State of the Nation

The Fantasy of Full Employment:
Almost 1.5 million Australians looking for work or looking to do more work

The Manpower Vision Series
People Participation and Productivity
Insights on the Outlook of the Australian Labour Market

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The latest Morgan Poll (http://www.roymorgan.com/news/polls/2008/4279/) – conducted March 11 and 12 and released today – shows the ALP down 4% to 61% on a two-party preferred basis. The percentage of people who believe the country is heading in the right direction is down 11% to 51.5%.

This has been a bad week for the ALP Government.

It is understandable that Wayne Swan would call a press conference – but it’s a shame he isn’t here to hear what we have to say!

Today as we all discuss news about interest rates, inflation, the international financial crisis, and falling consumer confidence, we all understand that the Reserve Bank is aiming to keep inflation under 3% while maintaining full employment. Unfortunately, the focus today is on the inflation number NOT the unemployment number – a ‘tragic’ mistake!

If you are going by the numbers you’d better make sure they’re the right numbers. For instance, is Australia at full employment or do we have a substantial number of people who are unemployed or underemployed? And does it matter?

The changing nature of Australia creates many challenges for those producing the numbers and those who are ‘going by the numbers’ – but the opportunities that are emerging are worth the trouble of getting the ‘right numbers’.
The Roy Morgan ‘State of the Nation Report’ provides a ten-year perspective on Australian Society based on over half a million interviews1 conducted since July 1996.

Ten years ago, Roy Morgan Research, and many others, anticipated Australians would face an increasingly complex social environment. The most significant trends anticipated included those associated with the changing role of women, and associated changes in the workplace, redefinitions of the family; changes associated with technology, media and communication, globalisation and internationalisation; the middle-ageing of Australia and the associated changes in the nation’s focus on health, security, quality, the value of ‘time’ and the environment. But none of us knew just how.

In the Roy Morgan ‘State of the Nation Report’, we have measured all of these issues and more – plotted them over time – and explored in more detail how they have played out, in terms of:

- Society
- Technology
- Economy
- Politics, and
- Environment

The Report shows clearly that the last decade has been one of great social change:

- Ageing population;
- Increasing education levels (22% of Australians 14+ hold a tertiary degree – up from 15% ten years ago);
- Increased workforce participation;
- Increased wealth, debt and discretionary spending;
- Increasingly progressive attitudes and attraction to new ideas; and the ‘environment’ as an issue has come of age, and Australians’ concern about the environment is now being translated into action and behaviour;
- Change in leisure activities away from organised sport and family outings to more individual pursuits and online activities;
- Increased international focus and interest in health and wellness is being played out in the food area. Australians are increasing their repertoire of cuisines with the traditional ethnic cuisines of Australia’s earlier immigrants – the Chinese and Italian – being challenged by the new Asian focus of Thai, Indian and Japanese. Australians are also more conscious of the health implications of foods. **But we are not getting slimmer!**

In terms of technology, there has been an increased proliferation of information and communication technologies. In particular, the rise of the Internet has had a major impact in all aspects of life, especially telecommunications, media and banking.

1 Each week Roy Morgan Research surveys a carefully selected sample of Australians face-to-face in their homes. The samples are nationwide stratified random probability samples designed to provide a good cross-section of the Australian population aged 14 and over.
Broadband and mobile phones are displacing the traditional fixed land line. The rise in broadband adoption in the last few years has been associated with greater content availability, demand, file sizes and the increasing capacity of hardware and software. Furthermore Telstra and Optus have rolled out extensive broadband networks.

In the last three years a raft of new technological products have revolutionised the entertainment and communication landscape – for example the purchase of an MP3 player has risen from around 5% in early 2004 to around 40% now. Whilst traditional media such as TV and Print dominate, there has been a rapid rise in the Internet. Moreover Radio has decreased and is now behind the Internet.

We are seeing a seemingly insatiable demand for personal on-demand content and seemingly unlimited multi-tasting epitomised by teenagers doing home work while watching TV, talking on the phone and interacting on the Internet.

