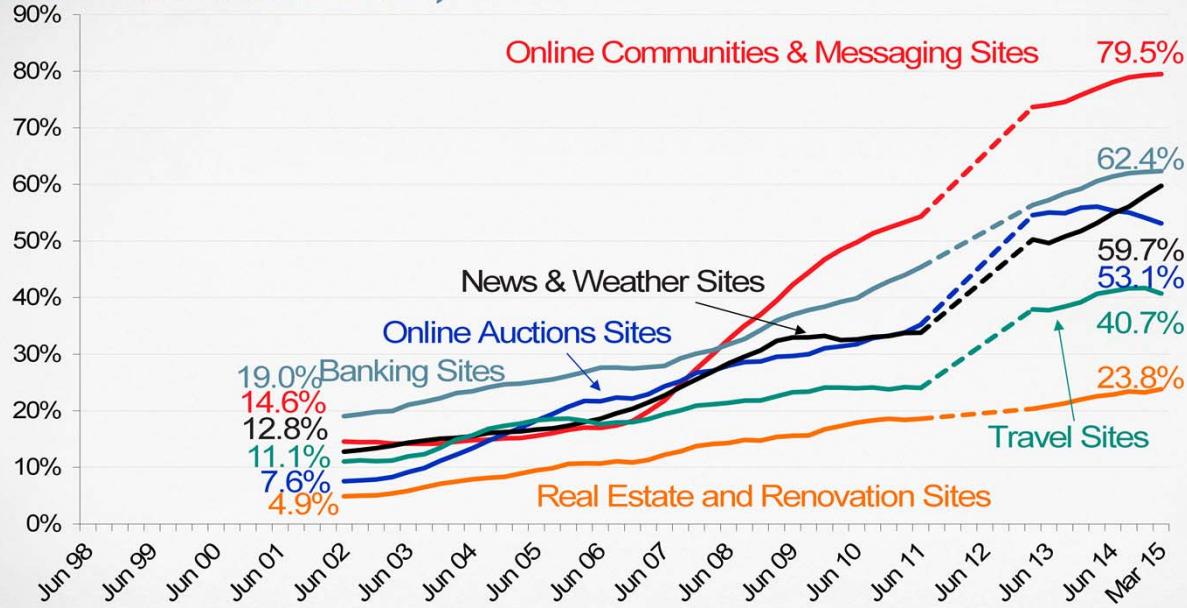
We are seeing growth in all kinds of websites.

This data is derived from Roy Morgan Single Source - an address-based sample, multi-mode, nationwide, predominantly face-to-face establishment survey of approximately 50,000 Australians with telephone, self-completion and web based follow up and, for the last few years, machine-based web audience measurement.

Search has meant consumers know what's available; there is no hiding if your offering is poor.

Commercial & Community Websites

(visited in the last four weeks)



-- - Represents a change in methodology from respondent recall to machine based measurement

Base: Australian population aged 14+

Source: Roy Morgan Research; 12 month moving average

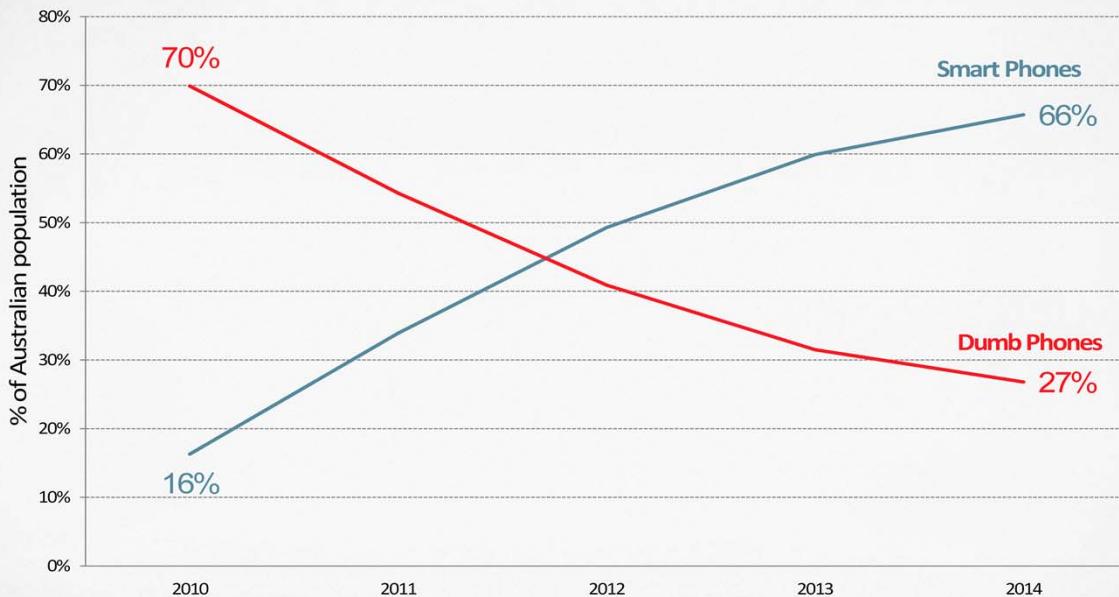
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The real growth is in online communities and messaging sites. Facebook is now mainstream – almost ubiquitous. Consumers can talk back, share and publish.

9.6 million visit Google Maps in an average 4 weeks (6 million of them by phone).

Types of Mobile Phone Used



Base: Australian population aged 14+
Source: Roy Morgan Research; discrete 12 month average

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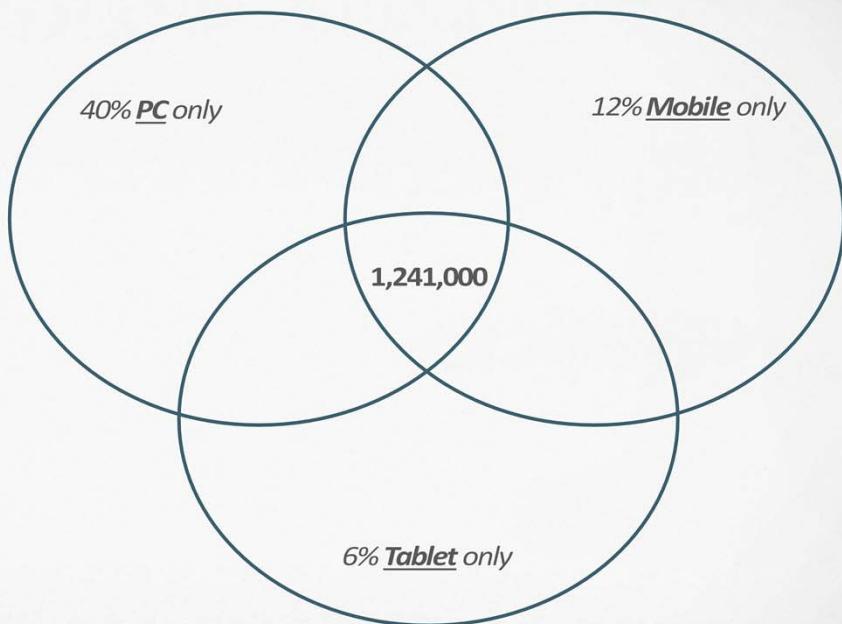
The rise of the smart phone has turbo-charged the changes we've seen due to the digital access to information of all sorts – it's now 'always on' & 'always accessible', empowering consumers wherever they are.

Note:

Dumb phone = doesn't run apps.

YouTube - Audience by device

Visitation in the last 4 weeks



Base: Australian YouTube Viewers aged 14+

Source: Roy Morgan Research; 12 months to March 2015

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It becomes critical to understand and monitor how people are using every site. For YouTube, PC is still dominant but mobile is gaining, both on phone and tablet.

The overlap of the 1.2 million who use all three devices, and the three other overlap options of PC and mobile, PC and tablet, tablet and mobile, is what is confounds most measurement systems around the world. Only Single Source can measure the cross platform audience, the unique audience and the shared audience (overlap) across devices.

Hard to keep up!

