

# **A Brief Overview of Unemployment in Australia**

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# **A Brief Overview of Unemployment in Australia**

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## **Abstract**

Unemployment is arguably one of the most important policy issues this country is presently facing, with the unemployment rate not having fallen below 8 per cent at any stage of the most recent expansion phase. This paper presents a brief history of unemployment in Australia, examining various characteristics in detail. Specifically, it covers the issues of hidden unemployment, the underemployed and the long-term unemployed. The Australian experience is also put into an international context, comparing our recent unemployment performance with that of the OECD countries, and making a more detailed comparison with the United States and France.

## Introduction

Of all the economic ills over the past two centuries, unemployment probably has been the most persistent and devastating. Its effects reach beyond material deprivation to problems associated with crime, family breakdown and poverty. However, the term ‘unemployment’ has changed over time according to economic circumstances and social conventions. Even this century we cannot be certain that we are measuring the same thing over time.

When the term first came into popular usage in the 1890’s, it usually meant ‘want of work’, and excluded independent artisans, small capitalists, the middle classes and women, but included children and the very old. Today, it is more accurately described as ‘want of paid employment’ and it potentially covers all people over the age of 15. These wants have varied according to the stock and quality of existing jobs, the generosity and access to welfare payments (which make joblessness more or less bearable), social attitudes towards working women, children and older persons, and the general work ethic of the society. For the purposes of measurement, however, arbitrary lines are drawn between the employed, the unemployed and the remainder who are described as not-in-the-labour force. Nevertheless, the degree of need and desire for work, more work, or better paid work cannot be captured in a single figure; an array of data ordinarily should be consulted to draw a fuller picture of the employment situation.

Today, the Australian definition of unemployment (which is based on the standard ILO classification) encompasses all persons over the age of 15 who had not undertaken any paid work in the survey week, but had actively sought work in the month preceding the survey and were available to start work in the survey week. *Long term unemployed* are those who have been unemployed for 52 weeks or more. Several qualifications should be made regarding any definition of long-term unemployed:

- ☛ The existence of recurrent spells of unemployment would imply that the figures are understating the actual number of people who have spent a high proportion of their working life out of work, since a person’s unemployment duration count is re-set following a spell of 2 weeks full-time work;
- ☛ Job seekers who have lowered their intensity of job search are deemed to be ‘not in the labour force’ by the surveyor, and are excluded from unemployment counts. Indeed, the fall in long-

term unemployment in 1988 was apparently due to such a reclassification (Langmore and Quiggin, 1994, p 25);

- ☛ When being on unemployment benefits represents an optimal state for the individual, they may misrepresent their labour force status, thereby biasing the numbers upwards (Trivedi and Kapuscinski, 1985, pp 154).

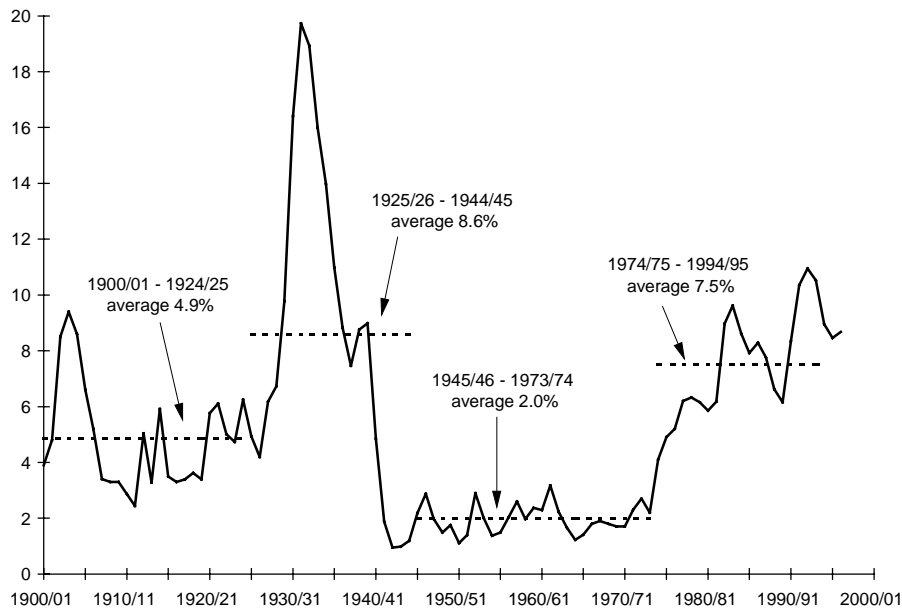
Over the last twenty years there have been three major changes in the unemployment situation in Australia. First, there has been continued growth in the trend unemployment rate since the mid 1970s. Second is the prevalence of persons without formal qualifications and work experience—especially in skilled occupations—among the unemployed. Last, but not least, is the accompanying growth in the proportion of the labour force that is classified as being long term unemployed. These three features are common to most members of the OECD, with a few exceptions; notably the low unemployment rates in Japan and Switzerland (and at various times Sweden and Austria) and the low proportion of the labour force that are long term unemployed in Canada and the USA.

## **General features**

The history of unemployment in Australia since 1900 has several distinctive features, as is illustrated in Figure 1. The high unemployment rate of the Great Depression only lasted for about 12 years and was followed by almost three decades of unemployment rates that averaged around 2 per cent. The past 20 years on the other hand have seen the unemployment rate rise to around 6 per cent or more, and most of this period has been characterised by unemployment rates of over 8 per cent.

