

The Labour Market and Economic Growth / Standard of Living

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A Simple Identity

$$\frac{GDP}{POP} \equiv \frac{GDP}{H} * \frac{H}{POP}$$

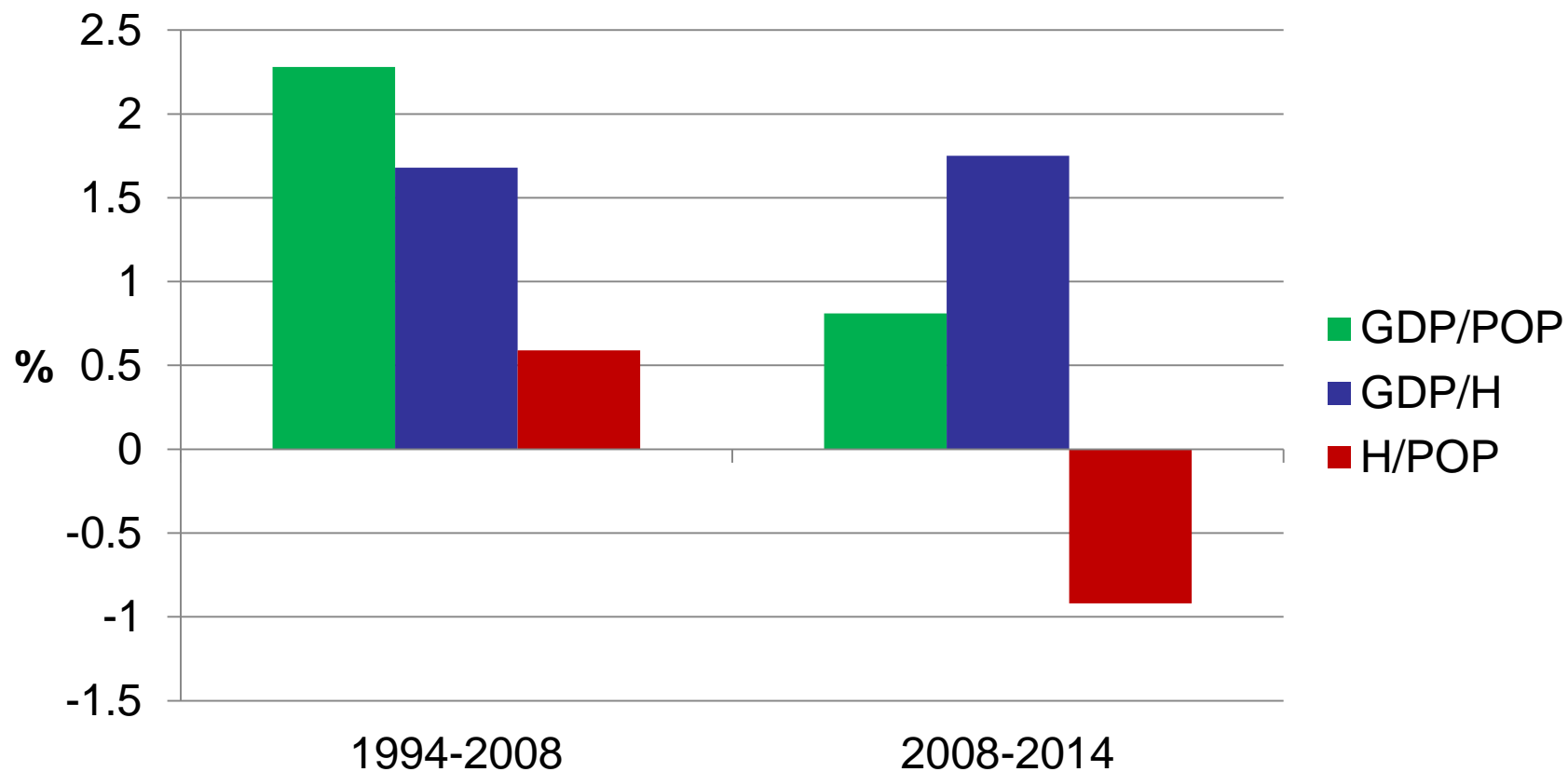
GDP = Real Gross Domestic Product

Pop = Total population

H = Aggregate hours of work

Trends, 1994-2014

Annualised Growth Rates



Hours per Head (and components)