The Digital Disruption

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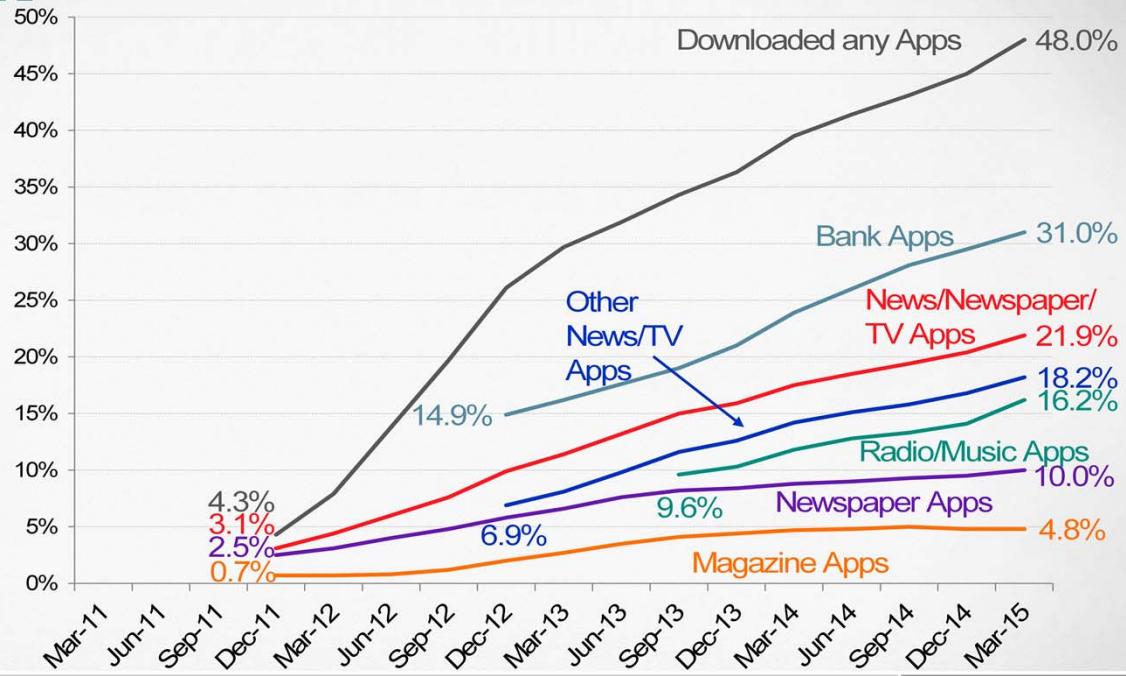
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The fact that people are accessing sites using different devices is great for those making the devices, those in the tech space – but excruciating for those who see their business as providing a product or a service – it's really hard to just keep up. We recently surveyed people in the media industry and the media buying industry about the challenges they are facing – they talked about the challenge simply to keep up in a fast-changing environment where skills and expertise are in huge demand and short supply.

Downloading Apps

Ever Downloaded

- Facebook (7.8m)
- Instagram (3m)
- eBay (2.8m)
- Commbank (2.3m)
- Snapchat (2.1m)



Base: Australian population aged 14+
Source: Roy Morgan Research; 12 month moving average

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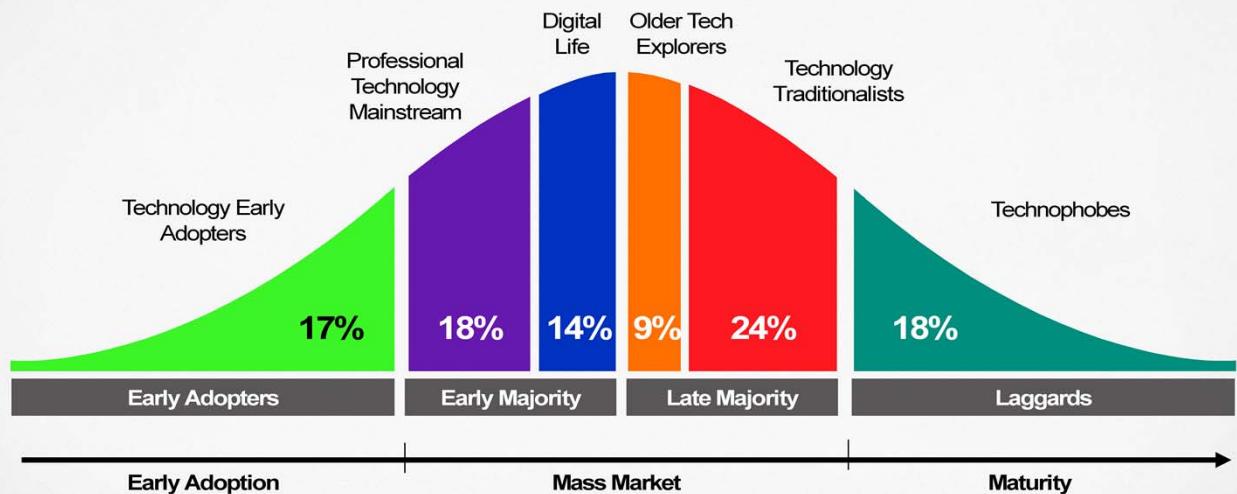
Apps are going gangbusters – increasing numbers of apps are being downloaded and although the numbers are naturally slightly lower for ‘recent use’ they are still substantial.

Social media is the driving force.

7.8 million Australians have downloaded the Facebook app; 3 million Instagram, 2.8 million the eBay app, 2.3 million the Commbank app and 2.1 million have downloaded Snapchat.

Roy Morgan Research

Technology Adoption Segments



Base: Australian population aged 14+
Source: Roy Morgan Research; 12 months to March 2015

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Recognising we needed to understand the rapid changes in technology and their impact on consumers, Roy Morgan Research undertook a major study of technology and how Australians are adapting to it. The study's results, which were first launched in May 2012, show that different segments of the population are taking up the new technology at very different rates.

In essence, the technology adoption curve is an innovation curve – there are early adopters at one end and laggards at the other, with the majority in the middle.

This framework is particularly informative in relation to understanding who is consuming which media and what sources of information via which means (e.g. are people reading the newspaper via app, or website on their PC, or in hard copy). Roy Morgan is of course measuring all these. IT is relevant for employers, employees, would be employees, Governments, those in the education business.

Fragmentation and downward pressure on prices

A natural result of technology and more empowered consumers

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So we have: challenges for all and opportunities

Digital world is not the enemy

Focus on the customer

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The Digital world is not the enemy of Industry – it is only the enemy of those who are not adding value and don't understand who the old, new and emerging consumers are

The Digital space is increasingly about communities and relationships. This means your customer list is used for more than the occasional (or not so occasional) direct offer.

To be successful in this changing world it is more important than ever before to understand your customer, your employee, your constituent, electorate, audience.

We at Roy Morgan have spent 70 years understanding people and the choices they make – who to vote for, what to read, where to go, how much to pay, for what?

We have developed frameworks to help us understand such things as:

Why people with the same income and life stage can often make radically different choices - a steady job or high risk startup. (**Roy Morgan Values Segments***);

Why some people choose to hold all their personal information ‘in the cloud’ while others buy real leather travel wallets and only stay in accommodation with a safe for personal belongings (**Technology Adoption Segments**); and

Why in some communities it is cool to ‘work for the Government’ while in others it is more acceptable to be taking ‘in business for yourself’ (**Roy Morgan Helix Personas**).

*Devised by Michele Levine of Roy Morgan Research and Colin Benjamin of the Horizons Network.

State of the Nation 2015

Economy

The economy and all its components has a large impact on business

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Australia Today



[1] Roy Morgan Face-to-Face; August 8/9, 2015;
Australian population aged 14+

[3] Roy Morgan Business Single Source; July 2015

[2] Roy Morgan Face-to-Face Survey; July 2015;
Australian population aged 14+ in Workforce

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We at Roy Morgan believe the key things to watch are Consumer Confidence and unemployment.

NZ-Roy Morgan Consumer Confidence is in positive territory at 112.5 and business confidence slightly lower at 112.3.

Real unemployment as measured by Roy Morgan Research is now 8.7% in July - the lowest since August 2014 while a further 7.7% of Australians are now under-employed.