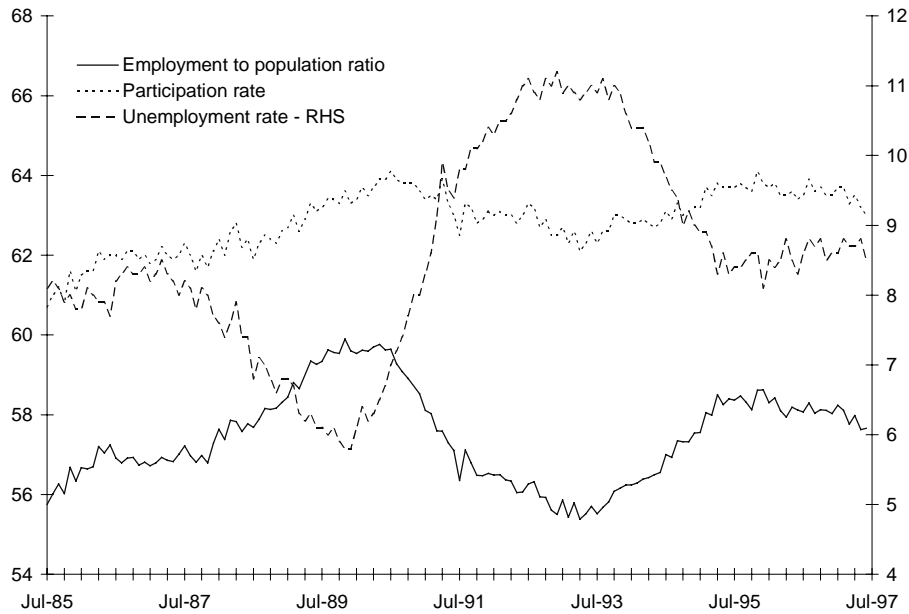
The unemployment rate at July 1997 was 8.7 per cent—interestingly, it has not fallen below 8 per cent at any stage of the most recent expansion phase. Part of the reason for this may lie in the relatively low job creation of the economy. Between April 1993 and December 1995, employment grew by 9.5 per cent, and was accompanied by a 2.7 percentage point fall in the unemployment rate. However, between December 1995 and July 1997, the number of jobs in the economy have grown by only 1.0 per cent, which has certainly not helped the process of reducing the unemployment rate (Figure 2). In the following sections, different characteristics of the labour market are examined in more detail.

**Figure 1: Unemployment this century (per cent)**



Source: dx Data, *RBA Preliminary Annual Database* and *The Labour Force: Australia*, ABS Cat. No. 6203.0

**Figure 2: Australian labour market overview**



Source: *The Labour Force-Preliminary: Australia*, ABS Cat. No. 6202.0

## Unemployment & employment by gender

Since September 1966 there has been a 7.9 percentage point rise in the male unemployment rate, to 9.1 per cent in July 1997. Although the female unemployment rate has also increased, proportionately the rise hasn't been as large, since the female rate started from a relatively higher base. Since December 1990 female unemployment rates have been consistently below male rates, despite the fairly dramatic pick-up in unemployment rates for females over the past year.

Corresponding to the significant increase in male unemployment rates has been a decline in male participation rates; they have fallen around 10 percentage points since September 1966, and in July 1997 stood at 73.2 per cent. On the other hand, female participation has risen quite dramatically, increasing by around 17 percentage points over the same time period to 53.5 per cent.

The better labour market performance by women could be due to their greater willingness to take up part time work. In July 1997, just under one-third of unemployed females were looking for part time work (the equivalent figure for males is 11.7 per cent). Of those women who *are* employed, 42.9 per cent are in part time employment. Given the changing nature of the workforce—i.e. more rapid growth in part time and service sector employment—females are subsequently better placed to have greater success at finding some form of work.

Employment growth in the service industry overall is the fastest out of all industry categories. Three of the top four employment categories for women are service industries, representing over two-fifths of total female employment. Male employment is dominated by manufacturing, which has shown no growth in employment over the past 13 years. As a result, almost one-quarter of males were employed in manufacturing in February 1978, but only 17.5 per cent were in May 1997 (Table 1).

**Table 1: Employment by industry, Australia, May 1997**

	Employed persons ('000s)	Average annual employment growth <sup>a</sup>	Female ranking <sup>b</sup>	Male ranking <sup>b</sup>
Retail trade	1216	2.3	1 (17.2)	2 (12.6)
Manufacturing	1134	0.0	5 (8.2)	1 (17.5)
Property & business	837	5.2	4 (10.3)	4 (9.7)
Health & community	765	2.9	2 (16.5)	12 (3.6)
Construction	579	1.4	14 (2.1)	3 (10.5)
Education	577	2.1	3 (10.7)	8 (4.3)

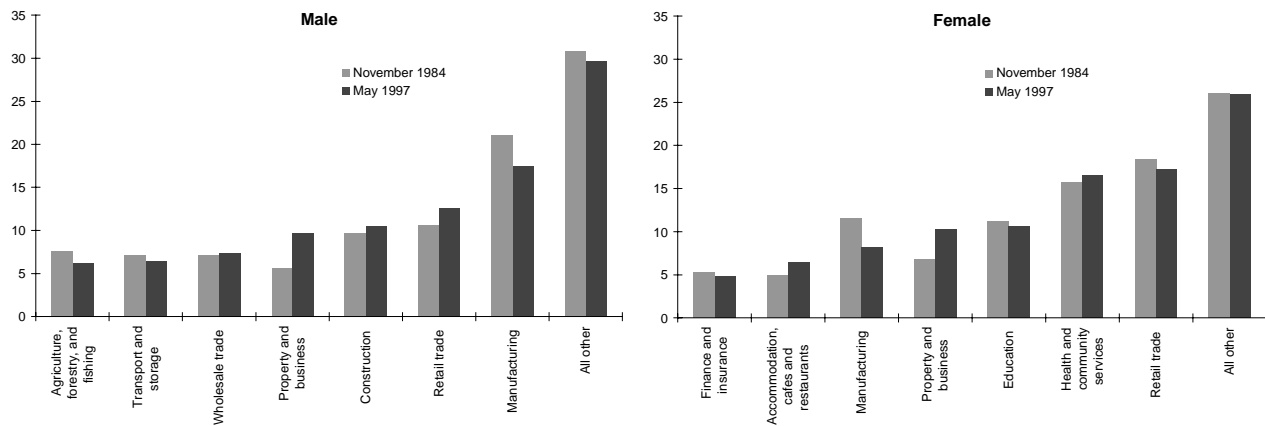
Source: *The Labour Force: Australia*, ABS Cat. No. 6203.0

