



After the crisis: social policy challenges

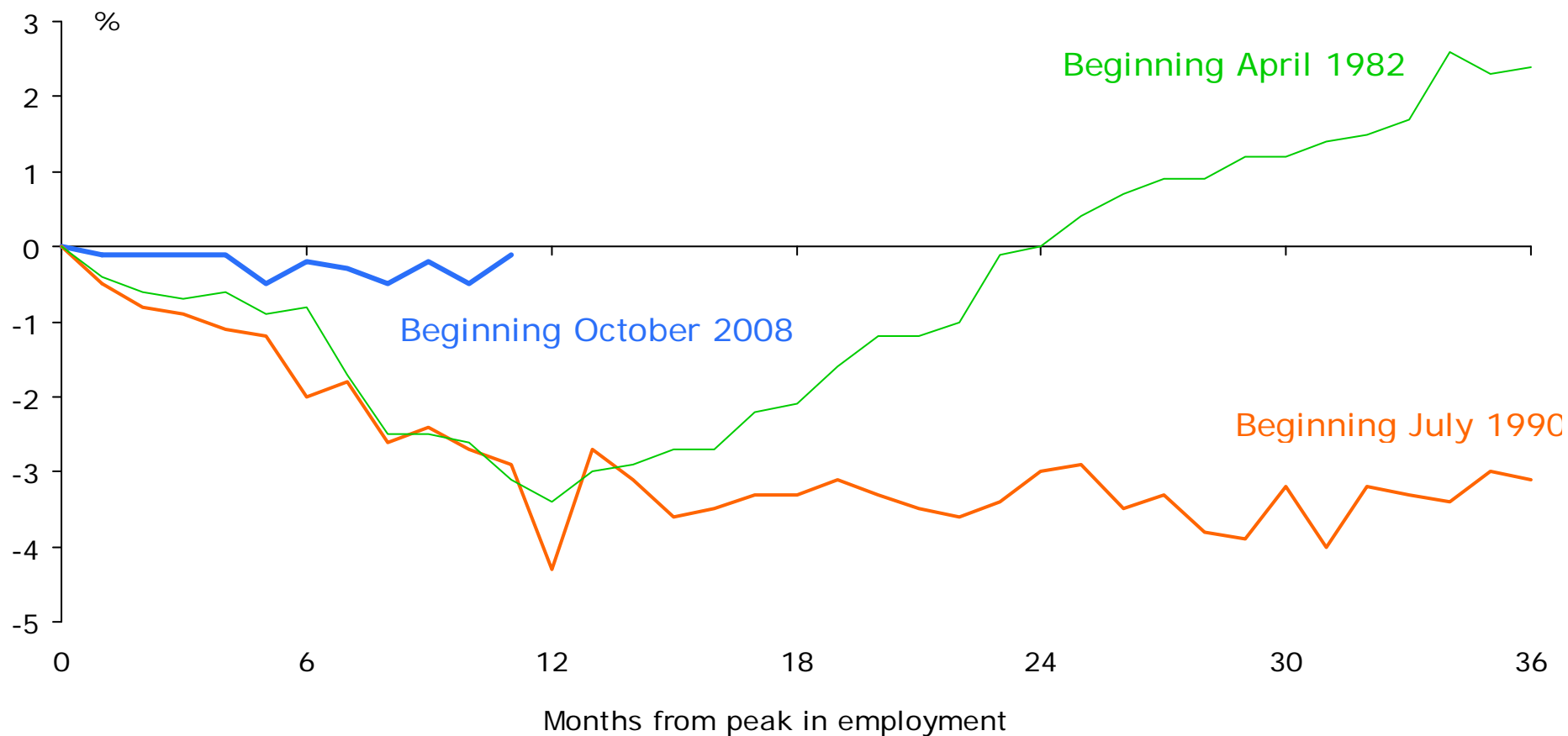
**Presentation to Melbourne
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Employment has fallen much less during the GFC than during the past two big recessions