Economy and Consumer Choice

The economy and all its components has a large impact on business

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If we look at the big picture of consumer choice and economics. The underlying patterns seem to be:

1. if the economy is in good shape (and consumer confidence is high and unemployment low) people will want to holiday and travel. If the economy is generally good but unemployment is high people seem to want to invest (home renovations, etc.) rather than spend on holidays.

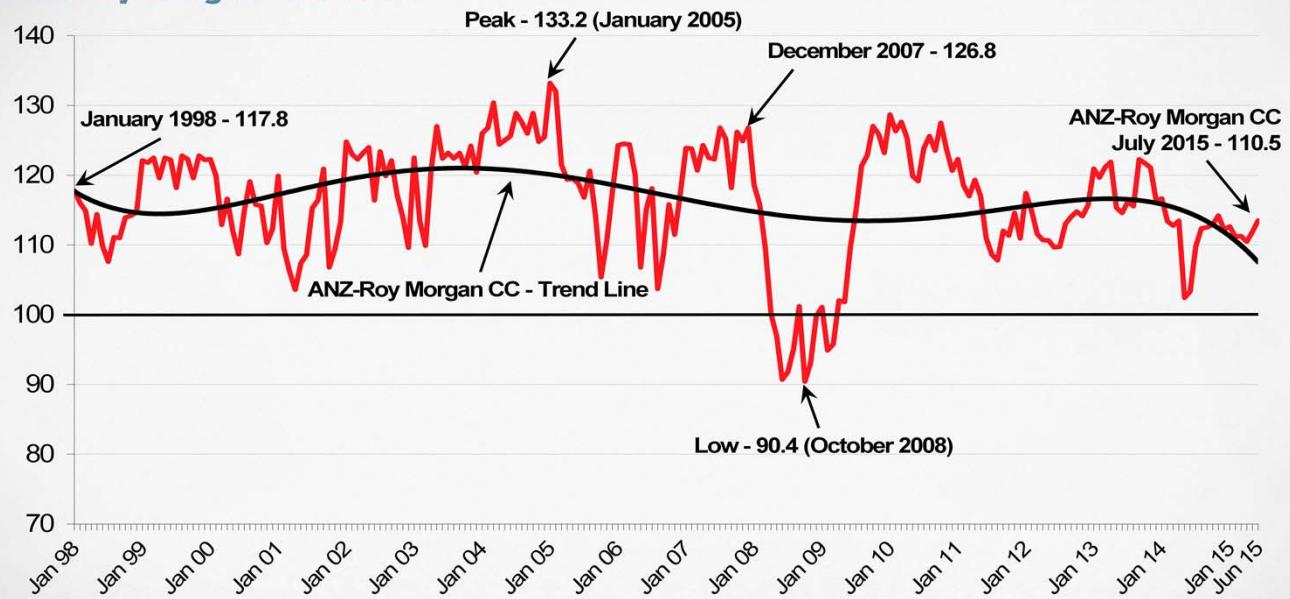
Interest rates are the wild card. Higher interest rates impact negatively on the mortgage belt consumer and those aspiring to home ownership – but low interest rates represent an immediate hit to the spending power of self funded retirees – increasingly important to this market.

2. The decision to travel overseas vs domestically is impacted by:
 - a) economic factors - Value of the \$ (a high dollar means greater spending power outside the country) and other financial considerations e.g. cheap air fares and packages; and
 - b) fear factors: terrorism, international unrest, war, riots etc. (generally and specifically at the planned destination), natural disasters (e.g. floods, Bali earthquake), epidemics (e.g. SARS, ebola), airline incidents that create uncertainty (e.g. strikes).
3. The type of holiday people take is more related to life stage, Values*, personal socio-economic factors; birthplace and other affiliations.
4. Infrastructure costs will be heavily impacted by interest rates – and of course politics. So what do we see?

*Devised by Michele Levine of Roy Morgan Research and Colin Benjamin of the Horizons Network.

ANZ-Roy Morgan Consumer Confidence

- Monthly Long-Term Trend



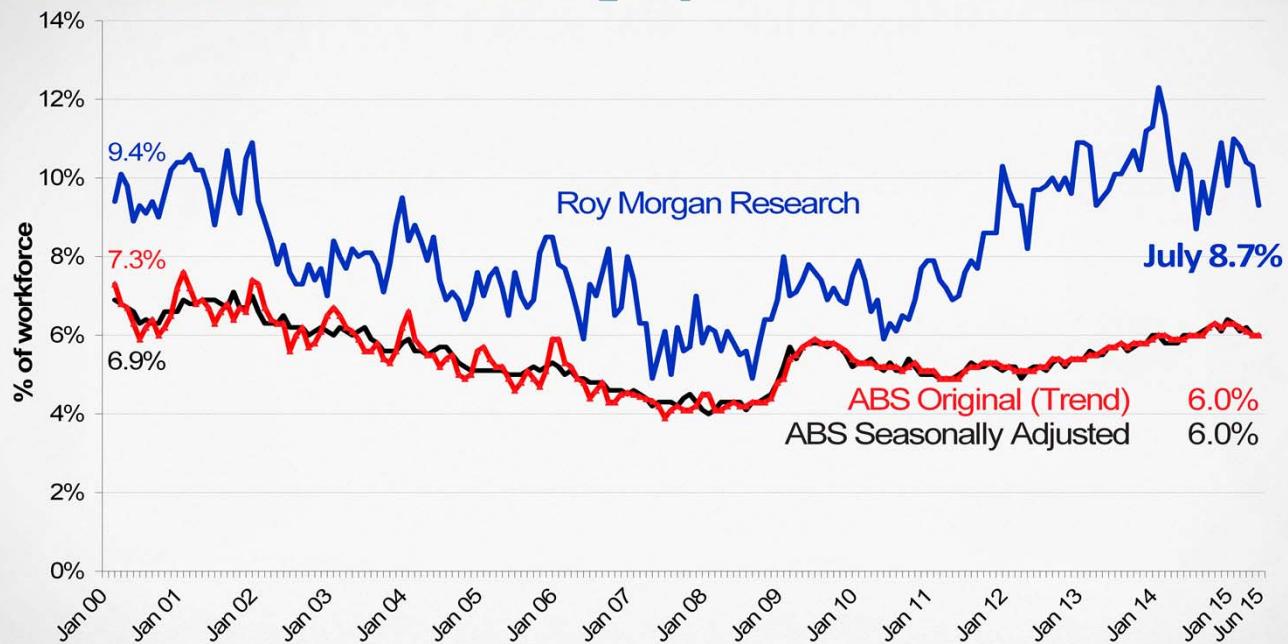
Base: Australian population aged 14+
Source: Roy Morgan Research; Monthly data

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Consumer Confidence is in positive territory – but could not be described as buoyant.

Level of Workforce Unemployment



Base: Australians who are in the workforce
Source: Roy Morgan Research; Monthly data
Source: Australian Bureau of Statistics; Monthly data

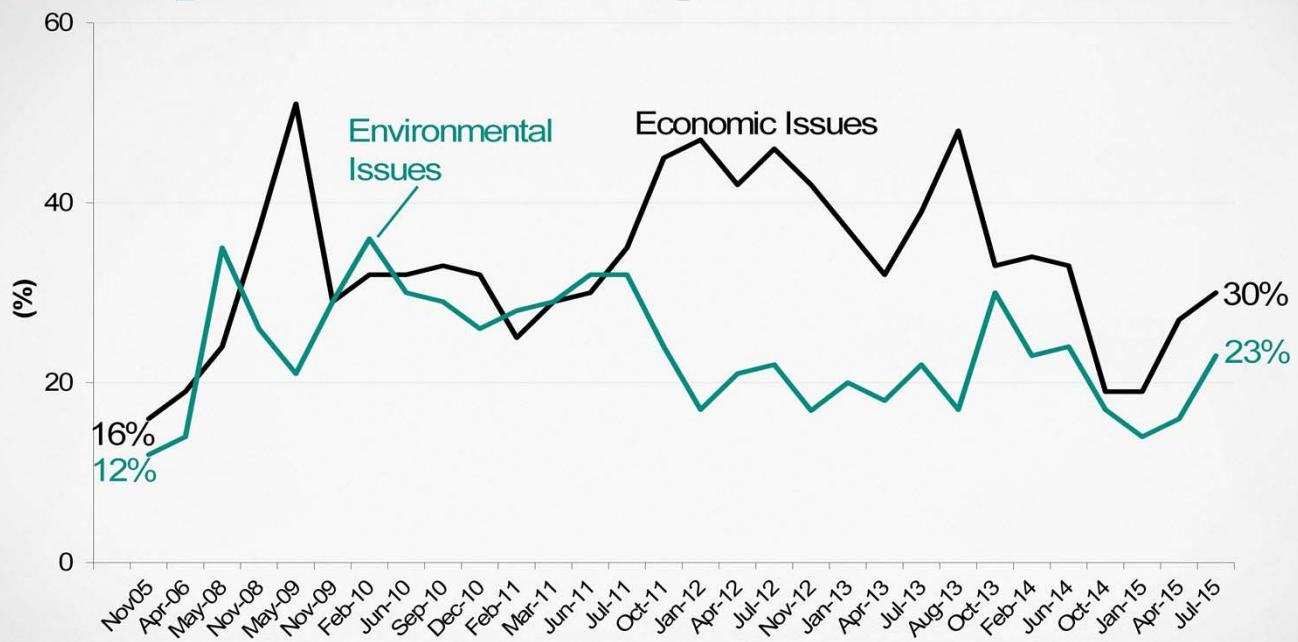
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Real unemployment is coming down – but still too high. There is still 16% of the workforce unemployed or underemployed.