(a) May 1985 to May 1997.

(b) Ranked in terms of share of total employment for each sex. Percentage shares are shown in parentheses.

The industry composition of both male and female employment has been relatively stable in terms of rank since 1985. Manufacturing is still the most important employer for males, and retail trade for females. The prime mover up the scale has been property and business services, which has enjoyed average employment growth rates of 5.2 per cent per annum over the past 13 years. In February 1985 this industry only accounted for 6.0 per cent of male employment and 6.9 per cent of female employment. The comparable figures for May 1997 are 9.7 and 10.3 per cent respectively, making this industry one of the top four employers for both sexes (Figure 3).

**Figure 3: Employment by industry**



Source: *The Labour Force: Australia*, ABS Cat. No. 6203.0

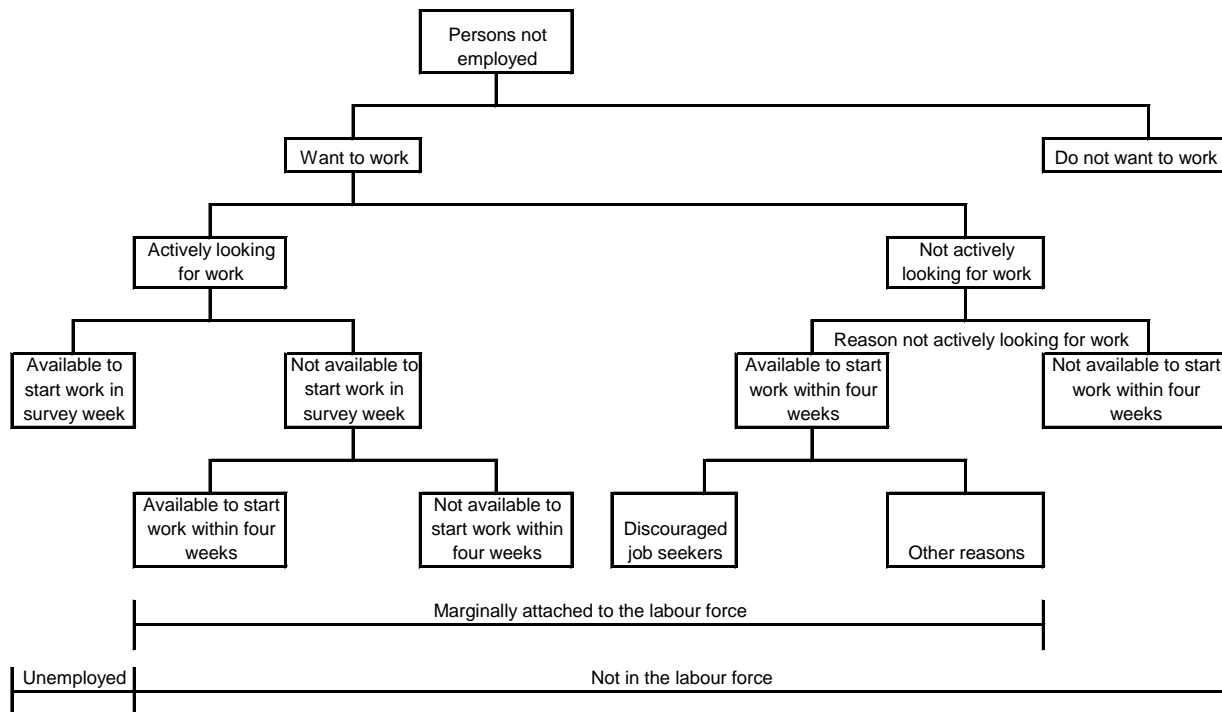
## Hidden unemployment and the underemployed

It is often stated that the unemployment rate is not a true representation of the unemployment problem, since the current definition does not take into account those people who, despite failing the job search or availability for work criteria (and therefore not considered part of the official labour force statistics) would still work if given the opportunity. Such individuals are described by the ABS as ‘marginally attached to the labour force’, and includes all persons not in the labour force except for those who do not want to work, or those not available to start work within four weeks (Figure 4). The current definition also does not take into account those people who have a job, but would prefer to work more hours. The number of such people are important, not only as a measure of economic and social deprivation, but also because they can either:

- ☛ readily enter the labour market to take jobs when employment is increasing (in the case of discouraged jobseekers);
- ☛ take up some of the labour market slack when firms are uncertain about the extent of a recovery (in the case of the underemployed) thereby impeding the employment of additional workers.