Labour force participation rate ($L / 15+P$)			
Employment rate (E / L)			
Hours per employed person (H / E)			
Hours per person aged 15+ ($H / 15+P$)			
Working-age pop as fraction of total pop ($15+P / POP$)			
Hours per person (H / POP)			
<i>Notes:</i> E = Employed persons; L = Labour force; H = Aggregate hours worked; 15+P = Civilian population aged 15 years or older; POP = Estimated resident population.			

Hours per Head (and components)

	1994-2008 (average annual % change)		
Labour force participation rate (L / 15+P)	+.28		
Employment rate (E / L)	+.42		
Hours per employed person (H / E)	-.33		
Hours per person aged 15+ (H / 15+P)	+.38		
Working-age pop as fraction of total pop (15+P / POP)	+.21		
Hours per person (H / POP)	+.59		

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Hours per Head (and components)

	1994-2008 (average annual % change)	2008-2014 (average annual % change)	
Labour force participation rate (L / 15+P)	+0.28	-0.21	
Employment rate (E / L)	+0.42	-0.32	
Hours per employed person (H / E)	-0.33	-0.52	
Hours per person aged 15+ (H / 15+P)	+0.38	-1.05	
Working-age pop as fraction of total pop (15+P / POP)	+0.21	+0.12	
Hours per person (H / POP)	+0.59	-0.92	

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Hours per Head (and components)