In terms of the economy, the focus today is on the US economic downturn, the sharemarket fall, Australian interest rate increases and falling consumer confidence. The Roy Morgan March Consumer Confidence Rating (http://www.roymorgan.com/news/polls/2008/730/) before the last RBA interest rate increase was 109.5. The Westpac Consumer Confidence Index\(^2\) after the RBA interest rate increase was below 90 (88.6).

However, it is important to put this in perspective, and remember the last decade has been one of rising wealth and debt, high and increasing consumer confidence, more recently increasing concerns about interest rates, especially with concerns around housing affordability, and housing interest rate increases.

The last 10 years have seen reducing levels of unemployment. I will come back to that, and the gap between the Roy Morgan unemployment estimate (http://www.roymorgan.com/news/polls/2008/4262/) – currently around 6% – and the official Government estimate around 4%.

And the Australian dollar has gone from strength to strength and is now trading above 94 cents against the US dollar.

In terms of politics, during the last decade until December 2007 Australia had a very conservative Howard L-NP Government.

This is interesting, given the clear evidence of an increasingly socially progressive electorate.

The voting intention data over that time shows that for the most part, the electorate were actually more supportive of the ALP than the L-NP – the ALP was ahead in the polls. However, at each election (except the last), the L-NP was returned amidst popular concerns over border security and national safety.

So what about employment and Australia’s potential for growth?

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\(^2\) The Westpac Consumer Confidence Index is conducted by telephone and is typically lower than the Roy Morgan Consumer Confidence Rating (http://www.roymorgan.com/news/polls/2008/730/) – and has been more volatile over the last few years.
According to Roy Morgan employment\(^3\) data, the last 10 years have seen real growth in employment from 56% or 8.3 million people aged 14+ to 60% or 10.2 million people aged 14+. This is almost 2 million more people working now than 10 years ago.

The growth has been in both full-time jobs – from 39% (or 5.9 million people aged 14+) to 41% (or 7 million people) and part-time jobs – from 16.5% (or 2.5 million people) to 19% (or 3.2 million people).

So where’s the potential for growth? Ten years ago we had 5% or 800,000 people aged 14+ looking for work. Now there are 4% or approximately 740,000. But ten years ago we had 39% (5.8 million people not working and not looking for work) – it’s now 36% (6.1 million).

During the last 10 years we as a country have managed to employ people who were looking for work. But on top of that we have employed people who were not looking for work doing home duties, studying, retired or just didn’t work (the ‘closet’ unemployed). Moreover, we have moved people from part-time to full-time work. And that’s the key – the ‘under-employed’.

When we ask people who are working part-time whether they would like to work full-time or more hours – one-in-four – say they would. 700,000 people (or 4% of all people aged 14+) are under-employed.

Therefore, almost 1.5 million Australians are either looking for work or wanting to do more work.

So today Australia has around 10.2 million people working, and almost one and a half million looking for work or looking to work more. And we haven’t even begun to explore the question of doing more work in the same hours (multi-tasking which all the data suggest humans are increasingly capable of and doing).

Now let me remind us all that the official Government statistics (ABS) suggest Australia is at full or near full employment. It’s not ‘untrue’ it is simply a matter of definition\(^4\) – the official unemployment figure is defined as the percentage of the workforce looking for work (actively last week). The workforce is people who are employed (even an hour) plus those looking for work (actively in the last week).

The ABS definition **minimises** the unemployment figure. It was based on a European model developed after World War II.

So let me come back to the first question – does it matter? It sure does!

We need metrics – or agreed measures – for two reasons:

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\(^3\) Roy Morgan Research employment estimates ([http://www.roymorgan.com/news/polls/2008/4262/](http://www.roymorgan.com/news/polls/2008/4262/)) are based on percentages of and projections to the population aged 14 and over (not 16-65 as the ABS uses). This is because people as young as 14 and much older than 65 are working, and are thus part of the potential pool from which workers can be attracted.

Firstly to inform and guide strategic thinking, decision making, and policy;
Secondly as Key Performance Indicators (KPIs) – a key Government performance indicator is low unemployment.

When unemployment is really high – it doesn’t matter so much what the measure is – it’s enough to focus on reducing unemployment.

But today the issue is different – there is not massive unemployment – and there is no focus on reducing unemployment regardless of what measure is being used.