The hidden unemployed—defined as the number of persons who would be in the labour force if the conditions characteristic of full employment was obtained (Stricker and Streehan, 1981, p 54)—form a subset of those with marginal attachment to the labour force. An approximation of the size of the hidden unemployed is given by the ABS data on discouraged job seekers, although it is recognised that this measure may understate the true number of unemployed persons (Wooden, 1993, p 32). Using this measure, and including these individuals in the labour force statistics, gives a hidden unemployment rate of 1.3 per cent for September 1996, and increases the unemployment rate of that time to 9.9 per cent. An implication of this is that, even with stronger economic growth, as employment growth improves the inflow of the hidden unemployed is likely to have a dampening effect on any improvement in the official unemployment statistics.

**Figure 4: Persons not in paid employment**



Source: ABS Cat. No. 6246.0, *Employment, Underemployment and Unemployment, 1966-1983*, p 3



Instead of simply observing the cross tabulations of the ABS data, Wooden uses more sophisticated statistical techniques to determine the characteristics of the hidden unemployed (discouraged jobseekers). The results of his analysis suggest that the hidden unemployed tend to be concentrated among immigrants from non-English speaking backgrounds, older persons and individuals who were previously only employed on a temporary basis or had unsatisfactory work conditions. Women are also more likely to be discouraged jobseekers. However, this is not a result of being a woman per se. Rather, it is a reflection of the characteristics of their labour market experience. Home duties and time since last job have been found to be associated with discouraged job seeking. Typically, there is a higher concentration of women in home duties than men, and women also tend to spend a longer time outside the labour force than their male counterparts (Wooden, 1993, pp 38-39).

The rapid growth in part-time employment (most of the employment growth over the past year has been driven by growth in this category) has led many to query whether this apparent increase in the demand for part-time workers has been matched by a 'voluntary' supply. As at September 1996, 546,500 employed individuals were classified as 'involuntary part-time workers', that is, part-time workers who have indicated they would like to work more hours, or full-time workers who worked less than 35 hours in the reference week due to economic reasons (such as being stood down, short time or insufficient work). These individuals are classified as the visibly underemployed.<sup>1</sup> Using an hours adjusted measure, the underemployment rate was 2.2 per cent in September 1996.<sup>2</sup>

Using similar techniques to that employed for analysing the hidden unemployment figures, Wooden attempts to determine the characteristics of the underemployed. His results indicate that underemployment is more prevalent for:

- ☛ female employees (although, once the correlation between sex and part-time employment is accounted for, this result is reversed);
- ☛ singles;

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<sup>1</sup> Invisible underemployment is defined as the inefficient utilisation of labour in terms of either "insufficient use of skills and experience (disguised underemployment) or low productivity (potential underemployment)" (ABS, 1996, p 4). Due to measurement problems, invisible underemployment will not be analysed here.

<sup>2</sup> Calculated as total extra hours wanted, divided by the sum of total hours actually worked and total extra hours wanted.

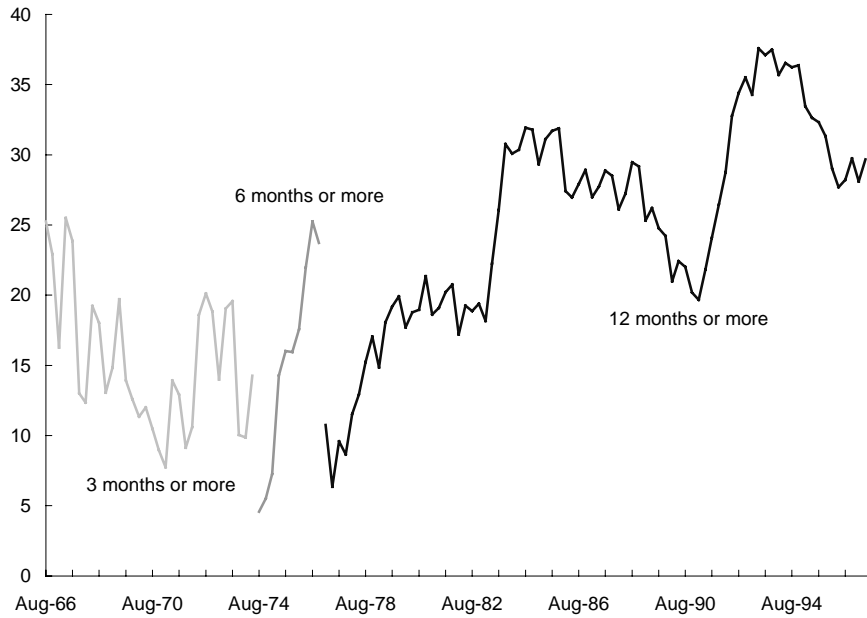
- ☛ young people;
- ☛ unskilled and semi-skilled workers;
- ☛ workers in both the recreation, personal and other services and construction; and
- ☛ workers outside the major metropolitan regions.

There were also tentative results that suggested people from non-English speaking backgrounds are more likely to be underemployed than immigrants from English speaking countries or Australian-born individuals (Wooden, 1993, pp 23-25).