So we'd expect to see some slight softening of the travel and holiday expectations.

Most Important Issues Facing the World

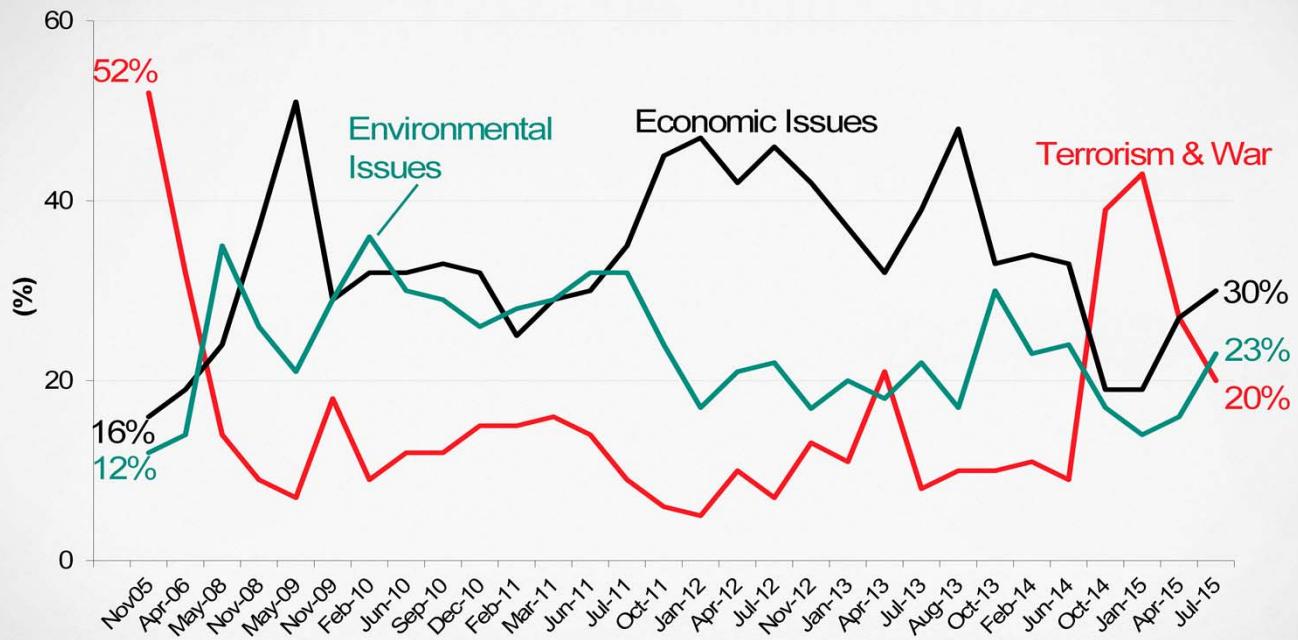


Base: Australian population aged 14+
Source: Roy Morgan Research; Nation-wide telephone poll

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Most Important Issues Facing the World

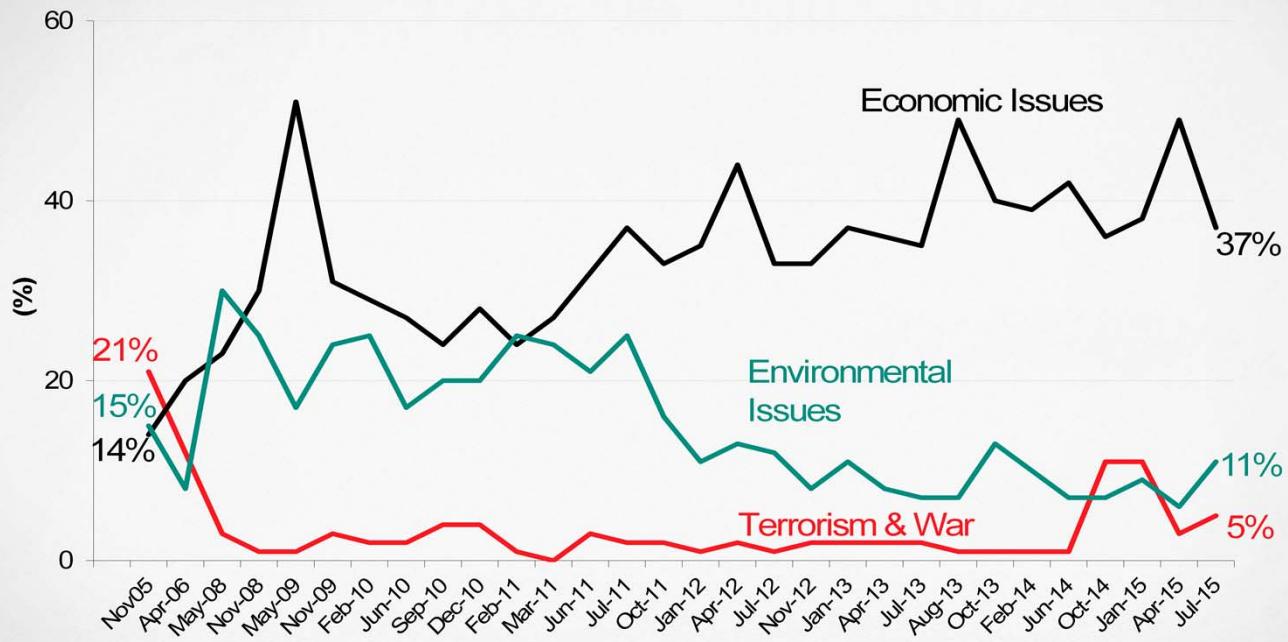


Base: Australian population aged 14+
Source: Roy Morgan Research; Nation-wide telephone poll

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Most Important Issues Facing Australia



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Source: Roy Morgan Research; Nation-wide telephone poll