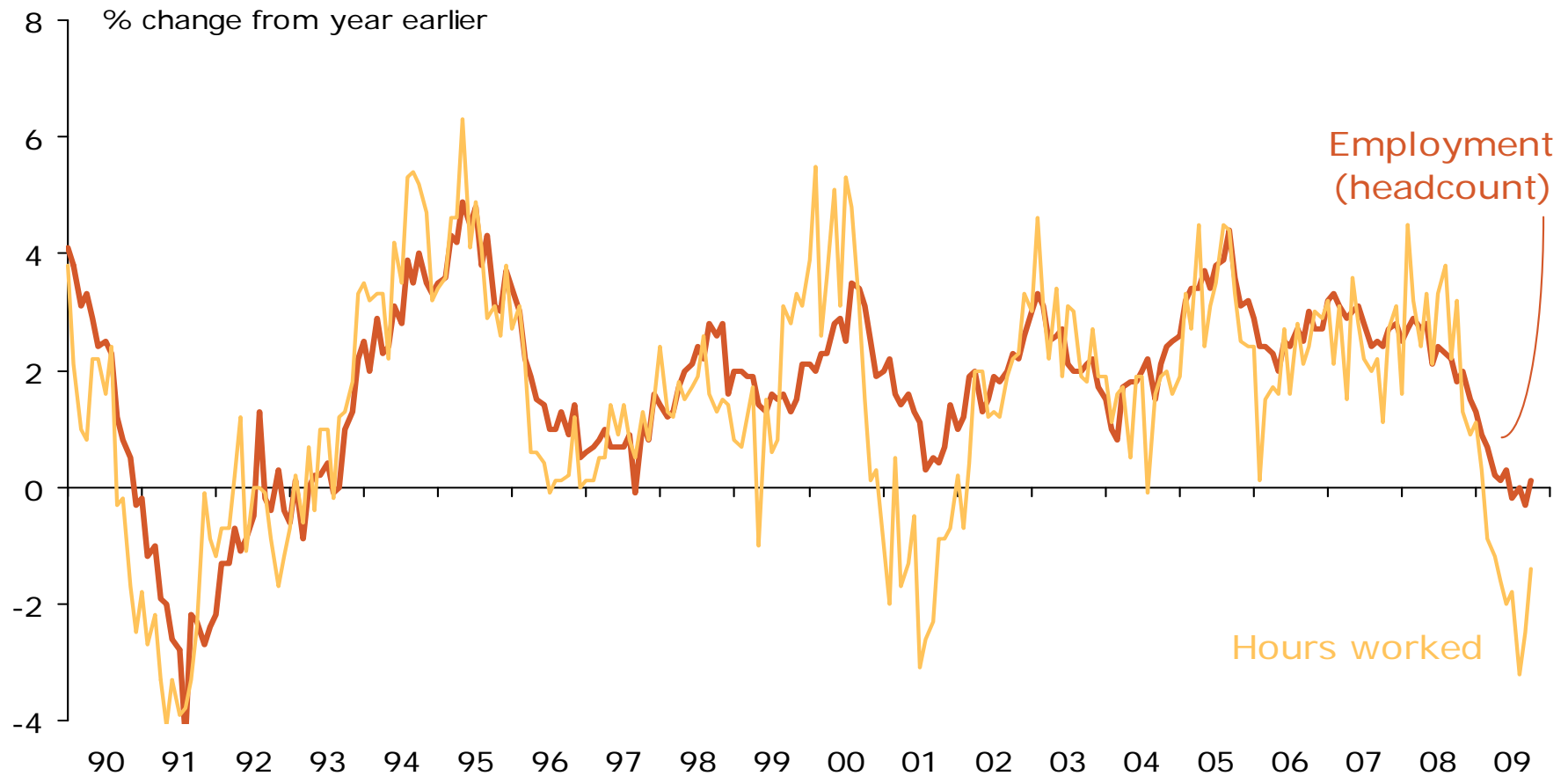
Cumulative change in employment from pre-recession peak



Sources: ABS; Grattan Institute.

Australian employers have sought to avoid mass retrenchments, by managing hours more flexibly