The issue today is the belief that Australia’s capacity to grow is being limited by the number of people ready, willing and able to work.

The ABS official ‘unemployment’ figure does not measure that (the number of people ready, willing and able to work)! The real problem is that most people keep thinking it does.

So Governments and decision makers run the risk of making the wrong decisions – increasing interest rates, reducing flexibility in the workplace, and generally paying inadequate attention to all the things that will get people who are ready and willing ‘able’ to be employed.

It is understood the previous Howard L-NP Government could not do that, or at least would have found it particularly difficult.

Firstly, low unemployment was a key measure of the Howard L-NP Government’s performance. (What school child getting 10 out of 10 is going to put their hand up to tell the teacher they are really getting things wrong!)

Secondly, and perhaps more importantly, the Howard L-NP Government was ‘out of touch’ and was ‘blind’ to the changes in Australian society.

I have a sense that John Howard felt deep down that if only we could
- bring back organised sport;
- bring back family dinners and 6 o’clock news as the source of information for the people (over their family meal);
- bring back family life with mum at home in the ‘care giver’ role and dad ‘out at work’.
All Australians would be a lot better.
(There are many who’d agree – me too sometimes!)

But it was not going to happen, and the problem was the Howard L-NP Government didn’t have a ‘modern’ view of Australia – so they did not and could not address the changing policy needs.
But the new Rudd ALP Government can look at these things with ‘fresh eyes’. Politically they can ‘paint it (unemployment) any way they like’, so long as they recognise that **Australia still has substantial capacity for more work.**

With almost 1.5 million Australians looking for work or looking to work more hours, and possibly many more able to do more work in the same number of hours, the task is to explore the barriers to their employment and bring the fresh minds to find ways to get through the barriers. Is it ‘hours’ (can people work at different times?)? Is it child care? Is it location of work vs home (is the cost of moving to where the work is too great)? Is it cost of transport, skills, age, employer perception, etc? It is crucial the Government does not stop asking the questions because they believe unemployment is low or non-existent – that would just be wrong.

But the Rudd ALP Government has its ‘sacred cows’ too, such as ‘minimum hourly wages’; and the notion that there are normal working hours and that there should be higher rates paid for work outside those hours.

In a changing society, such as Australia, with increasing diversity; such things as multi-tasking (people today can and expect to work and listen to radio and check their ‘Facebook’ and their ‘share prices’ or ‘rental properties’, etc, etc); working from home often enabled by technology and communications, the changes create interesting opportunities.

Today the minimum hourly rate for a job (eg. data entry and analysis) is say $20 per hour, covers the typical worker travelling to the office, working the set hours, possibly paying for child care as well as transport and work clothes, etc.

However, if the same work can be done at home, possibly at night when children are asleep, or some combination of evening and during the day when children are at school or having a nap – i.e. in the ‘workers’ own time there is no travel time or cost, little or no child care cost or disruption, the net benefit to the worker is greater. There must be room to encourage and facilitate this. Higher hourly rates because of non-standard hours are less than helpful. Maybe the hourly rate can even be lower because the home worker chooses to ‘multi-task’ and work differently – and gets greater net benefit from their work. Maybe the very notion of ‘hourly’ rates needs to be rethought.

In the 1970s Professor Duncan Ironmonger (University of Melbourne) sought to measure the economic benefit of all work done (including the work of women in the home). Today Australia still hasn’t managed to get that right – and there is much, much more ‘work’ and ‘play’ going on that could have a ‘value’ attributed to it.

Is the ‘blog’ any less valuable than the ‘editorial’ section in a newspaper? One writer gets paid (and all conditions), the other gets nothing but satisfaction.

This country has enormous capacity for productive work. Let’s not allow the ‘Fantasy of Full Employment’ to keep us from realising our potential.
References:
1. The concerns with the ABS unemployment estimates have been well-documented – including in each Roy Morgan unemployment release, see January 9, 2008 release http://www.roymorgan.com/news/polls/2008/4262/

2. Paper No. 20071202: Would the LNP have been re-elected if the Government had honestly and accurately reported unemployment (and under-unemployment)?, December 19, 2007 http://www.roymorgan.com/resources/pdf/papers/20071202.pdf