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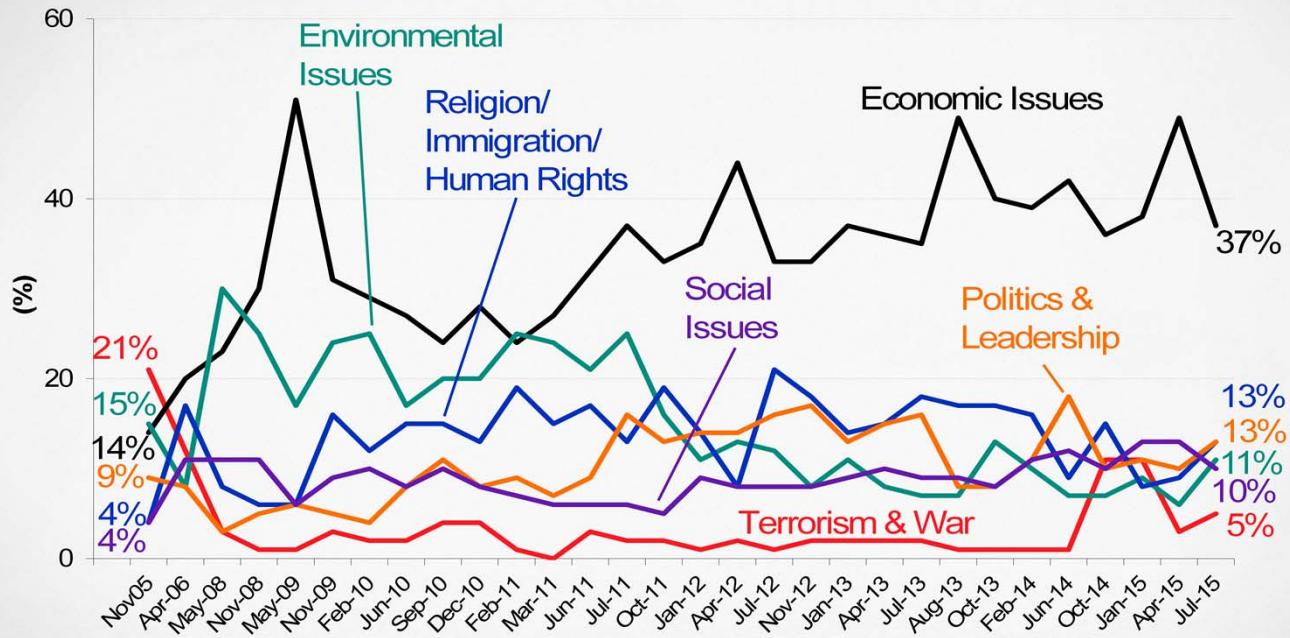
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Economic issues still dominate for Australians.

Australians nominate Economic Issues (37%) as the biggest problems facing Australia. These include the Economy/ Economic problems/ Interest rates (15%), Unemployment (13%), and other issues including Cost of living/ Inflation/ Federal Budget/ Poverty/ Over-reliance on Mining.

However this is lower than the last point in April – when concern about the budget and the Greek crisis, Iron ore prices etc. dominated the news and before the substantial interest rate cuts.

Most Important Issues Facing Australia



Base: Australian population aged 14+
Source: Roy Morgan Research; Nation-wide telephone poll

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July has also seen an increase in concern about the environment amid discussions about renewable energy (in fact the latest Morgan Poll had the Greens with 15% support – highest since Sept 2010).

July has also seen an increase in concerns about political leadership issues with neither party leader being highly regarded and an increase in concerns about terrorism and war.

The end of the ‘Commodities Boom’ is an economic ‘shock’ but provides opportunities.

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The end of the mining boom has seen the Australian dollar down to 73 US cents and interest rates lowest for many years (so the viability of infrastructure development is enhanced).

International Context

Global unrest; Asian engagement; trade deals

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The international context has relevance for both inbound and outbound travel and trade. Today the international context is one which includes unrest and terrorism throughout much of the world particularly in the Middle East & Eastern Europe which directly affects Australia and Australia's increasing engagement with, and dependence on, Asia.

Australia is increasingly engaging with and part of Asia. Today only 69% of Australians were born in Australia, more than 10% were born in Asia or the Middle East, and that number would increase substantially if it were to include children who were born here with Asian parents. Australians increasingly travel to Asian destinations on holidays, for business or to visit family and friends.

We have seen substantial increases in travel to Asia and the Middle East.

Australia's Biggest Trading Partners (2013-14)

| Rank | Country | \$AUD Billions | % Share of Total |
|------|----------------|----------------|------------------|
| 1. | China | \$159.6 | 23.9% |
| 2. | Japan | \$72.2 | 10.8% |
| 3. | United States | \$58.2 | 8.7% |
| 4. | South Korea | \$34.6 | 5.2% |
| 5. | Singapore | \$29.5 | 4.4% |
| 6. | New Zealand | \$22.7 | 3.4% |
| 7. | United Kingdom | \$20.3 | 3.0% |
| 8. | Malaysia | \$19.9 | 3.0% |
| 9. | Thailand | \$18.8 | 2.8% |
| 10. | Germany | \$16.8 | 2.5% |

Base: Goods and services exported during the 2013-2014 financial year.

Source: Department of Foreign Affairs and Trade

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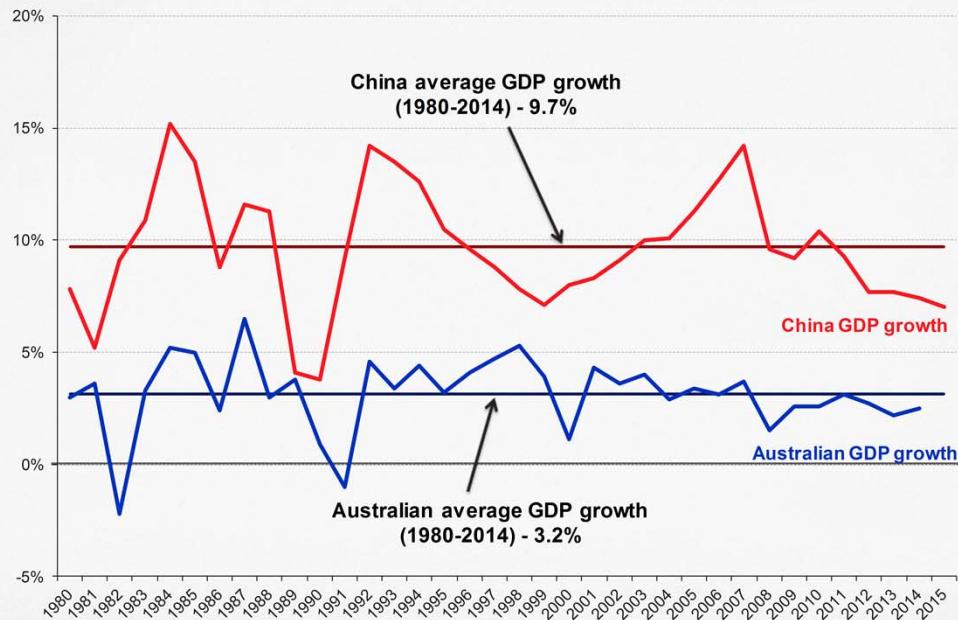
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Australia's Import & Export markets are dominated by China – which comprises nearly a quarter of Australia's total Imports & Exports.

Trade with Asia is on the increase. Several important international Trade Agreements are being implemented including those with three of Australia's biggest trading partners China, Japan and South Korea. Around 40% of Australia's Trading is with North East Asia (China, Japan & South Korea).

China vs. Australia - GDP Growth

1980 - 2015



Source: Australian Bureau of Statistics

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China's GDP has grown by an average of 9.7% since 1980. However, China's GDP growth is now slowing down.

As clearly our biggest trading partner, any slowdown in Chinese GDP growth will have a huge impact on the Australian economy – as we've already seen with the plunge in the Iron Ore price.