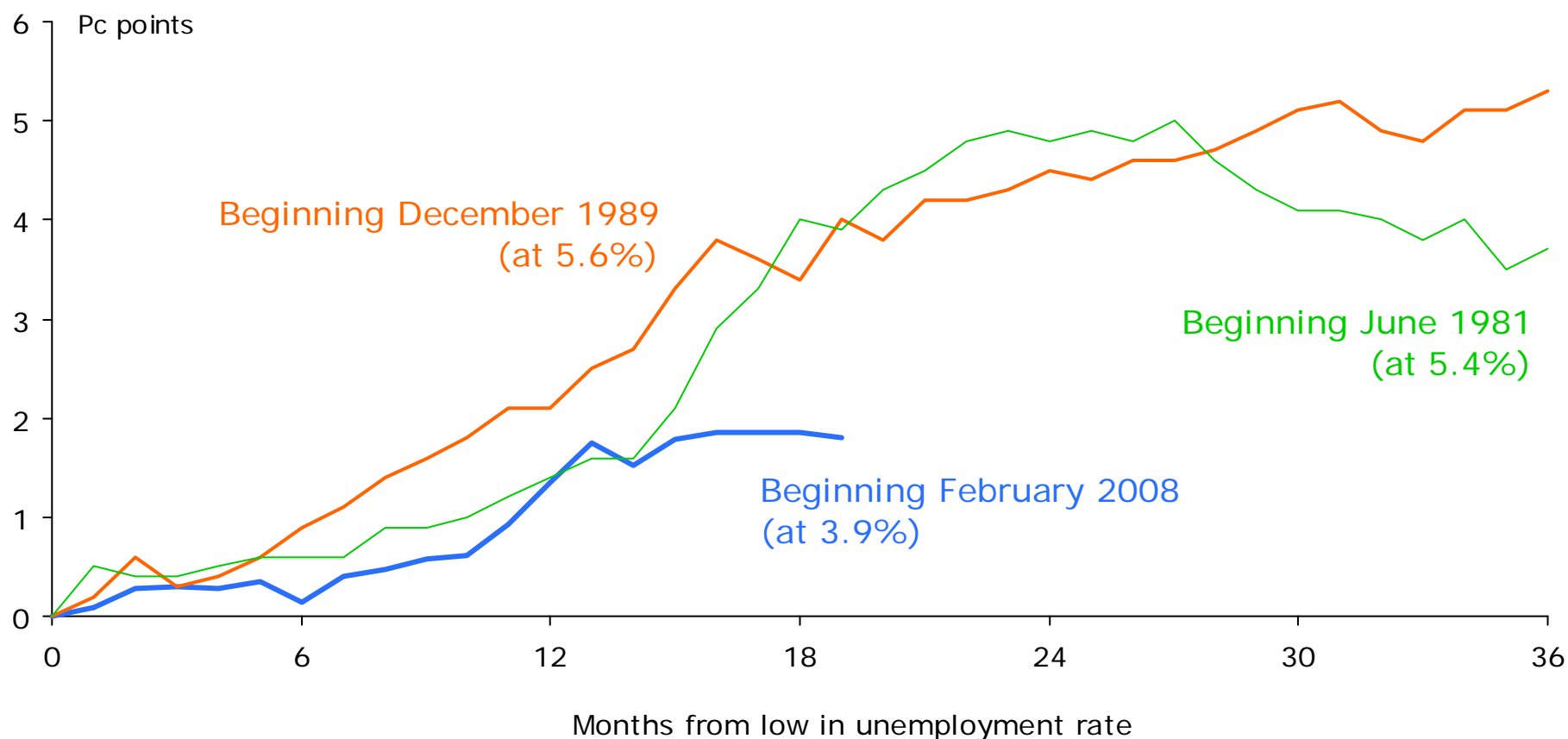
Headcount and hours worked



Source: ABS.

Nonetheless, the unemployment rate has still risen almost 2 pc points from its pre-GFC trough

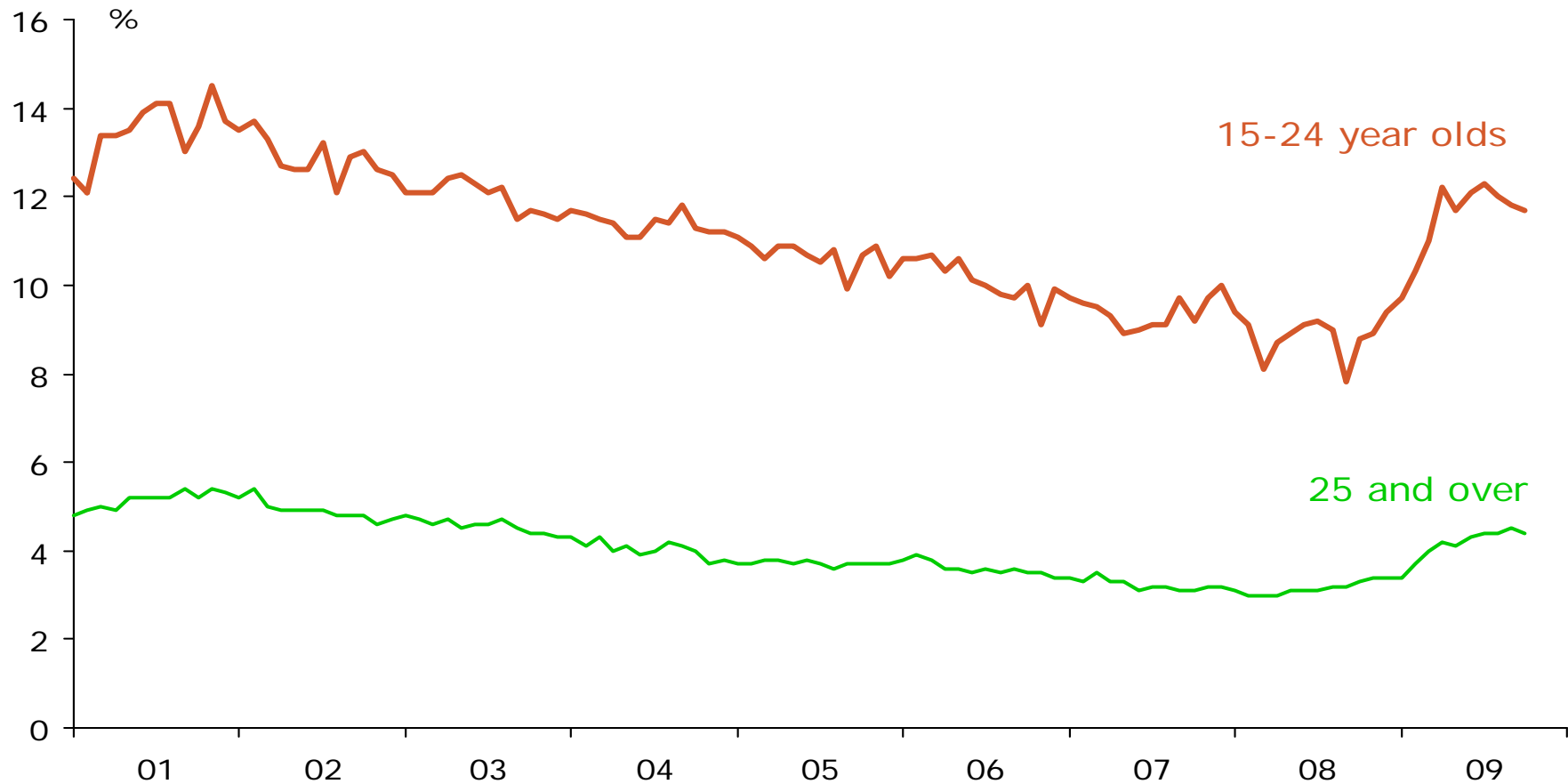
Cumulative change in unemployment rate from pre-recession trough



Sources: ABS; Grattan Institute.

Rising unemployment has been concentrated among younger age groups ...