## **Long-term unemployment**

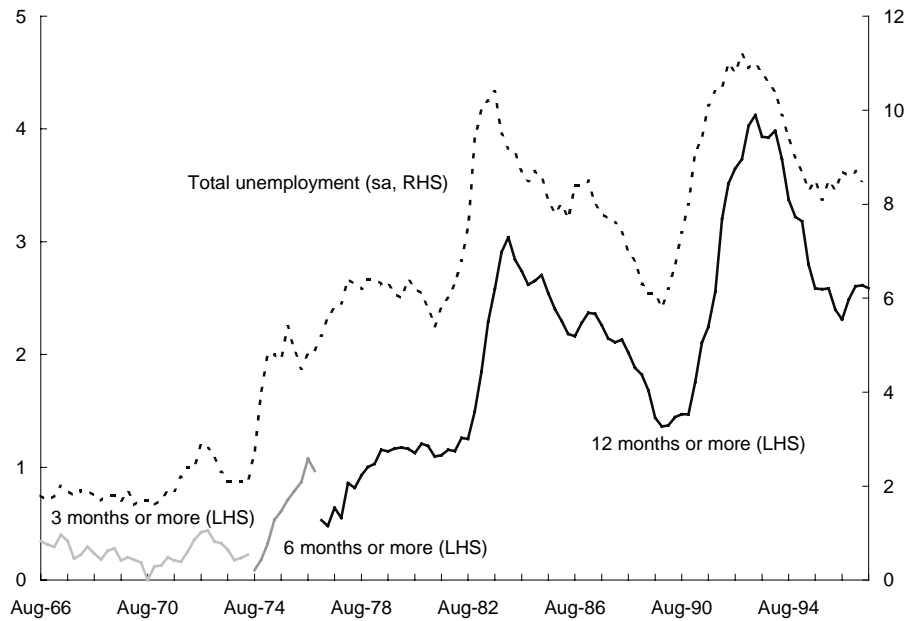
Although long term unemployment rose significantly following the Great Depression, the onset of World War II ensured a decline in the number of long term jobless to more acceptable levels (Gregory, et al, 1987, pp 337-340). The growth of long term unemployment as a share of the labour force closely follows the total unemployment rate (with a lag). Consequently, it is only more recently that we have again seen a steady rise in the number of long term unemployed as a share of both total unemployment and the labour force. Increases in the number of long-term unemployed has resulted in a continued change in its definition. In the early 1970s the classification was 13 weeks or more, was 26 weeks or more until the mid-1980s, and currently stands at 52 weeks or more. To put this in perspective, in November 1967, only 13.0 per cent of the unemployed had been registered for 3 months or more; as at May 1997, 64.6 per cent of the unemployed had been out of work for more than 3 months (73.1 per cent in May 1993 was the peak). Using the 12 month definition, long-term unemployment has increased from 10.8 per cent of total unemployment in February 1977 to 30.1 per cent in May 1997 (Figure 5). As a share of the labour force, long-term unemployment has increased from less than 1.0 per cent in 1977, to 2.6 per cent now (after peaking at 4.2 per cent in March 1993 - see Figure 6).

**Figure 5: Long-term unemployment as a share of total unemployment, Australia, Quarterly, August 1966 to May 1997 (nsa)**



Source: *The Labour Force: Australia*, ABS Cat. No. 6203.0

**Figure 6: Long-term and total unemployment as a share of the labour force, Australia, Quarterly, August 1966 to May 1997 (nsa)**



Source: *The Labour Force: Australia*, ABS Cat. No. 6203.0

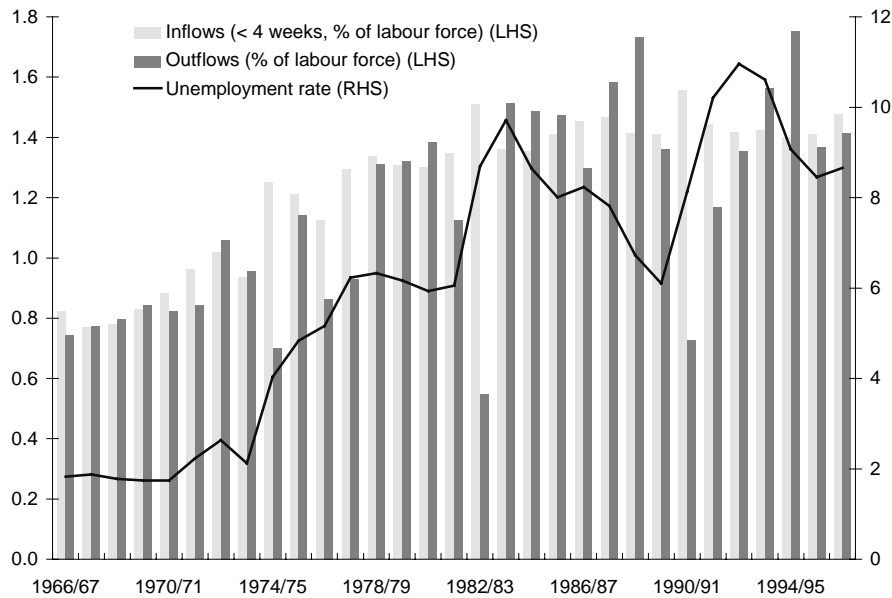
In line with the increase in the number of long-term unemployed, the average duration of unemployment has increased from 20.9 weeks in 1977/78, to 51.7 weeks in 1995/96—an increase of more than 6 months. It has often been suggested that one of the reasons for the relatively better labour market performance in the United States has been the relatively higher turnover (and therefore lower duration) of the unemployed pool. Figure 7 illustrates how flows, as a share of the labour force, have increased since the late 1960's, and have coincided with the increase in the unemployment rate. The fact that the unemployment rate has increased over this time is indicative that flows have not increased enough to keep the duration of unemployment constant, which implies that the prime source of the increase in the Australian unemployment rate since the mid-1970's has been an increase in average duration.<sup>3</sup>

The large jump in the unemployment rate between 1989/90 and 1990/91 coincided with a substantial widening of the gap between inflows and outflows (Figure 7), and an increase in the long term unemployment rate. The following year saw further movement, with the average duration increasing by 8 weeks and another big increase in the long-term unemployment figures (as shares of the unemployed, the labour force, and working population). This should not be surprising, since, according to Chapman (1994), recessions are good at substantially increasing the number of long term unemployed, but rapid expansion does little to reduce it. Given that very few commentators are predicting rapid growth for the Australian economy in the near future, the outlook for the long-term unemployed looks decidedly bleak.