Consumer Confidence by country

ANZ-Roy Morgan Consumer Confidence

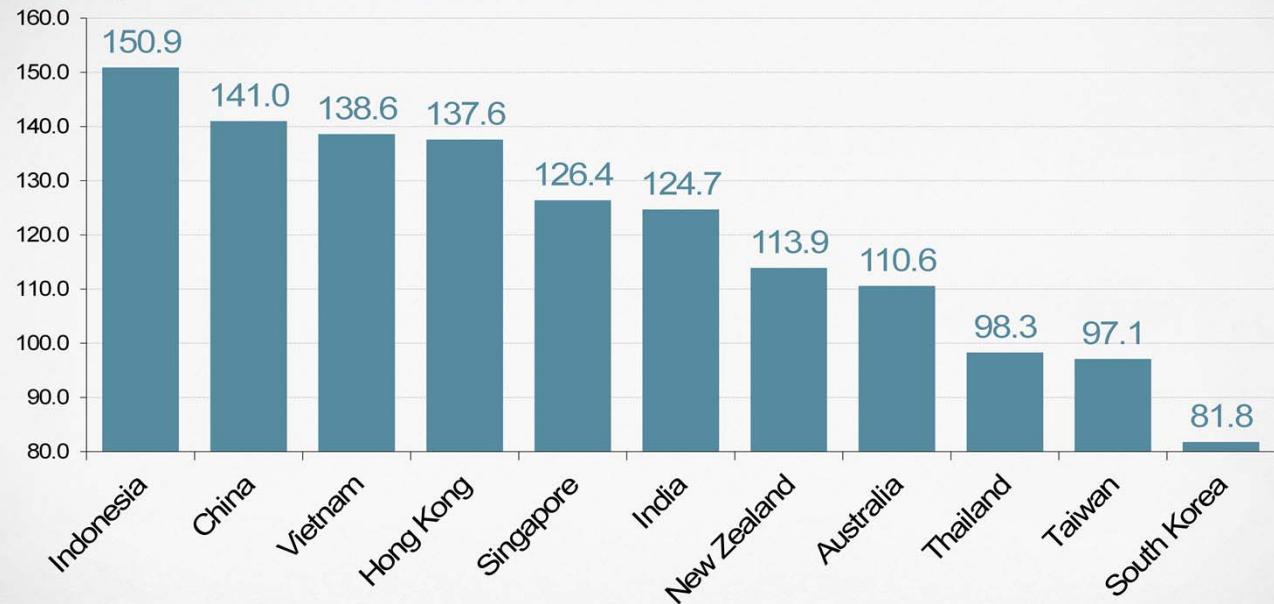
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Chinese consumer confidence, as measured monthly through the ANZ-Roy Morgan consumer confidence index, is 141. While this is high by Australian standards – it is at its lowest level on record – and well below the mid 150s in November last year.

ANZ-Roy Morgan Consumer Confidence

- Monthly Asia-Pacific Consumer Confidence



Base: Asia-Pacific countries; July 2015

Base: Australians aged 14+; July 2015

Source: Roy Morgan Research

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At 141 China's consumer confidence is high relative to Australian standards – but it is the lowest on record. Roy Morgan is now continuously surveying in 11 Asia-Pacific countries.

(Australia, China, Hong Kong, India, Indonesia, New Zealand, Singapore, South Korea, Taiwan, Thailand, Vietnam)

Real Unemployment – too high

Interest Rates – too high

Iron Ore Prices – too low

The Chinese Economy – in decline!

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THE AUSTRALIAN BUSINESS REVIEW

Day of reckoning: why our economy needs a recession

STIRLING LARKIN, APRIL 25, 2015

Wrong, Federal Government needs to tackle the issues now:

- Increase workplace productivity – (We cannot have promises of no IR reform)
- Eliminate the cash economy
- Real action to stop Government & corporate corruption.- including tax evasion
- Real competition in the private sector
- Open Government tenders – too many ‘tenders’ now awarded to ‘mates’
- Accurate Government data

Or a recession will cause pain and make no difference to our underlying problems.

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Wrong, Federal Government needs to tackle the issues now:

- Increase workplace productivity – work 24/7 – tackle unemployment & under-employment by elimination of outdated work ‘rewards’ – union rorts (We cannot have a promise of no IR reform)
- Eliminate the cash economy
- Real action on Government & corporate corruption - Politicians, Public Servants, Judiciary and Business Leaders – including tax evasion - Moratorium
- Real competition in the private sector
- Open Government tenders – too many ‘tenders’ now awarded to ‘mates’
- Accurate Government data.

It's Time

All indications are that it's now time to put all our efforts behind our productivity – and get it right for now and the future.

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Tuesday, 8 September 2015

Productivity Commission Workplace reform conclusions softened by reliance on inaccurate employment data

By Gary Morgan, Executive Chairman, Michele Levine, Chief Executive Officer & Julian McCrann, Morgan Poll Manager, Roy Morgan Research



The Productivity Commission Workplace Relations Framework draft report released on August 4, 2015 is an important milestone for Australia and has the right ideas – however, there are also several things missing from the report that must be exposed and discussed. The biggest problem with the report is its reliance on the ‘politically convenient’ ABS unemployment figures that **consistently under-state the real level of unemployment and under-employment** in the Australian workforce and **the inadequate data on the cash economy**.

Unemployment

There are two issues in relation to unemployment: the actual numbers in % terms and ‘000s of people; and the trends.

The ABS July unemployment estimate shows 801,000 (6.3%, up 0.2% from June) Australians are now unemployed. **This is the highest ABS unemployment figure since July 1997** – so the ABS estimates are finally moving in the right direction in terms of accuracy. However, it creates another problem – the trend, or direction. Unemployment is not increasing, it is actually improving but there is still a **gross under-estimate of real Australian unemployment**. The latest Roy Morgan July unemployment estimate (1,097,000, 8.7%) shows nearly 300,000 more unemployed Australians are ignored by the ABS – and by extension the Productivity Commission in its Workplace Relations Framework draft report.

Because of the way the ABS unemployment estimate is calculated – the ABS interviews the same people (known as rotation groups) over a rolling eight month period and uses a ‘tighter’ definition of how to classify a member of the workforce as unemployed – there is a definite ‘lag period’ between when a worker is made unemployed and when they will show up as unemployed according to the ABS. In contrast the Roy Morgan estimates are estimated on more of a ‘real-time’ basis with a large sample of different Australians interviewed each month.

In addition to the under-stated unemployment estimates the ABS monthly unemployment estimate also conspicuously ignores the high level of Australian under-employment – the latest [Roy Morgan July under-employment estimate](#) shows a further 977,000 Australians (7.7%) are under-employed. **Taken together this means a massive 2.07 million Australians (16.4%) are now unemployed or under-employed. Australian unemployment and under-employment has now been above 2 million Australians for 44 straight months – more than 3 ½ years.**

This is not a surprise to the Australian people. On every occasion Roy Morgan has asked the Australian people a simple question: “*The ABS Unemployment rate in (month) was x%. The Roy Morgan estimate for (month) was y%. Which do you believe is closer to reality?*” – Australians have consistently confirmed they believe the Roy Morgan unemployment estimate is ‘closer to reality’: [In April 2015: a clear majority of Australians \(60%\) said Roy Morgan’s estimate was ‘closer to reality’ compared to 29% who said the ABS estimate was ‘closer to reality’ while 11% couldn’t say.](#)

Employment is improving (not getting worse)

Since March this year (the largest gap between the Roy Morgan and ABS unemployment estimates this year) the ABS unemployment estimate has increased from 6.1% (765,000) to 6.3% (801,000) in July – an increase of 36,000 (0.2%).

During the same time period Roy Morgan unemployment has dropped from 10.8% (1,368,000) in March to 8.7% (1,097,000) in July – a fall of 271,000 (2.1%). Roy Morgan under-employment is virtually unchanged during the same period – 976,000 (7.7%) in March and now 977,000 (7.7%) in July.

The biggest driver of the falling Roy Morgan unemployment rate over the last few months has been the increase in full-time employment – now at 7,900,000 in July (up 314,000 since March) while part-time employment is now 3,676,000 (down 40,000 since March). In fact, full-time employment is now at a record high. These trends show that although both unemployment and under-employment remain very high in Australia, the economy is now generating full-time jobs to replace those lost in the mining industry¹.

The fall in Australian unemployment shown by Roy Morgan in recent months isn’t surprising when one considers the stimulus provided by lower interest rates, lower oil prices, higher beef and primary agricultural export prices; and a lower Australian Dollar. The Australian Dollar has spent most of 2015 below 80 US cents and has now dropped below 75 US cents for the first time since the Global Financial Crisis in early 2009 – over six years ago. The fall in the Australian Dollar has provided a huge boost to exporting industries in Australia including tourism, manufacturing, education and agriculture which are all stimulated by the fall in the Australian Dollar. The obvious exception to this boost is the mining industry which is dealing with a slowdown in its biggest export market – China.

Consumer Confidence is another important indicator – generally if unemployment goes down one can expect Consumer Confidence to increase. But today the [ANZ-Roy Morgan Consumer Confidence Rating of 112.5](#) is depressed by people’s concern about a ‘dysfunctional’ Federal Government and Opposition – a [Roy Morgan Government Confidence Rating of 86](#) says a lot! In addition the [latest Roy Morgan survey results \(July 2015\)](#) show neither Prime Minister Tony Abbott (approval 34% cf. disapproval 59%) nor Opposition Leader Bill Shorten (approval 24% cf. disapproval 60%) enjoy community approval for their job performance.