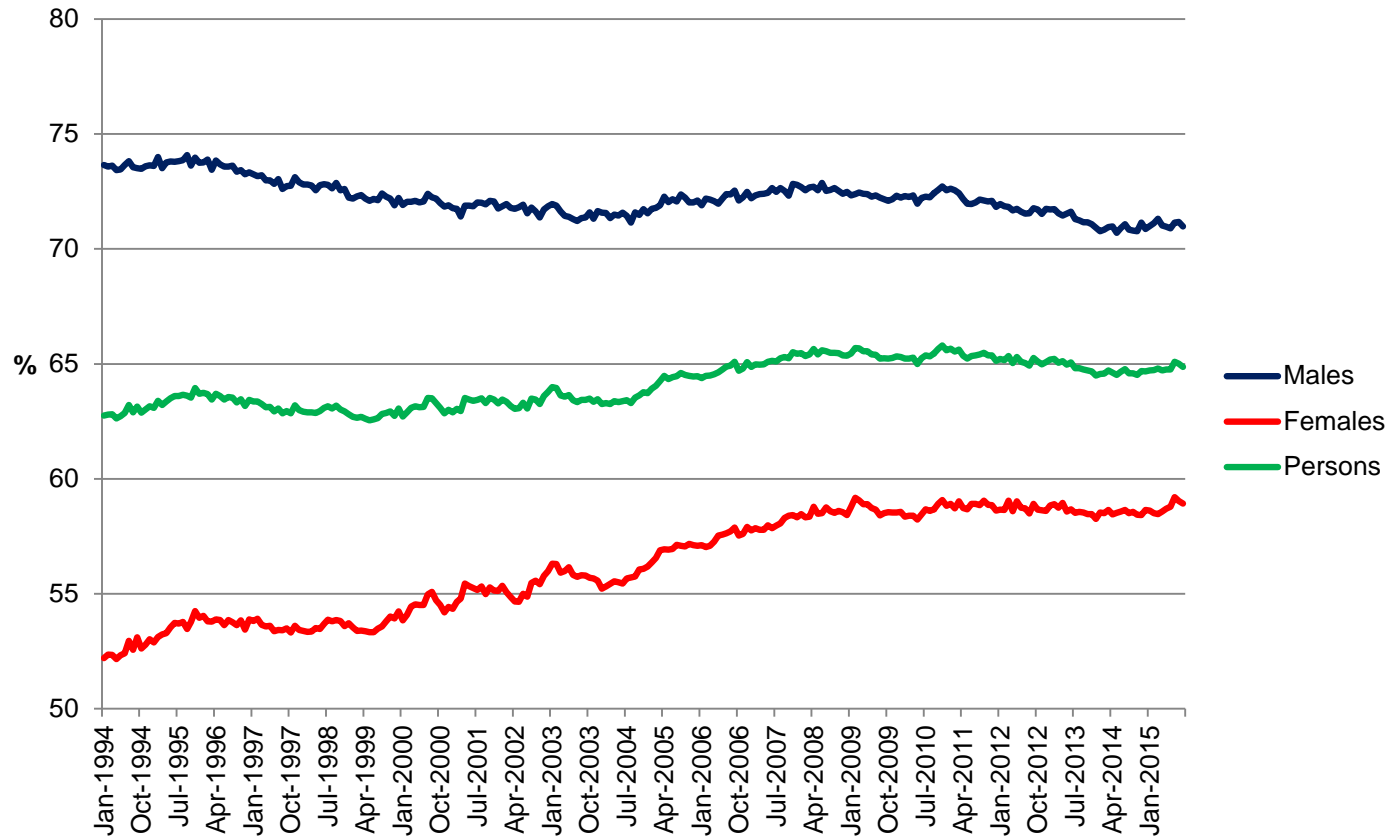
	1994-2008 (average annual % change)	2008-2014 (average annual % change)	Latest year (y.e. Sep '15)
Labour force participation rate (L / 15+P)	+0.28	-0.21	+0.52
Employment rate (E / L)	+0.42	-0.32	+0.06