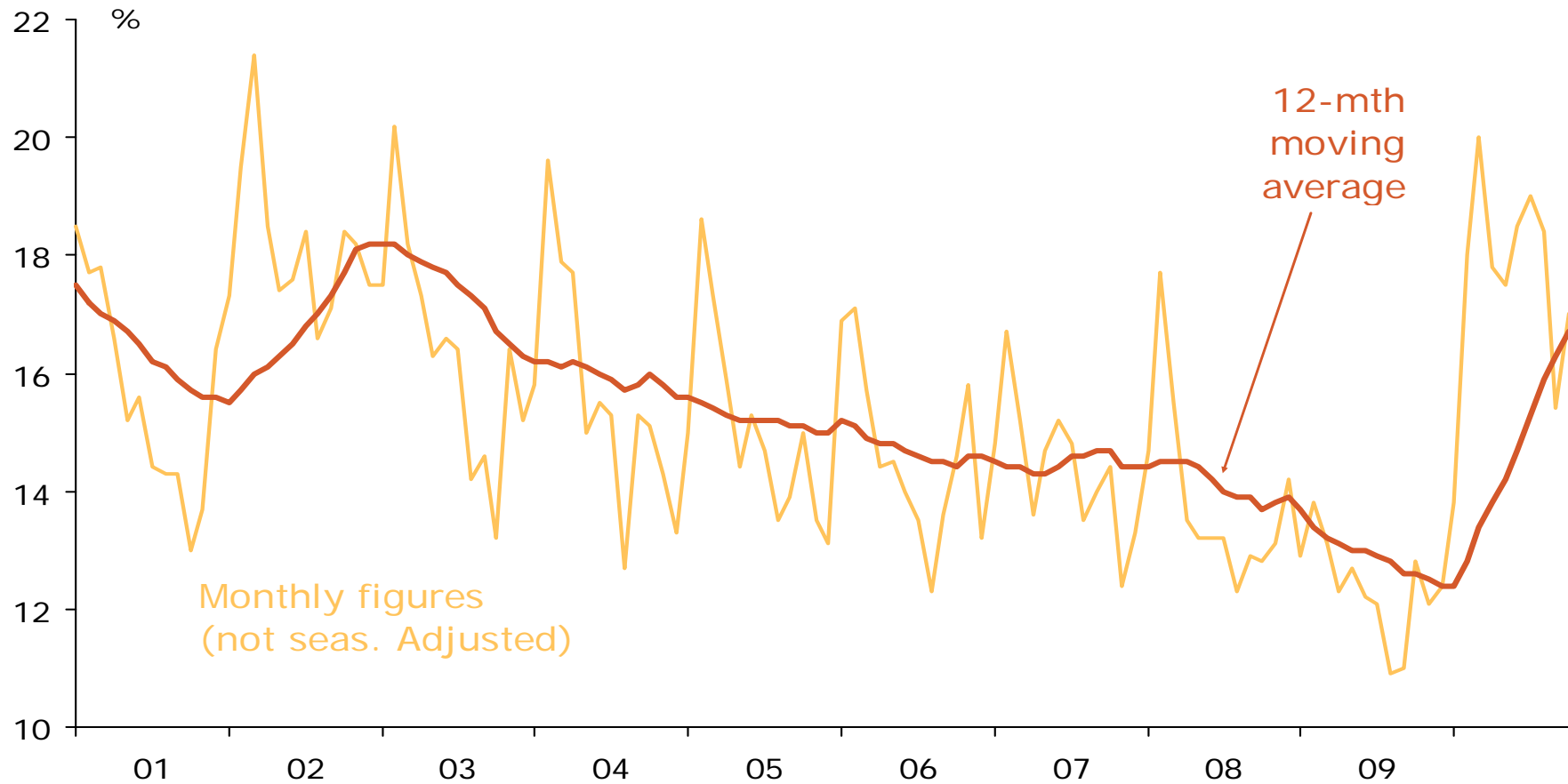
Unemployment rates among selected age groups



Sources: ABS; Grattan Institute.