¹ During this period the ABS employment estimates have shown employment increasing to 11,810,000 (up 90,400) with full-time employment now 8,170,400 (up 39,000) and part-time employment now 3,640,300 (up 51,400). So although the ABS estimates employment growth is taking place in Australia, the ABS say growth in employment is too slow to absorb all the new workers joining the Australian workforce in recent months.

Consequences of relying on inaccurate employment estimates

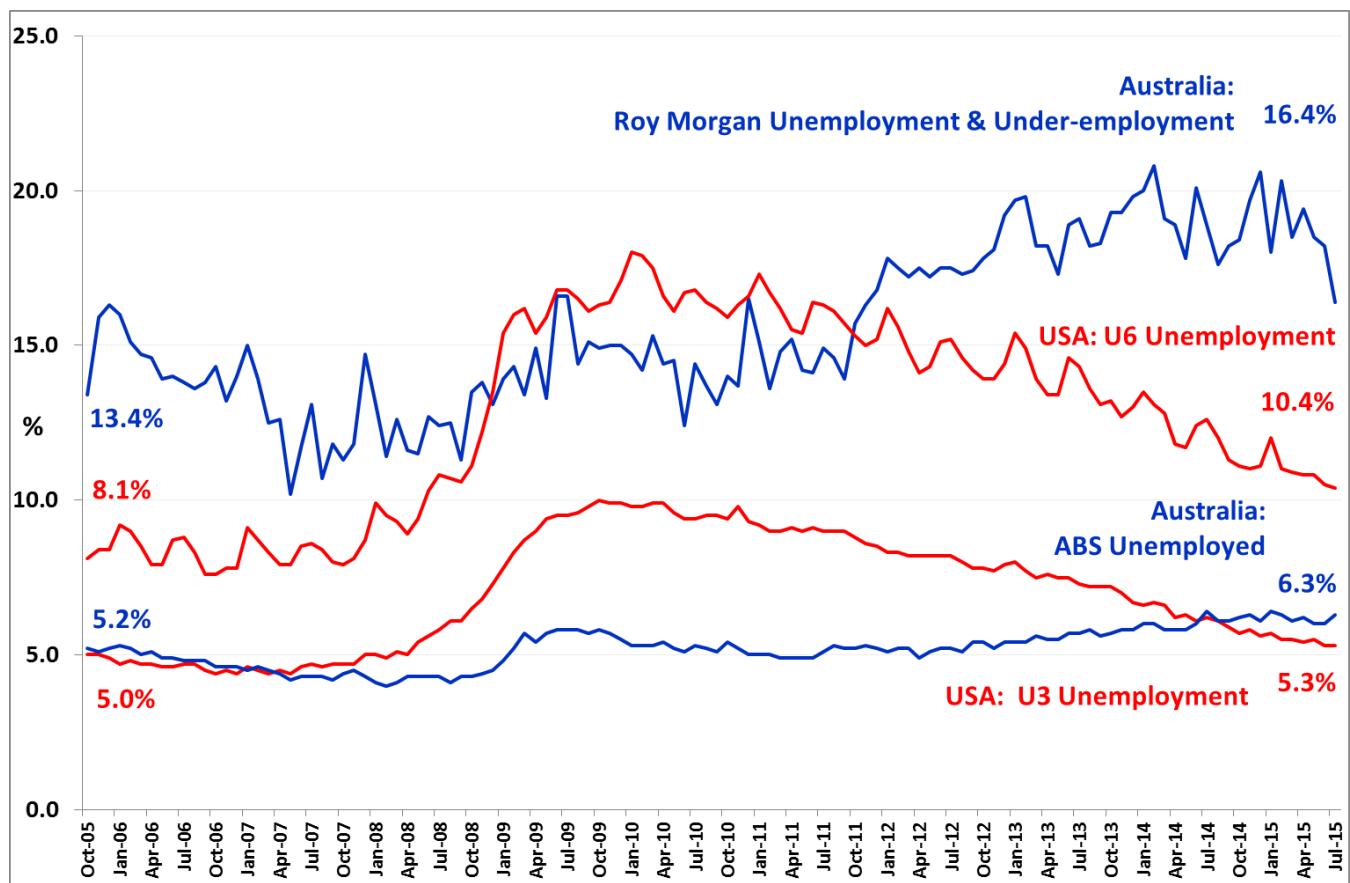
The problem caused by relying on inaccurate employment estimates provided by the ABS is that the policies formulated in response – and reports like the Productivity Commission Workplace Relations Framework draft report – don't provide the correct solutions to the real problem.

For example, the Reserve Bank of Australia (RBA) currently has **Australian interest rates (at 2%) amongst the highest in the developed world despite Australian unemployment being considerably higher than US unemployment (US interest rates are currently under 0.25%)** and of course our Federal Parliamentarians and the Federal Government of the day rely on this data to formulate policy.

Decisions about Free Trade Agreements (FTAs) that will endure forever and have a significant and enduring impact on the Australian economy must be informed by accurate information about our workforce.

If you're going by the numbers – make sure they're the right numbers!

Australian Unemployment v US Unemployment (2005-2015)



Source: Roy Morgan Unemployment & Under-employment (<http://www.roymorgan.com/morganpoll/unemployment/underemployment-estimates>); ABS Unemployed (<http://abs.gov.au/AUSSSTATS/abs@.nsf/mf/6202.0?opendocument#from-banner=LN>); Bureau of Labor Statistics US Unemployment (<http://www.bls.gov/news.release/empstat.t15.htm>). U3 Unemployment: Total unemployed, as a percent of the civilian labor force (official unemployment rate). U6 Unemployment: Total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force.

Unfortunately, although the ABS under-estimates of unemployment allow the Government of the day to give themselves a ‘pat on the back’ about their employment related policies, they also help restrict and prevent the Government, in this case the Abbott Government, from enacting the comprehensive and decisive workplace reforms that the more than 2 million Australians looking for work really need.

The cash economy

Accurate data must be sought on the cash economy. A typical piece in the ‘productivity landscape’ of any economy is the cash economy – that segment that sits uncomfortably between ‘unemployment’ and ‘legally paid employment’ (part-time or full-time) and the illegal workforce. Within the Productivity Commission’s entire draft report – of over 1,000 pages – the Commission only refers to the Australian ‘cash economy’ once. **ONCE!**

From the **Potential for disemployment effects** (p309-310 of the Draft Report)

“It should be noted that there may be circumstances when people priced out of ‘employee’ labour markets due to minimum wage laws are not priced out of labour markets more generally. Such people may take up self-employed or contractor roles, or informal jobs where workers are paid ‘cash-in-hand’ or ‘in-kind’ (as in the case of a live-in housekeeper or nanny), which avoid the need to be paid at the rate of the minimum wage. Jobs such as housekeeping, household maintenance and care work appear particularly amenable to these arrangements. Activities within the illicit economy also provide alternatives some people may take where they are priced out of the formal labour market.”

In contrast to the Productivity Commission’s decision to all but ignore the Australian ‘cash economy’ there are tens, if not hundreds, of thousands of Australians who work in the cash economy every day, and their employers avoid all the attendant costs and red tape that go with properly adhering to employment laws. Superannuation costs, differing penalty rates, the costs associated with employing PAYE (Pay As You Earn) employees and other general employment costs are all avoided by employers who prefer to employ a certain percentage of their staff by way of ‘cash-in-hand’ employment.

In particular this is a **huge problem in the restaurant and café industry** and amongst **blue-collar tradesmen** who do home renovations for cash. Many service staff in restaurants and cafes are employed ‘cash-in-hand’ and encouraged to supplement their income via tips and gratuities from customers. Given the large proportion of itinerant and foreign workers that are employed in this industry on a short-term basis this is a widespread problem throughout this industry. The restaurants and cafes employing ‘cash-in-hand’ service staff have a real and measurable detrimental impact on businesses that employ responsibly and follow the law of the land.

There is a similar problem with employment relating to unpaid interns who provide ‘free work’ for employers with the hopeful prospect of attaining a paying job at some point in the future. The abuse of the unpaid interns is another way unscrupulous businesses are able to unfairly lower their costs and this in turn impacts on businesses that pay their employees a fair wage as they deserve.