Hours per employed person (H / E)	-0.33	-0.52	+0.42
Hours per person aged 15+ (H / 15+P)	+0.38	-1.05	+1.00
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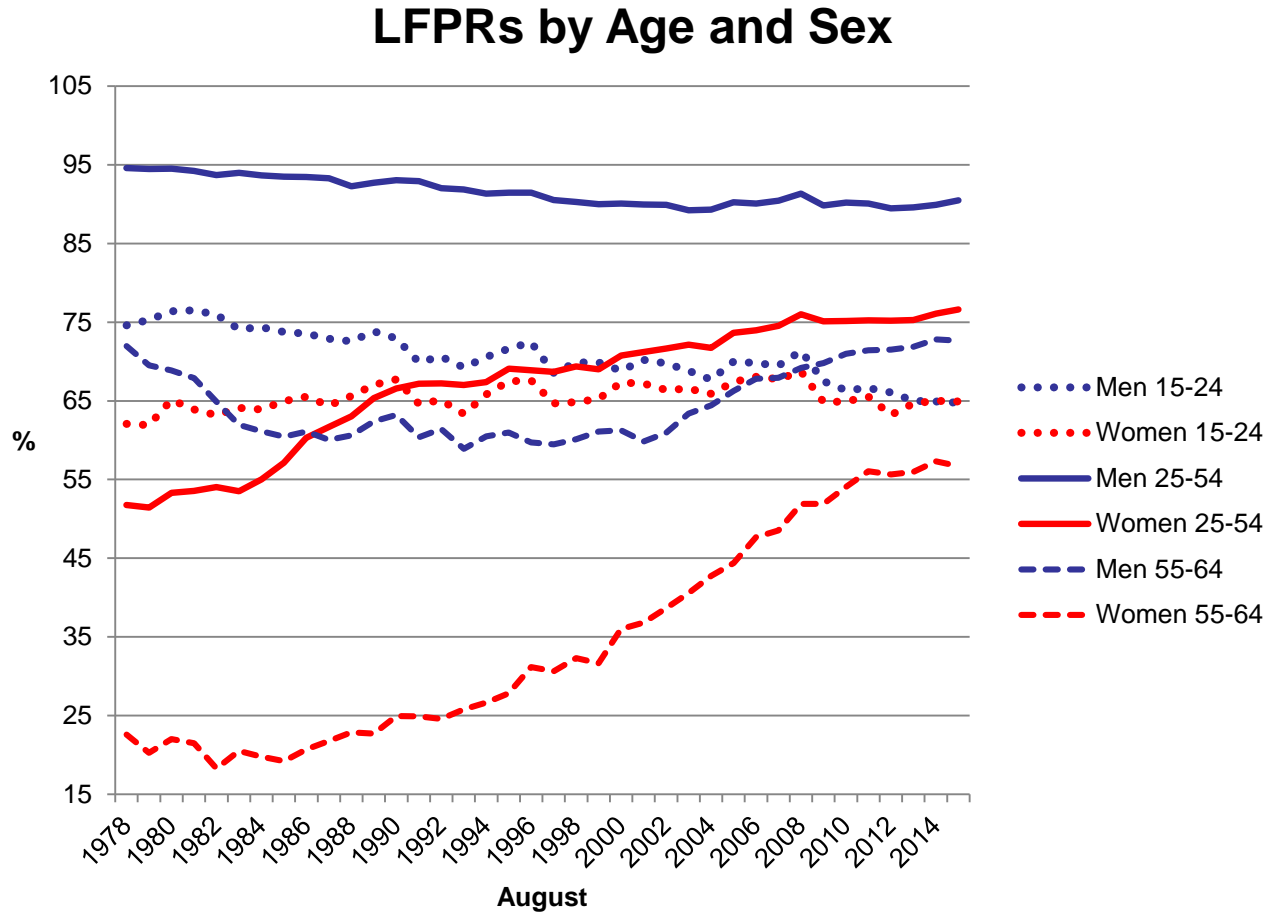
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Labour Force Participation