... and particularly among school leavers without post-secondary education

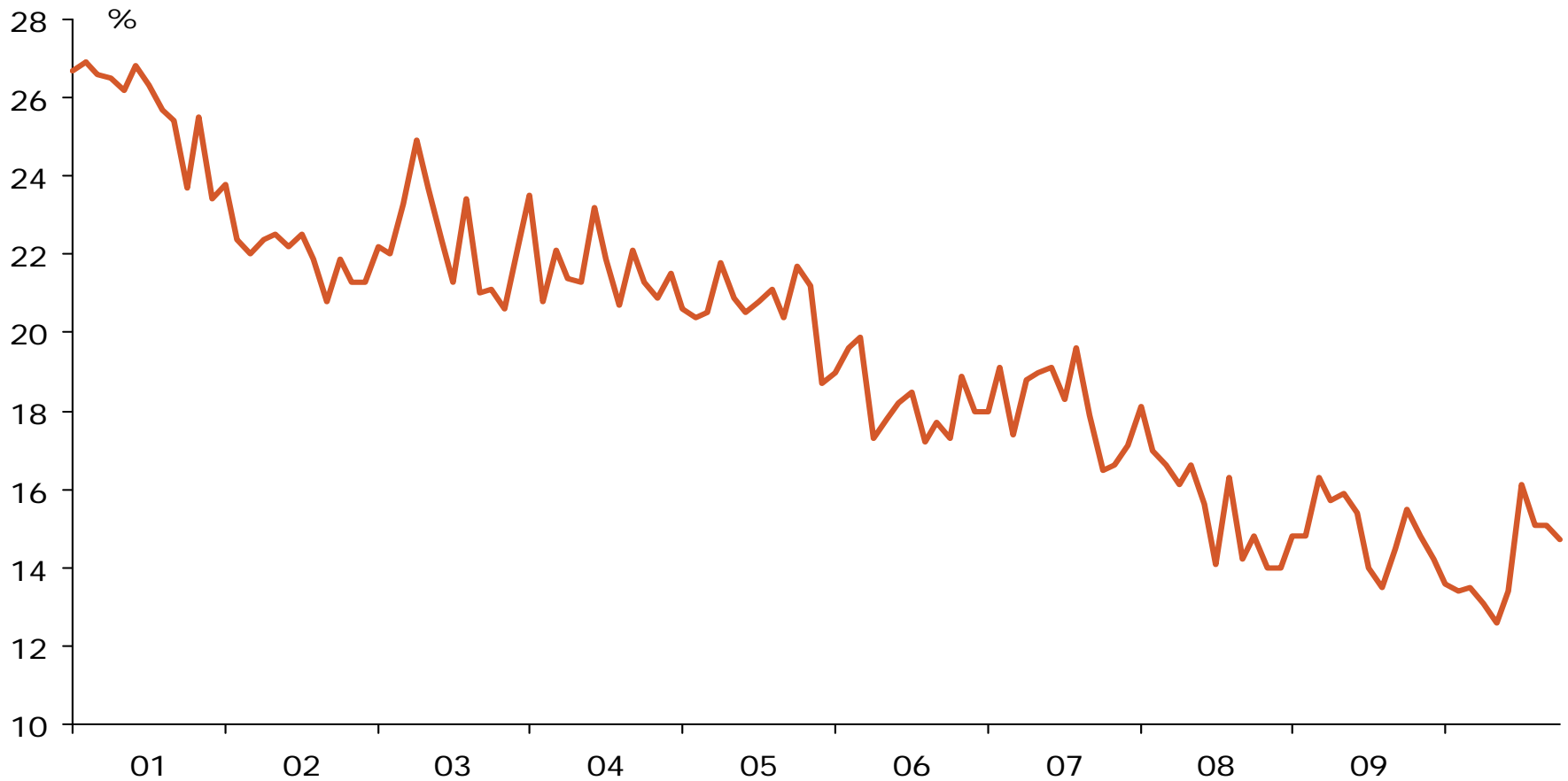
Unemployment rate of 15-19 year olds not in full-time education



Sources: ABS; Grattan Institute.

Long-term unemployment hasn't risen significantly yet – but it may do over coming years

Proportion of unemployed who have been out of work for 1 year or more



Sources: ABS; Grattan Institute.