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<sup>3</sup> Indeed, the RBA points out that “with an increase in the average duration of unemployment and the rise in the share of long-term unemployed has come evidence that the chances of leaving the unemployment pool (‘exit rates’) seem to decline as the duration of unemployment lengthens”. (Reserve Bank of Australia, 1993, p 18).

**Figure 7: Unemployment flows per month**



Source: *The Labour Force: Australia*, ABS Cat. No. 6203.0

The phenomenon of hidden unemployment is also unlikely to assist in the reduction in the number of long term unemployed. Stricker and Sheehan estimated that during a three month period in 1979/80, the long-term unemployed (defined in those days as individuals unemployed for 9 months or more) managed to obtain only 3.1 per cent of all jobs filled. In contrast, 68.8 per cent of jobs were filled by individuals coming from outside the labour force, with a further 20.1 per cent filled by those unemployed for less than three months (Stricker and Sheehan, 1981, p 15). There is little reason to expect that these figures would have changed substantially (despite the existence of labour market programs designed to assist the long-term unemployed).

### ***Characteristics of the long-term unemployed***

#### **Gender**

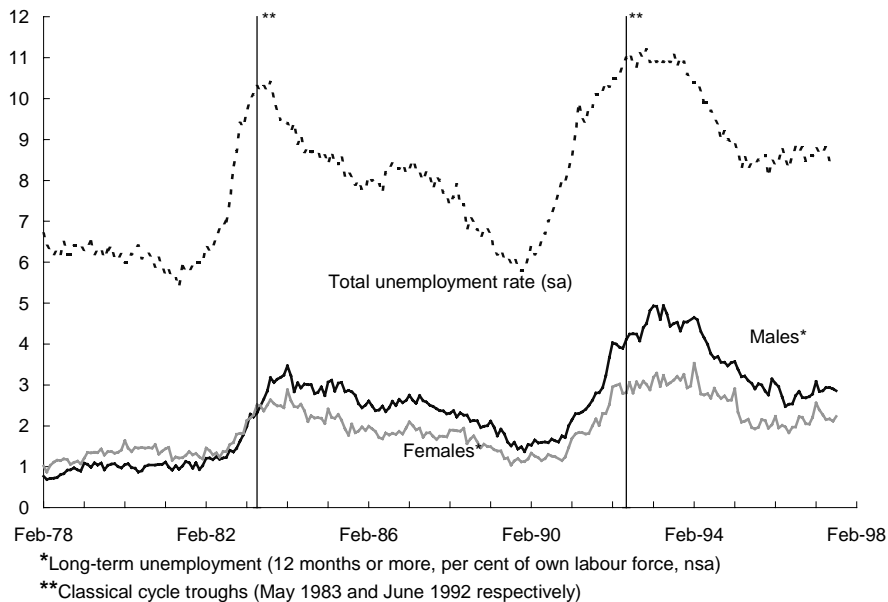
The trough in Australian activity (as measured by the Westpac-Melbourne Institute Coincident Index) was in June 1992,<sup>4</sup> although the unemployment rate did not peak until December of that year.

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<sup>4</sup> For further details, see Boehm, forthcoming.

As at August 1997, male long-term unemployment rates—at 2.9 per cent—are presently 1.2 percentage points lower than they were at the trough (and 2 percentage points lower than their peak) which is what one would expect given that the Australian economy is presently in an expansion phase of the classical cycle. The female long-term unemployment rate on the other hand does not appear to have fluctuated as much as their male counterpart during the most recent economic downturn and subsequent recovery. As a consequence, despite the female rate not recovering as strongly as males, their long-term unemployment rate is still lower than the male counterpart (Figure 8).

**Figure 8: Unemployment rates and the cycle**



Source: *The Labour Force: Australia*, ABS Cat. No. 6203.0 and Boehm (forthcoming).

Over a longer time horizon, long-term unemployment has increased for both sexes, although the rise has been greater for males. Since June 1983, long-term unemployment rates for females have been consistently below that of males. In keeping with these increases, average durations of unemployment have increased by 37 weeks for males and 26 weeks for females since February 1978. The relatively lower increase in the average duration for females is reflected in their lower unemployment rates, and may be due in part to the greater willingness of women to take up part time work or leave the labour force.

## Occupation

As at May 1997, just under three-quarters of all long term unemployed had *not* worked full time for two weeks or more for the past 2 years, which represents 22.4 per cent of the unemployed and 1.9 per cent of the entire labour force. Over one-sixth of the long-term unemployed are still looking for their first job (Table 2). Of those that had managed to find full time work in the past two years, labourers and tradespersons were the most likely to have been out of work for more than 12 months. These two groups appear to bear a disproportionate burden of the unemployed, since they account for 23.7 per cent of all employment between them, but make up 48.5 per cent of the long term unemployed (that had worked some time in the past two years). Only 13.2 per cent of the long term unemployed were managers, administrators or professionals, whereas between them they make up 35.6 per cent of total employment (Table 2).