Labour Force Participation Rates (seas adj),
1994-2015

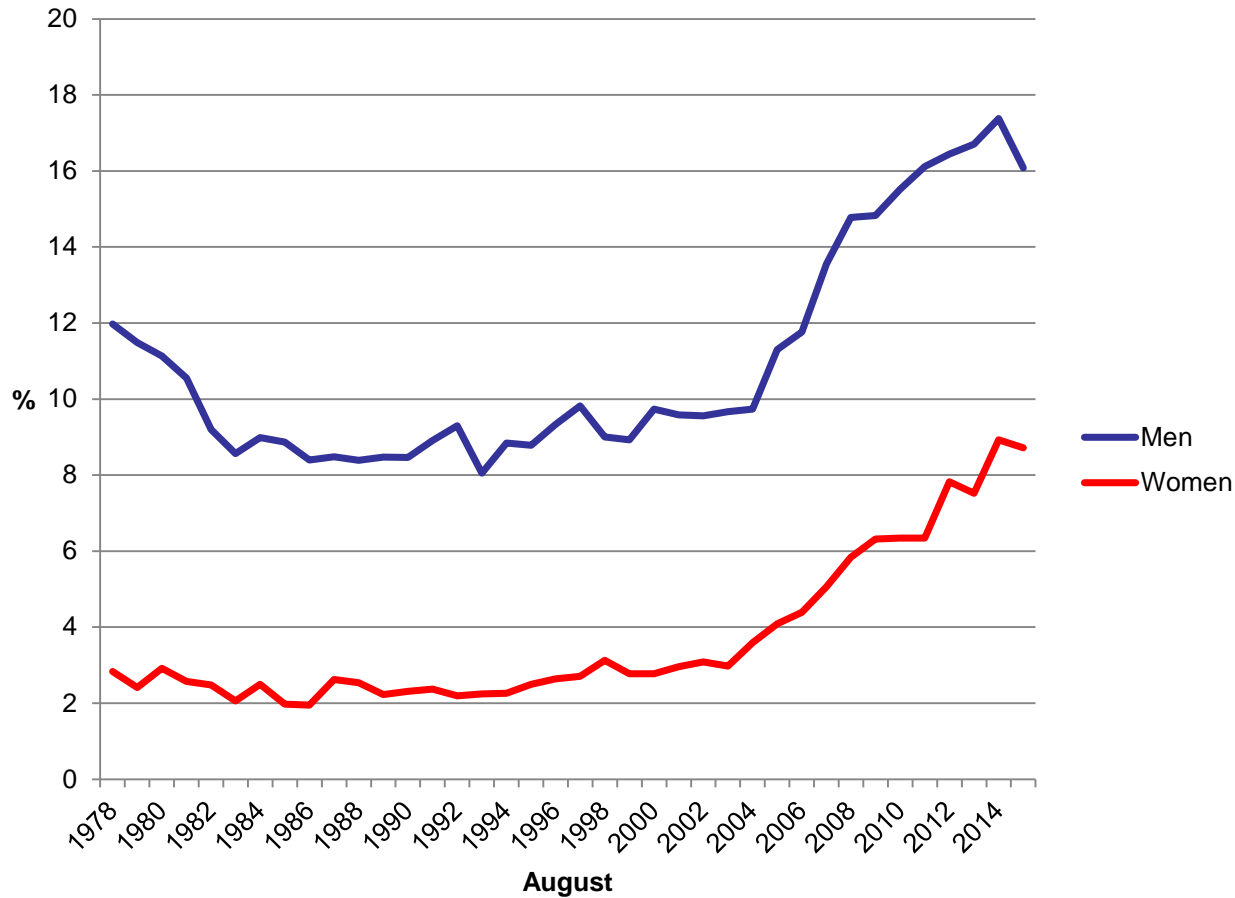


Labour Force Participation by Age



Working For Longer

LFPRs, Persons aged 65+



Average Weekly Hours of Work

	Usual weekly hours of work (% distribution)				
	0-15	16-34	35-40	41-49	50+
Men					
2002	6.7	8.7	44.1	14.6	26.0
2008	6.3	9.6	45.8	14.0	24.3
2014	6.9	11.3	47.4	12.9	21.4
Women					
2002	19.2	28.1	36.9	7.6	8.1
2008	17.0	29.5	38.8	7.0	7.7
2014	16.9	31.4	38.7	6.4	6.7

Note: Rows sum to 100.

Source: ABS, *Labour Force, Australia, Detailed – Electronic Delivery* (cat. no. 6291.0.55.001; Time series spreadsheets; Table 10: Employed persons and usual hours worked by sex).