Some regions have experienced much larger increases in unemployment

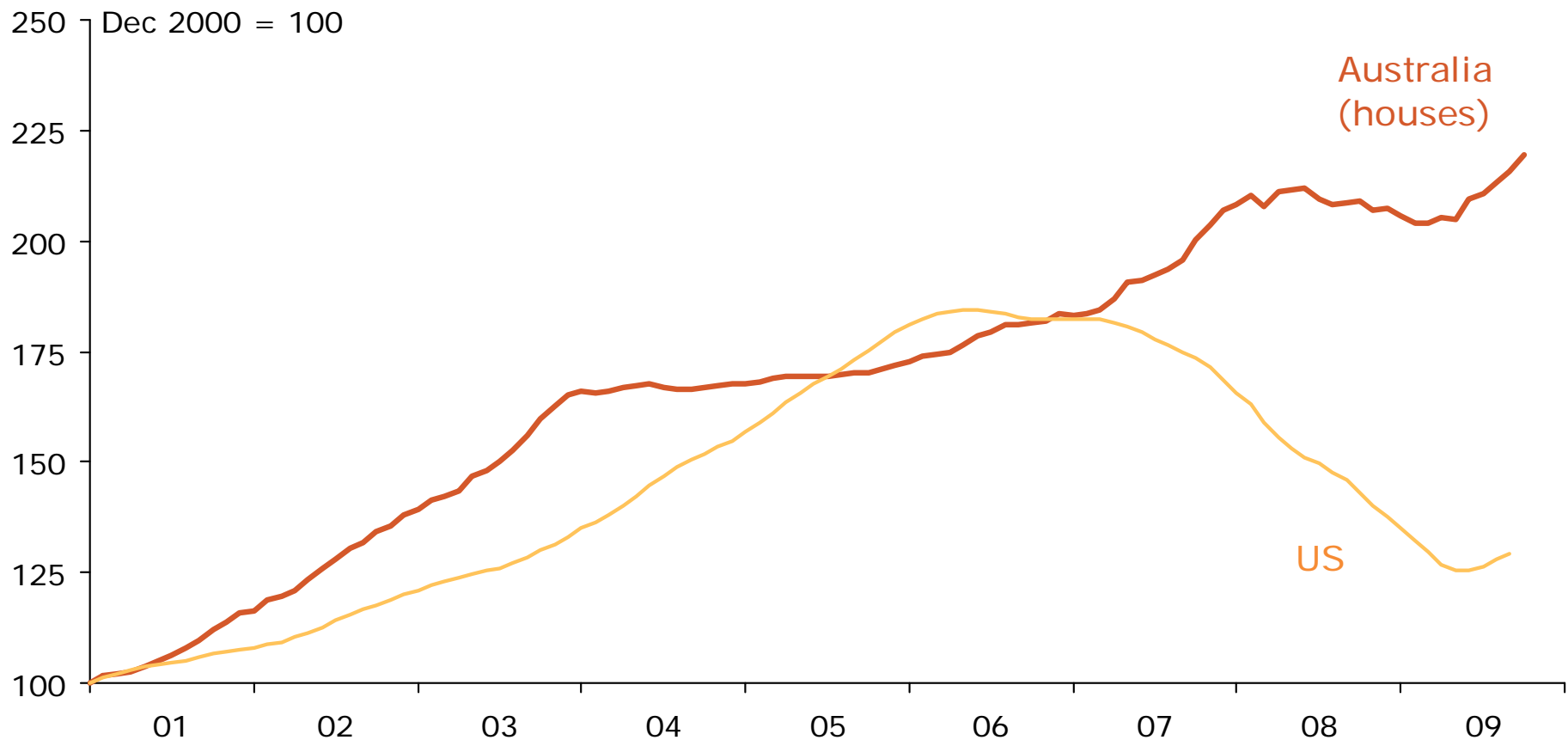
Unemployment in selected regions

Region	September quarter 2009	Change from year earlier (pc pts)
Far North Queensland	12.3	7.3
South-eastern Melbourne	8.7	4.7
South-east Perth	7.3	4.5
Inner Sydney	6.1	3.7
Sydney Northern Beaches	5.2	3.3
North-western Melbourne	7.7	3.3
Sunshine Coast	6.5	3.3
Inner western Sydney	5.8	3.0
Northern Perth	5.1	2.9
Eastern Perth	4.9	2.6
Australia	5.8	1.5

Sources: ABS, Grattan Institute.

America has 'solved' its housing affordability problem – Australia hasn't

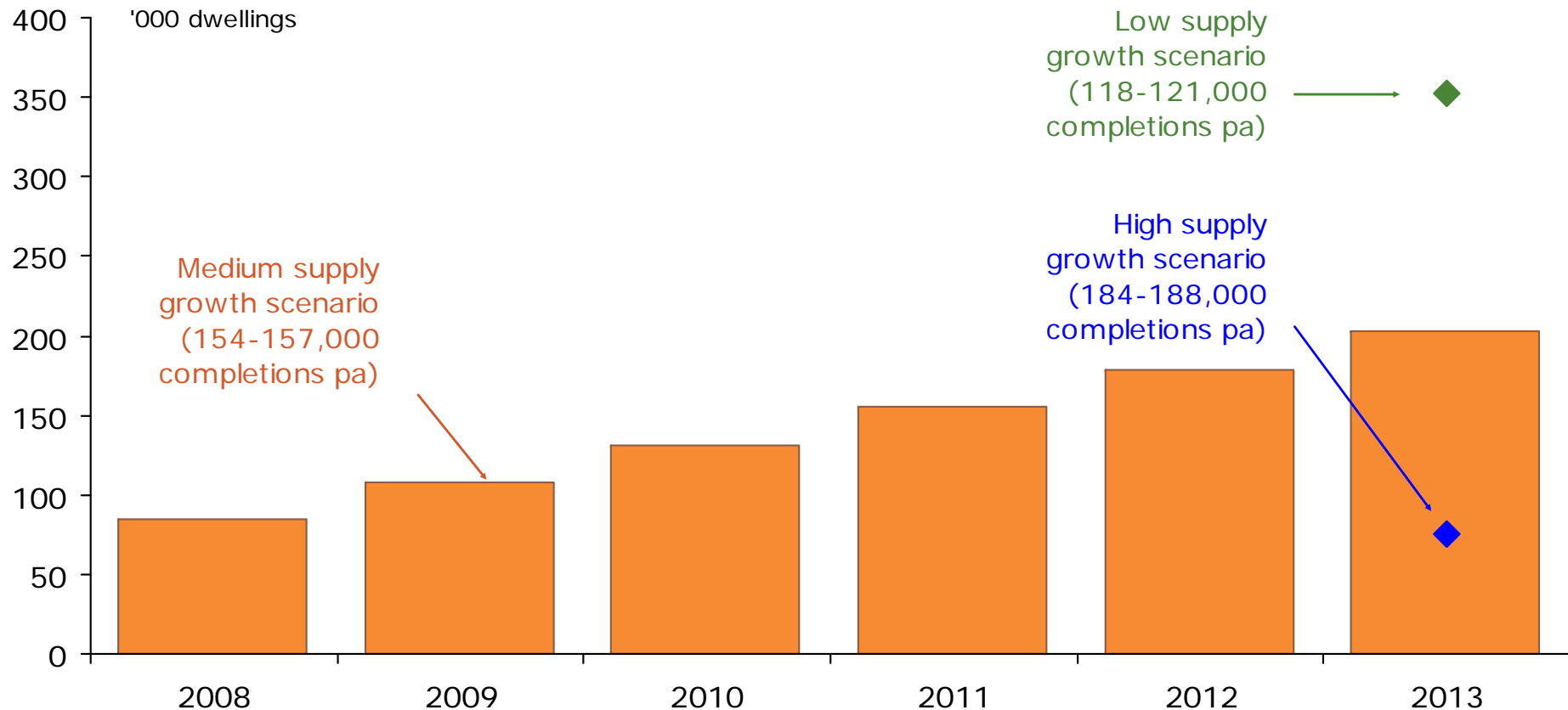
House prices – US and Australia



Sources: S&P (Case-Shiller index), Residex, Grattan Institute.