**Table 2: Employment and unemployment by occupation (May 1997)**

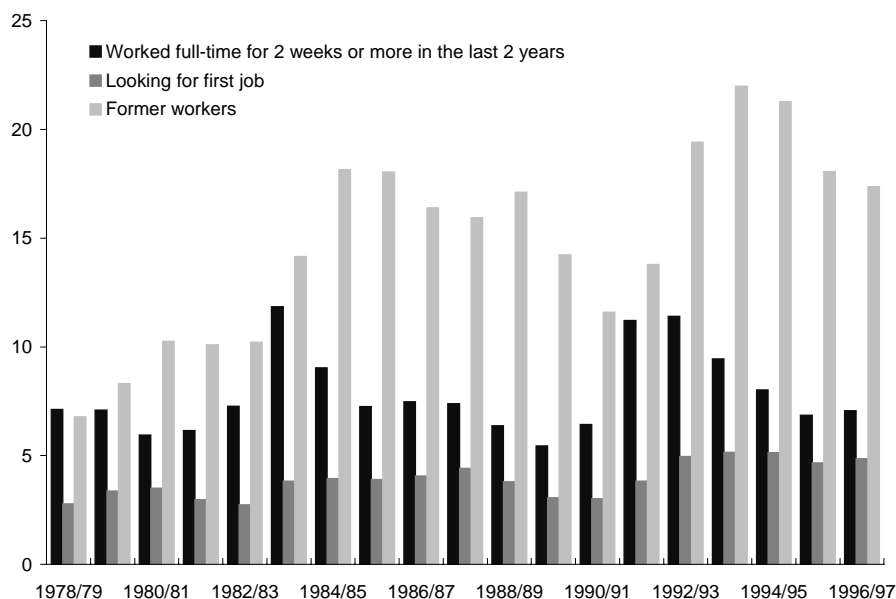
Occupation	Share of total long-term unemployed:		Share of total employment
	Total	Who worked within the last 2 years	
Managers & administrators	0.3	1.0	7.6
Professionals	1.4	5.4	17.1
Associate professionals	1.8	6.8	10.9
Tradespersons & related workers	4.7	17.9	13.7
Advanced clerical & service workers	0.2	0.8	4.5
Intermediate clerical, sales & service workers	3.7	14.0	16.7
Intermediate production & transport workers	3.5	13.3	9.2
Elementary clerical, sales & service workers	2.7	10.2	10.4
Labourers & related workers	8.1	30.6	10.0
		100.0	100.0
Other			
Looking for first job	16.0		
<i>Of which:</i>			
Looking for full-time work	11.9		
Former workers	57.6		
	100.0		

Source: *The Labour Force: Australia*, ABS Cat. No. 6203.0.

Using available data, it is difficult to say whether the unemployed pool is becoming less skilled. What can be said is that, of all those who had been jobless for a year or more, workers with some demonstrated sort of skills and work history seem to find employment first (Figure 9). Those who

had not worked in the past two years<sup>5</sup> appear to lag those who have by at least a year. Of greater interest however is the observation that the share these individuals have of the unemployed has risen over time. Those who had not worked before (that is, looking for their first job) have maintained a relatively constant share of unemployment, of between 3 and 5 per cent.

**Figure 9: Incidence of long-term unemployed, by reason (share of total unemployment)**



Source: *The Labour Force: Australia*, ABS Cat. No. 6203.0.

## International Perspective

The Australian labour market experience is not unique, although Australia does sit in the upper half of the band of unemployment rates for the OECD countries (Table 3). Up until 1990 Sweden was concentrated in the lower half, but has since had a dramatic increase in its unemployment rate due to the contractionary policies pursued between 1990 and 1992 as part of an effort to bring inflation down to the levels of the EMS countries. As a result of its good unemployment record in history, Sweden has enjoyed relatively low long term unemployment rates (as a share of total

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<sup>5</sup> That is, those who have previously only worked part-time or who last had a full-time job (for longer than two weeks) more than two years ago.



unemployment) (Table 3). Canada, despite having a relatively high unemployment rate, has also managed to keep its unemployed pool from staying out of work too long. This is possibly a result of its unemployment benefits scheme, which, like the USA, provides a substantially smaller income after around six months of being unemployed. At the end of unemployment benefits there is a large jump in the probability of finding a job. However, there is also a tendency for people to drop out of the labour force because they then become eligible for social assistance (although these do not pay as much as unemployment benefits). Other countries whose long-term unemployed make up a relatively small (less than 20 per cent) share of total unemployment include Japan, Iceland, Austria and Mexico (Table 3).

**Table 3: Unemployment statistics (OECD member countries)**

Member	Unemployment rate	Incidence of long term unemployed <sup>a</sup>	Member	Unemployment rate	Incidence of long term unemployed <sup>a</sup>
Luxembourg	3.3	(22.4)	Portugal	7.5	48.7
Japan	3.4	18.1	Sweden	8.0	15.7
Iceland	3.7	12.2	UK	8.2	43.5
Switzerland	3.8	32.3	Australia	8.5	30.8
Czech Republic	3.9	30.6	Belgium	9.0	62.4
Norway	4.9	26.5	Germany	9.0	48.3
Austria	5.3	17.4	Greece	9.1	50.9
USA	5.4	9.7	Canada	9.7	13.8
NZ	6.1	22.9	Ireland	11.9	-
Turkey	6.1	39.3	Italy	11.9	62.9
Mexico	6.4	1.5	France	12.1	45.6
Netherlands	6.5	43.2	Finland	16.1	32.3
Denmark	6.8	27.9	Spain	22.2	56.5

Source: *Labour Force Statistics*, OECD Paris

(a) 12 months and over, per cent of total unemployment. Data in parentheses are based on small sample sizes and therefore must be treated with caution.

During 1995, Australia—with 31 per cent of the unemployed pool out of work for a year or more—sat around the middle of the range of OECD countries. Countries such as the UK, France, Germany, Spain and Italy all rank well above. German long-term unemployment has increased in recent years as its unemployment rate has risen above that of Australia and the UK. German reunification does not appear to have influenced the unemployment rate to the extent that it differs markedly from these two countries, although it could be argued that unemployment rates could have been lower if reunification had not taken place.