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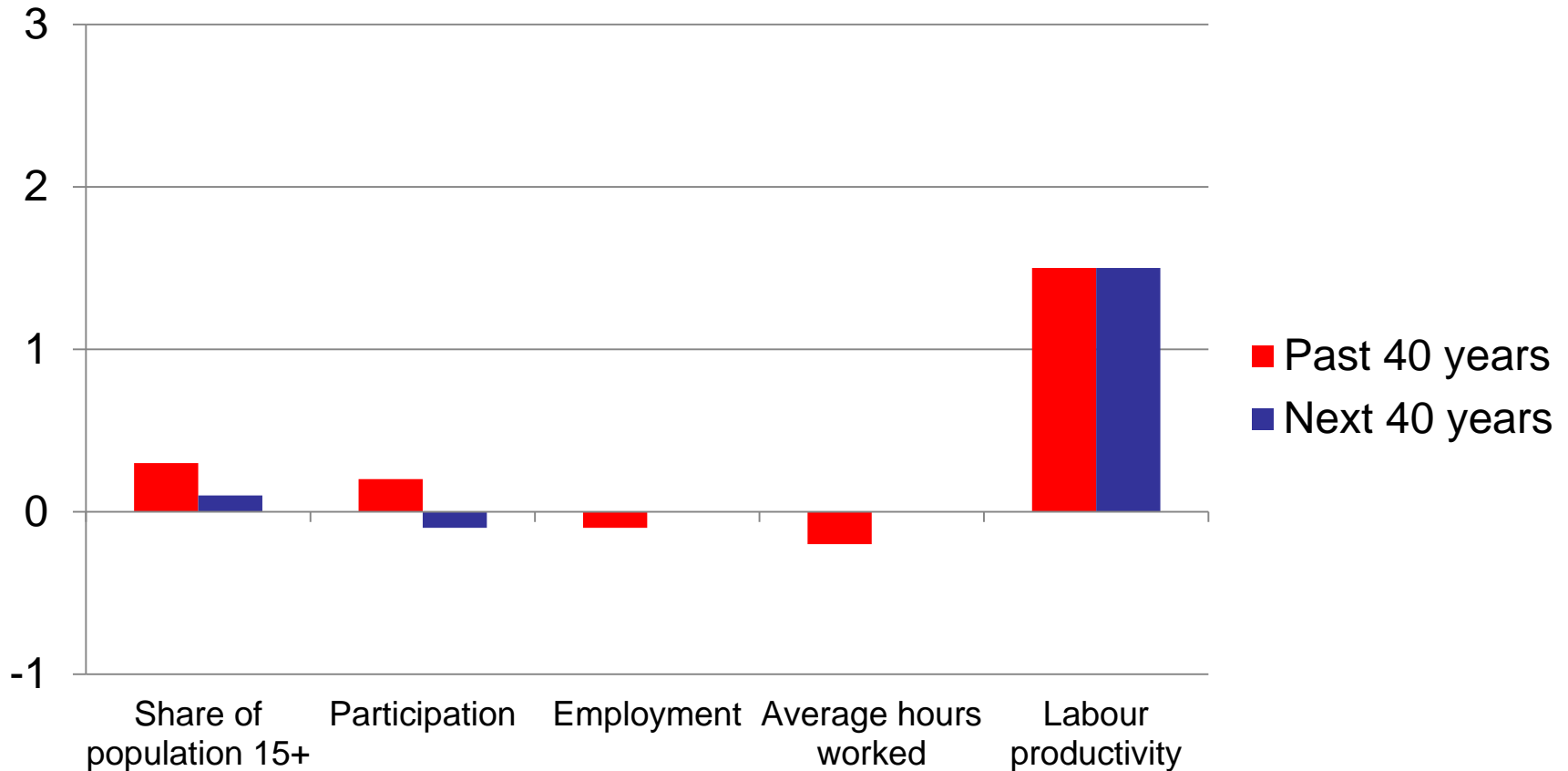
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“Productivity is ... almost everything”

Components of growth in real GDP per head



A More Skilled Workforce

Educational attainment of the labour force (%), 1994-2014 (May)^a

	1994	2000		2003	2008	2014
Degree or higher	13.8	18.5	Degree or higher	20.8	24.4	28.2
Diploma	9.6	9.1	Diploma	8.1	9.4	10.4
Skilled vocational qual	13.8	13.4	Certificate III/IV	17.6	18.3	19.7
Basic vocational qual.	7.9	8.8	Certificate I/II/nfd	7.7	5.9	4.2
Any non-school qual.	45.2	49.8	Any non-school qual. ^b	55.0	59.3	64.6

Notes: a The relevant population is persons aged 15-64, except in 2014, when it is persons aged 15-74.

b Includes persons whose qualification level could not be determined.

Source: ABS, *Education and Work* (cat. no. 6227.0).