Australia has a physical shortage of housing – and it is likely to get bigger under most plausible scenarios

Australia's housing shortage



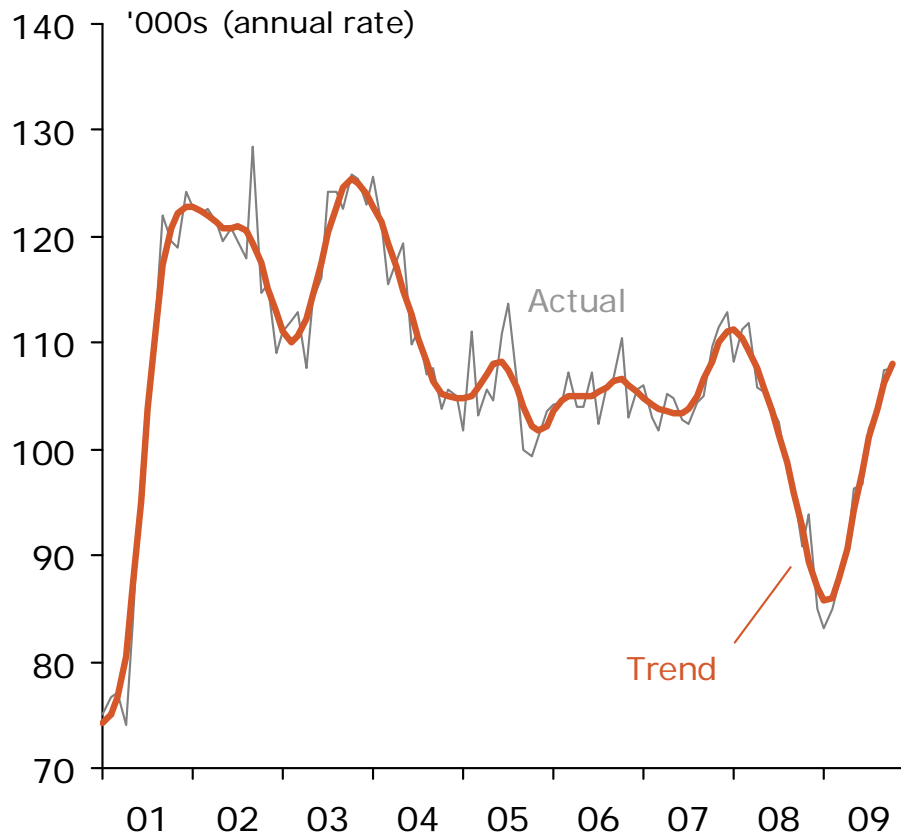
Note: Estimates of housing shortage as at June 2008 based on numbers of homeless 'sleeping rough' or with relatives and friends, marginal caravan park residents and number of dwellings required to lift rental vacancy rates to 3%. Projections based on medium-term underlying demand scenario which assumes annual growth in the number of households of 152-156,000 per annum.

Sources: National Housing Supply Council *State of Supply Report 2008*.

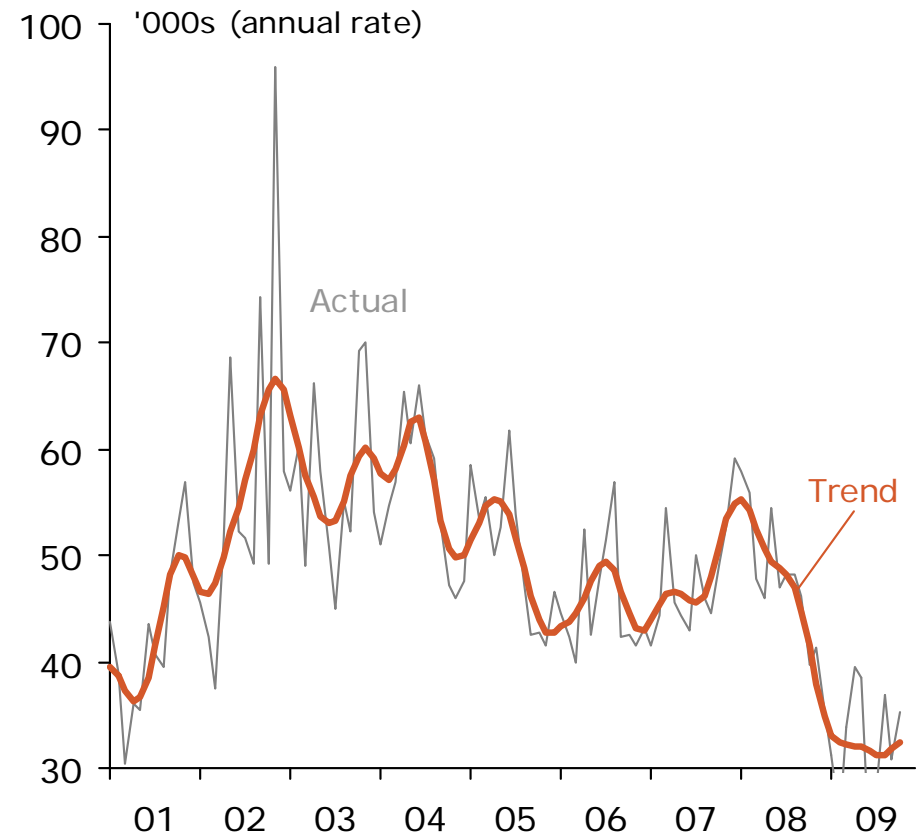
Construction of detached housing is recovering, but higher-density remains in the doldrums

Residential building approvals

Houses



Houses



Sources: ABS, Grattan Institute.