In Spain, the long-term unemployed currently make up around 57 per cent of all their unemployment, a reflection of the rapid increase in unemployment rates since 1977.<sup>6</sup> Prior to this date, the Spaniards had unemployment rates similar to the other three. However, “the breakdown of labour relations in the wake of Franco’s death was at the root of high and accelerating inflation in the late 1970s. Disinflation...was achieved only at the cost of a very large increase in unemployment” (Blanchard, et al, 1995, p 3). Since then, movements in the Spanish unemployment rate have been similar to the rest of Europe, but at a higher level.

A useful point of comparison for the Australian labour market is the situation in the United States. Table 4 provides a comparison of certain aspects of the Australian and US labour markets. During the period 1966/67 to 1983/84 Australia had regularly lower unemployment rates than the US, although the Australian jobless were starting to experience longer average durations as early as 1976/77. Since 1983/84 however, the substantial difference in the average duration of unemployment between the two countries has corresponded to the US unemployment rate consistently outperforming that of Australia, despite the US experiencing relatively higher inflows into the unemployed pool.

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<sup>6</sup> Interestingly, Italy and Belgium—despite having much lower unemployment rates than Spain—have had a higher proportion of their unemployed pool out of work for more than 12 months.

**Table 4: Unemployment rates, flows and duration - Australia and the USA**

	Australia			United States		
	Unemployment rate (%)	Average inflow per month (a)	Average duration (weeks)	Unemployment rate (%)	Average inflow per month (b)	Average duration (weeks)
1966/67	1.6	0.8	3.0	3.8	2.1	8.7
1967/68	1.7	0.8	3.0	3.6	2.0	8.4
1968/69	1.6	0.8	8.9	3.5	2.0	7.8
1969/70	1.5	0.8	7.4	5.0	2.6	8.6
1970/71	1.4	0.7	7.3	6.0	2.7	11.3
1971/72	1.7	1.0	6.6	5.6	2.6	12.0
1972/73	2.5	1.0	9.7	4.9	2.5	10.0
1973/74	1.8	0.9	9.3	5.6	2.8	9.8
1974/75	2.4	1.3	6.5	8.5	3.1	14.2
1975/76	4.6	1.2	12.7	7.7	3.0	15.8
1976/77	4.7	1.1	17.5	7.0	2.9	14.3
1977/78	5.7	1.3	20.9	6.1	2.8	11.9
1978/79	6.3	1.3	26.6	5.8	2.8	10.8
1979/80	6.2	1.3	28.5	7.2	n/a	11.9
1980/81	5.9	1.3	31.1	7.6	3.2	13.7
1981/82	6.2	1.3	31.1	9.7	3.5	15.6
1982/83	9.0	1.5	32.9	9.6	3.2	20.0
1983/84	9.6	1.4	42.0	7.5	3.0	18.2
1984/85	8.6	1.4	46.0	7.2	3.0	16.6
1985/86	8.0	1.4	46.9	7.0	2.9	15.0
1986/87	8.3	1.5	46.9	6.2	2.7	14.5
1987/88	7.8	1.5	46.8	5.5	2.5	13.5
1988/89	6.6	1.4	49.0	5.3	2.6	11.9
1989/90	6.2	1.4	42.3	5.6	2.5	12.1
1990/91	8.3	1.6	39.4	6.8	2.7	13.8
1991/92	10.3	1.4	45.5	7.5	2.6	17.9
1992/93	11.0	1.4	53.8	6.9	2.4	18.1
1993/94	10.5	1.4	57.5	6.1	2.1	18.8
1994/95	9.0	1.4	57.5	5.6	2.0	16.7
1995/96	8.5	1.4	51.7	5.5	1.9	17.1

Source: US Bureau of Labour Statistics (<http://www.bls.gov/datahome.htm>) and *The Labour Force: Australia*, ABS Cat. No. 6203.0

(a) Unemployed for less than 4 weeks

(b) Unemployed for less than 5 weeks

The difference in US and Australian unemployment rates has also been attributed to the relatively stronger employment growth in the US. As mentioned previously, Australian employment growth has been modest since December 1995, whereas US employment has grown by 3.4 per cent over the same time period. As a result, the employment to population ratio is 63.7 per cent in the US in June 1997, compared to 57.7 per cent in Australia (Figure 10 and Figure 2).

**Figure 10: US labour market overview**



Source: US Bureau of Labour Statistics (<http://www.bls.gov/datahome.htm>)

A different contrast again is that provided by the French labour market, whose unemployment rates have not fallen below 11 per cent for the past 4 years. Although their employment to population ratio is slightly above that of Australia, unemployment rates stood at 12.6 per cent in June 1997. Again, employment growth (or lack thereof) may explain part of this increase. The number of persons employed actually fell slightly between 1996 and 1997, and has grown by only 0.4 per cent over the past 5 years. Unlike the historical trends observed in Australia and the US, the French employment to population ratio has fallen over the past 30 years (Figure 11). While this trend has also been evident in more recent times, it does appear to have flattened out somewhat.

**Figure 11: French labour market overview - 1968 to 1997**



Source: OECD (Various Issues) *Labour Force Statistics*, OECD Paris

## Conclusion

Although the current afflictions of the Australian labour market can also be found (in various forms) in a number of other OECD countries, this should not be used as a justification for inaction on the labour market front. Overall, unemployment rates have risen dramatically over the past 30 years, underpinned by substantial increases in male unemployment rates. Additionally, a greater proportion of the unemployed now have been out of work for more than 12 months, which raises concerns about de-skilling, since these individuals tend to be pushed to the back of the unemployment queue. In the most recent cycle, the relatively weak employment growth has resulted in unemployment rates remaining above 8 per cent.

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