Education Mismatch

Extent of mismatch between minimum education qualifications and highest qualification obtained (% of employed persons), 2012

	<i>All employed</i>	<i>Employed, aged 25+</i>	<i>Employees, aged 25+</i>
Overqualified	49.0	47.6	47.2
Well matched	37.5	38.5	39.2
Underqualified	13.5	13.9	13.6

Note: Based on comparison between responses to question: "... what do you think is the minimum level of education necessary to satisfactorily carry out your (main) job?" and highest qualification held.

Source: Unit-record data from HILDA Survey, wave 12.

Wage Inequality

Earnings dispersion ratios: Full-time non-managerial adult employees

	1996	2000	2004	2008	2012	2014
D9/D5	1.58	1.61	1.65	1.76	1.78	1.80
D5/D1	1.45	1.48	1.49	1.57	1.56	1.58
D9/D1	2.29	2.38	2.45	2.76	2.81	2.83

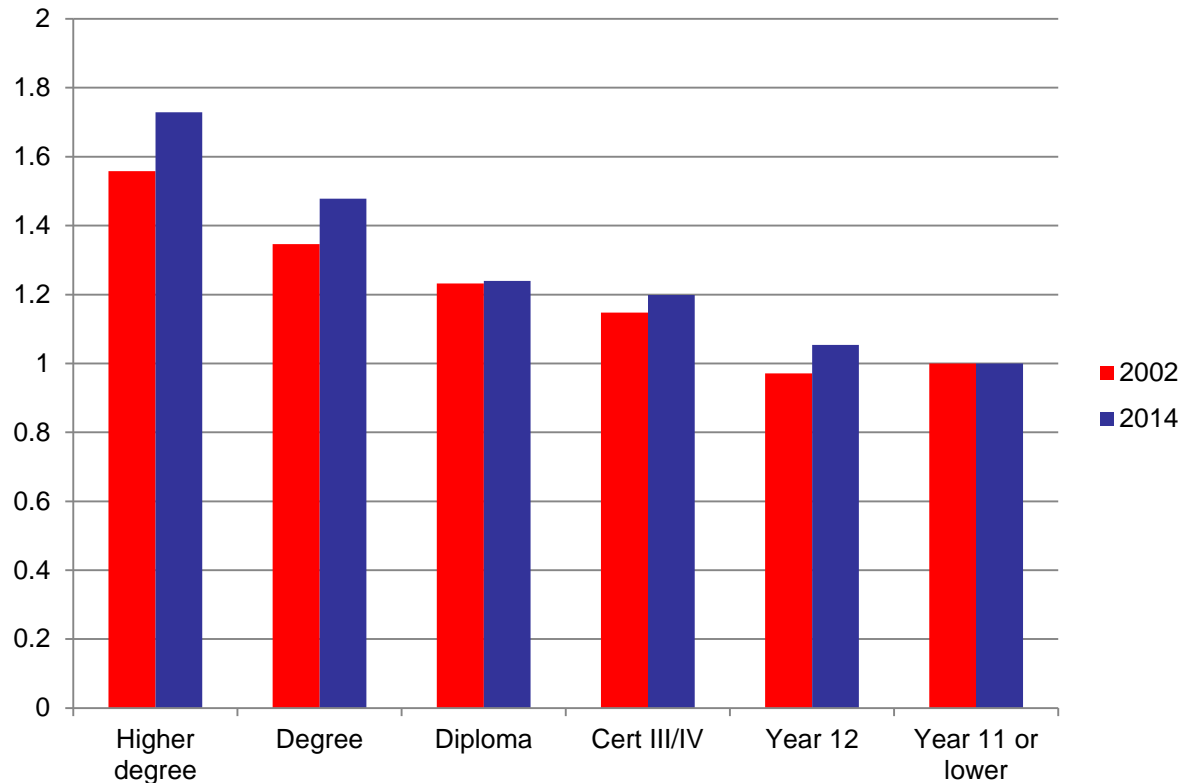
Notes:

- (1) D9 = 9th earnings decile; 5 = 5th earnings decile (median); D1 = 1st earnings decile.
(2) In 2014 an “adult” is any employee paid the adult rate. In other years it is any person aged 21 year or older who is paid the adult rate.