Home ownership rates have declined despite billions of dollars in assistance to home buyers

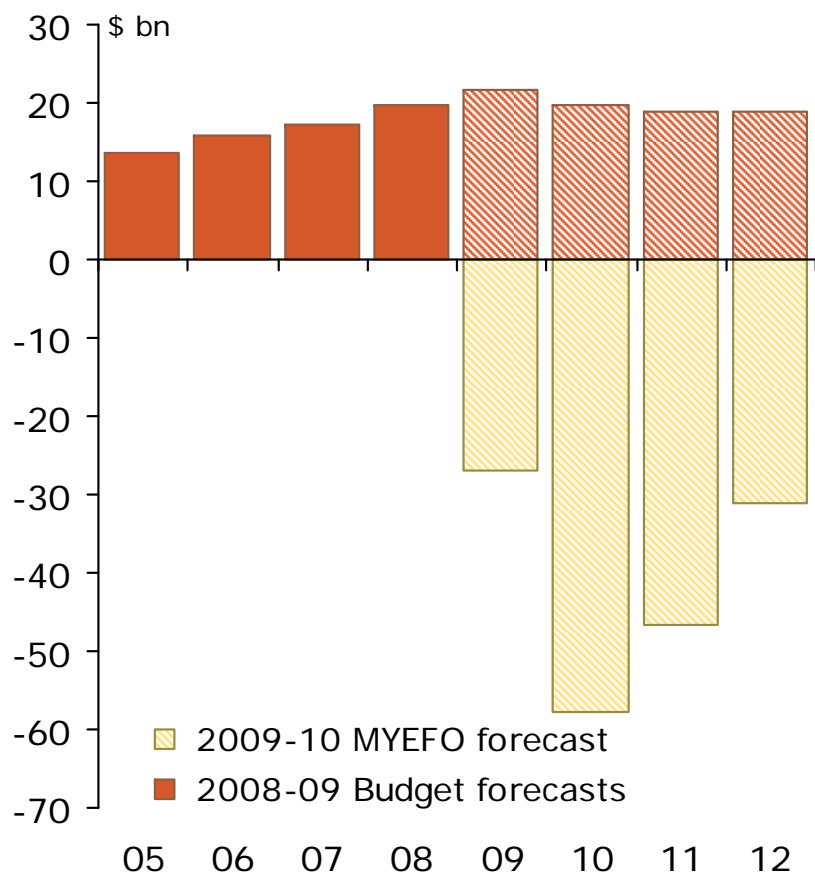
Home ownership rates by age of household head

Age range	1961	1971	1976	1981	1986	1991	1996	2001	2006
25-29	54	50	54	53	51	48	44	43	43
30-34	64	63	67	68	65	63	59	57	57
35-39	71	69	72	74	72	71	67	66	65
40-44	73	72	74	76	76	77	73	72	71
45-49	75	75	75	78	78	80	78	76	75
50-54	76	77	77	79	80	82	80	80	78
55-59	78	78	78	81	81	83	82	82	81
60-64	79	79	78	81	83	84	83	83	82
65+	81	80	75	78	80	84	82	82	82
Total	72	69	68	70	70	72	69	70	70

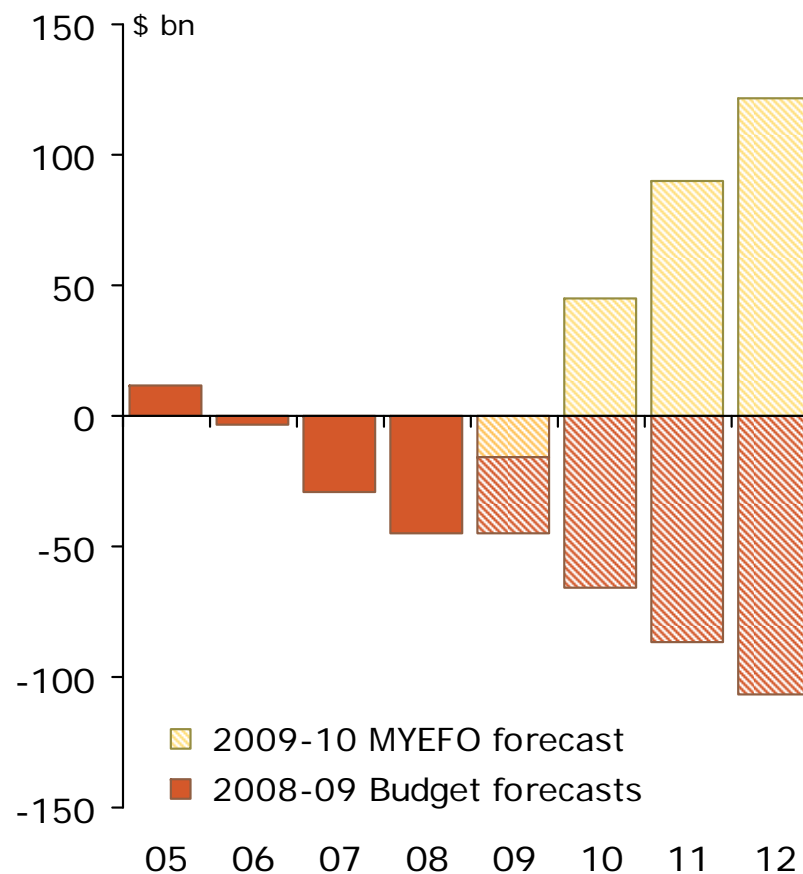
Source: Judy Yates, Hal Kendig & Ben Phillips, *Sustaining Fair Shares: the Australian Housing System and Intergenerational Sustainability*, Australian Housing and Urban Research Institute Final Report No. 111, February 2008.

The Australian Government now has fewer resources to deal with problems than it expected before the crisis

Australian Government budget 'underlying cash balance'



Australian Government budget net debt



Sources: 2008-09 Budget Paper No. 1, 2009-10 Mid-Year Economic & Fiscal Outlook.