The Productivity Commission Workplace Relations Framework draft report is a step in the right direction – however, its conclusions would have a stronger grounding if they were backed up by relying upon the real picture of the Australian labour force and the robust employment estimates provided by the Roy Morgan real unemployment and under-employment figures.

By relying on ‘politically tailored’ figures that aren’t grounded in reality the Productivity Commission, along with other policymakers including the RBA and the Federal Government, do not respond in the urgent fashion required by the more than 2 million Australians who are now unemployed or under-employed. It is no good for the millions of Australians looking for work that their search for gainful employment is not sufficiently recognised to be given the priority it deserves by senior policymakers.

Simply put - unemployed and under-employed Australians deserve better, and they deserve real solutions now – not in 18 months or five years.

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Links.

Roy Morgan July Unemployment & Under-employment Estimates

<http://www.roymorgan.com/findings/6379-roy-morgan-unemployment-estimates-july-2015-201508030522>

Roy Morgan v ABS Employment Estimate Comparison (1992-2015)

<http://www.roymorgan.com/morganpoll/unemployment/rmr-vs-abs-estimates>

Roy Morgan Research unemployment estimate is ‘closer to reality’ than the ABS according to a majority of Australians (June 2013, June 2014, April 2015)

<http://www.roymorgan.com/findings/6189-roy-morgan-abs-unemployment-estimates-april-2015-201504170455>

Productivity Commission Workplace Relations Framework

<http://www.pc.gov.au/inquiries/current/workplace-relations/draft>

Productivity Commission Workplace Relations Framework – Draft overview (PDF) 68 pages

<http://www.pc.gov.au/inquiries/current/workplace-relations/draft/workplace-relations-draft-overview.pdf>

Productivity Commission Workplace Relations Framework – Draft Report (PDF) 1,001 pages

<http://www.pc.gov.au/inquiries/current/workplace-relations/draft/workplace-relations-draft.pdf>

Tuesday, 8 September 2015

The Federal Government ignores the ‘massive’ Australian ‘cash economy’ at its peril. ‘Step up to the plate’ Mr. Hockey

By Gary Morgan, Executive Chairman, Michele Levine, Chief Executive Officer & Julian McCrann, Morgan Poll Manager, Roy Morgan Research



The **7-Eleven Stores** and **United Petroleum** scandals confirm what we at Roy Morgan have been saying for years about the ‘cash economy’ – **it must be stopped by the Federal Government**.

New South Wales Premier Mike Baird is now promoting **an increase** in the GST and Treasurer Joe Hockey is saying that taxes can be cut – but, these reforms can only be made if the ‘cash economy’ is tackled.

A few years ago I asked Opposition Leader Bill Shorten **if he would tackle the ‘cash economy’, Shorten’s answer – ‘too hard’!** (Shorten was Employment and Workplace Relations Minister during the Rudd-Gillard-Rudd Governments).

Recently I asked Treasurer Joe Hockey the same question at the Australian Chamber of Commerce and Industry (ACCI) Business Leaders’ Summit. **Hockey avoided the question and spoke to his talking points!** See below transcript of our ‘question and answer’ exchange.

It’s not just the retail workers at 7-Eleven and United Petroleum that ‘live in’ the ‘cash economy’ – there are also the hundreds of thousands of Australians in hospitality, retail, trades, building and the like.

Some politicians have confirmed to me personally that they’ve used the ‘cash economy’ by receiving lower quotes from tradesmen for work on their homes.

Obviously the only viable solution to deal with cash ‘rorts’ is to declare an amnesty and allow the economy to start afresh – taxes can be cut without putting up the GST.

Unfortunately the issues created by Australia’s large ‘cash economy’ are ignored by politicians and the Fair Work Judiciary – many of whom have reached their current positions following careers and close associations with the unions and the ALP.

As we’ve stated recently the recent draft Productivity Commission Report is incomplete and essentially irrelevant as it ignores the ‘cash economy’ and relies on the inaccurate ABS unemployment figures in drawing its conclusions – **Productivity Commission Workplace reform conclusions softened by reliance on inaccurate employment data – Monday August 17, 2015.**

It defies belief that any Government would consider making changes to workplace laws without having reliable figures, and a proper understanding of both the actual numbers of unemployed and under-employed people and the size and operation of the cash economy.

In addition, the conclusions from the **National Reform Summit** sponsored by Fairfax (AFR) & News Corp (The Australian) are just as irrelevant as it focused on tax reform whilst also completely ignoring the 'cash economy' and the true unemployment and under employment figures.

Australian Chamber of Commerce and Industry Business Leaders' Summit

Canberra, Monday August 17, 2015.

Gary Morgan, Executive Chairman, Roy Morgan Research:

"Mr Treasurer, I read the Productivity Commission Report and I brought out a paper on it today, I'm Gary Morgan.

"Firstly you took (used in the draft Productivity Commission Report) the ABS unemployment figures (6.3% in July 2015), you didn't refer to our (Roy Morgan) figures which showed there was significantly higher unemployment (8.7% in July 2015) than the ABS showed. And that's a fact.

"The second issue is, you only once referred to the 'cash economy', you had nothing to say about the 'cash economy'. In my opinion the only economy that is booming in this country is the 'cash economy'. What are you going to do about it?"

Treasurer, Joe Hockey:

"Well if it's a 'cash economy' Gary, and it's a good question, I have a great deal of respect for you Gary, as a pollster. If it's the 'cash economy' that is booming and in your words nothing else is, then I'm not sure how we continue to get economic growth. There must be economic growth there and of course economic growth doesn't measure the 'cash economy'. But I'd say to you this, I am confident in the momentum in the Australian economy. I am absolutely confident in that. And I want to emphasise to all of you, I am in constant dialogue with Finance Ministers and leaders overseas, the head of the IMF or the World Bank or others, and at the same time dealing with on a regular basis the leaders in China. Our biggest trading partner is going to continue to grow, China. It is going through a transition, but they say seven per cent, when they say seven per cent it'll be seven per cent..."

Gary Morgan, Executive Chairman, Roy Morgan Research:

"They (China) put the cash tax avoiders in jail, that's the difference, we don't."

Treasurer, Joe Hockey:

"Well, they do put a lot of people in jail, but I'm not really for putting entrepreneurs in jail. I must say someone in the leadership in China when I referred to the fact that Alibaba was one of the great modern success stories, listed for \$200 billion on the New York Stock Exchange, the biggest IPO, and its role is to facilitate the growth of small and medium sized enterprises out of China. When I said that to one of my good friends over there he pointed out they don't pay tax in China. So there are multiple - and I wouldn't call it a cash business really – but I'd say to you there are multiple challenges for us, but all of them are beatable, nothing is insurmountable, and the Australian economy will get better and there will be greater prosperity, and we will get the unemployment rate down. We're going to get the numbers down and we're going to see more jobs created in Australia."

Transcript Link: <http://jhb.ministers.treasury.gov.au/transcript/167-2015>

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Productivity Commission Workplace reform conclusions softened by reliance on inaccurate employment data

<http://www.roymorgan.com/findings/6399-response-to-productivity-commission-workplace-framework-reform-draft-report-august-2015-201508140732>

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Roy Morgan

Research

Discover your edge

THE OBSERVER

August 22, 2015

Report uses 'tailored' data

THE Productivity Commission Workplace Relations Framework draft report released earlier this month is an important milestone for Australia, but executive chairman of Roy Morgan Research, Gary Morgan says there are several key omissions that must be exposed and discussed.

"The biggest problem with the report is its reliance on the 'politically convenient' ABS unemployment figures that consistently under-state the real level of unemployment and underemployment in the Australian workforce and the inadequate data on the cash economy," Mr Morgan said.

"The problem caused by relying on inaccurate employment esti-

mates provided by the ABS is that the policies formulated in response – and reports like the Productivity Commission Workplace Relations Framework draft report – don't provide the correct solutions to the real problem.

"If you're going by the numbers – make sure they're the right numbers."

Mr Morgan said the draft report was a step in the right direction, but would benefit from more accurate underlying data, rather than relying on "politically tailored" figures. "Unemployed and underemployed Australians deserve better, and they deserve real solutions now – not in 18 months or five years," Mr Morgan said.