Source: ABS, *Employees Earnings and Hours* (cat. no. 6306.0).

Relative Earnings by Education

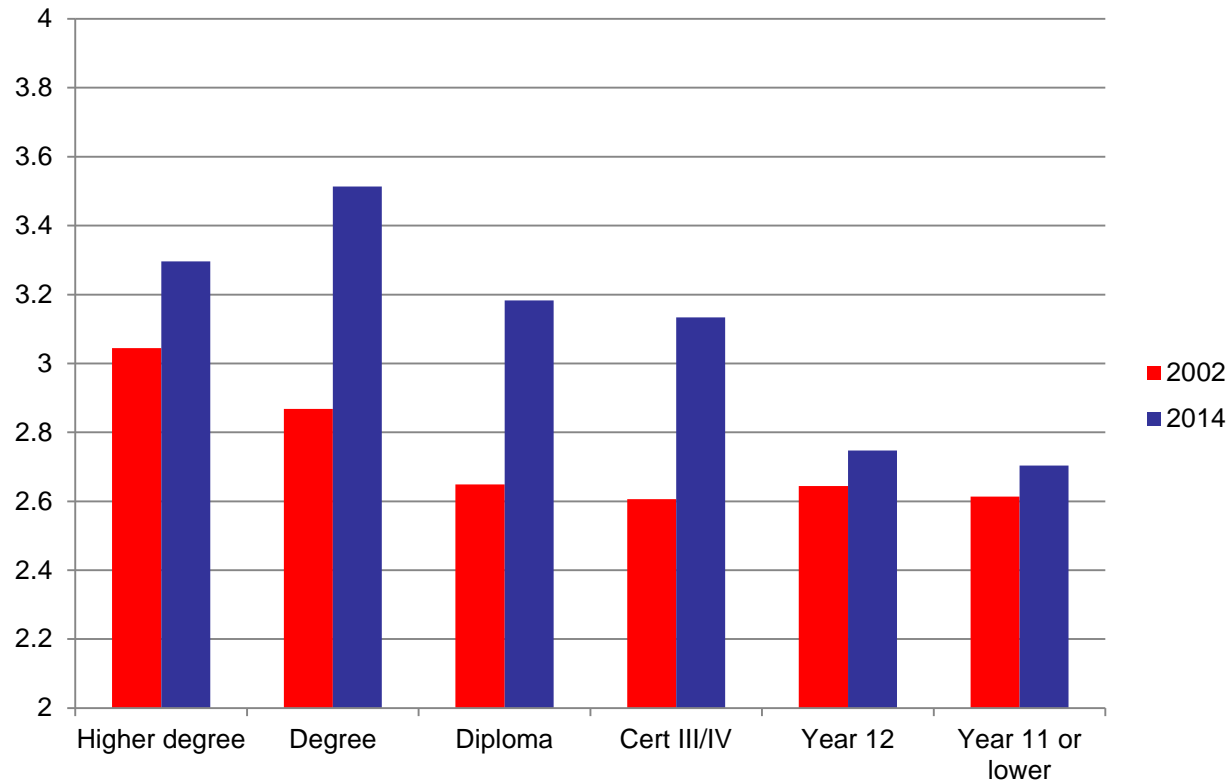
Relative median weekly earnings by education, 2002 and 2014



Note: Population = Full-time adult employees
Source: Unit record data from HILDA Survey.

Wage Inequality by Education

Earnings dispersion (D9/D1) by education, 2002 and 2014



Note: Population = Full-time adult employees.
Source: Unit record data from HILDA Survey.

Challenges

- Demographics
 - But still scope for increases in LFPRs
- Education
 - Budget constraints
 - Skills deepening vs credentialism
 - Cognitive / technical skills vs soft skills
- Downward wage pressures vs downward wage rigidity

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