

Is unemployment at 10%?

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As unemployment rises, some analysts question the official job figures.

Caroline Milburn reports

IN VICTORIA over the past seven months, thousands of workers employed by some of Australia's best-known manufacturers have been told they will lose their jobs: 500 at the Chef oven factory in Brunswick, 613 at Arnott's Biscuits in Brunswick, 950 at Bradmill Undare textiles in Yarraville, Reservoir and Ararat, and the list goes on.

The havoc being wreaked on the factory floor was underlined by the recent release of an Australian Industry Group survey showing that manufacturing employment has fallen to its lowest level since September, 1992, with the textile sector reporting the biggest drop.

An ailing manufacturing base, the nation's biggest employer, spells trouble for the unemployment rate. The latest figure, released on Thursday by the Australian Bureau of Statistics, shows unemployment rose to 6.9 per cent in May, compared with 6.8 per cent in April. Victoria's unemployment rate climbed from 6.3 to 6.4 per cent. The number of people out of work nationwide is the highest for two years.

But Australia's real unemployment rate may be far worse than the ABS figure, according to some analysts. Dr Peter Brain, executive director of the National Institute of Economic and Industry Research, says the previous Labor government and the Coalition Government have conned voters for more than a decade about the true level of unemployment.

The ABS method of calculating unemployment (a method accepted internationally but widely criticised in most countries) counts people as employed if they work just one hour a week. A recent report released by the institute on unemployment in Australia's regions found that the method and policy changes over the past decade have vastly underestimated the true extent of joblessness.

The *State of the Regions* report said three main changes to the social security system since the 1990s had undermined the credibility of the ABS method by removing many jobless from the unemployment figures. First, tens of thousands of mainly older unemployed had shifted from the dole to disability pensions. Second, some unemployed people under 25 who received

UNEMPLOYMENT: WHAT'S THE REAL STORY?

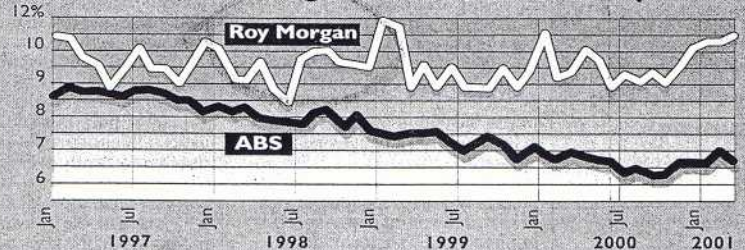
Two jobless figures ...

	Adjusted rate* (Percentage)	ABS rate (Percentage)
■ VICTORIAN REGIONS		
Gippsland	16.2	10.5
Loddon	13.5	8
Inner Melbourne	11	5.6
Goulburn	10.4	7.1
Mallee-Wimmera	10.1	5.2
■ TASMANIAN REGIONS		
Mercy-Lyell	21.1	10.6
Hobart and southern areas	16.5	9.4
Northern area	14.9	7.2
■ NEW SOUTH WALES		
North coast	20.2	11.1
Hunter	12.4	7.9
■ SOUTH AUSTRALIA		
Eyre and Yorke	16.6	10.4
Central Adelaide	14.1	6.4
■ QUEENSLAND		
Far North	12.8	8.1
Gold Coast and hinterlands	12.1	8
■ WESTERN AUSTRALIA		
Pilbara-Kimberley	11.2	8.6

* Includes corrections made for excess growth in disability support pensions and estimated youth unemployment, including those receiving youth allowance.

Source: State of Regions report 2000, National Institute of Economic and Industry Research

Two more jobless figures: from ABS and a pollster



the Youth Allowance benefit were not counted. Third, the easing of the income test for the unemployed, which last month's federal budget loosened again by allowing people to earn more before their dole is affected, meant these people were categorised as employed under the ABS definition.

"Nobody is criticising the government for changing social security policy to encourage unemployed people to work part-time;

in fact you can give the government a big tick for these reforms," Brain says. "But the real problem is the government of the day can use the official rate to pretend unemployment is being solved. To insist on focusing on the official unemployment rate, which is being distorted by the reforms, is not in the national interest, because it is disguising unemployment."

Australia's real unemployment rate remained above 10 per cent for much of the

1990s, according to the institute's report, which based its calculations on the number of people receiving social security payments due to unemployment. The report said 9.4 per cent of the workforce was unemployed by the middle of last year — 43 per cent more than the official rate then.

Brain says the method used by pollster Gary Morgan to calculate unemployment — asking survey respondents who are not employed if they are looking for a paid job — is a more accurate measure. Last month's Morgan Poll estimated unemployment had risen to 10.5 per cent nationwide, with 977,000 people estimated to be searching for work.

The institute's report on 58 regions found most country and provincial regions have real unemployment rates of between 12 and 25 per cent, compared with 2 to 4 per cent for Sydney's affluent eastern suburbs and about 5 per cent for Melbourne's wealthy eastern suburbs.

Brain thinks the discrepancy between the real number of unemployed and the number the government will officially admit in part explains why so many voters in economically depressed areas are disillusioned with mainstream parties and attracted to the policies of One Nation and independent candidates.

"This is why the electorate is becoming more and more feral," Brain says. "People can see the quality of their households and their overall communities degrading as the concentration of unemployed households in certain regions increases Where many households have nobody employed it affects crime, the quality of schools and life in general."

The trend towards a deeply polarised society of job-rich and job-poor areas is also being closely observed by other leading economists. Research by the Melbourne Institute of Applied Economic and Social Research has revealed that the burden of joblessness is increasingly concentrated in struggling households — headed by those who are young or approaching retirement age, with few or no qualifications, or born overseas. The study on the growth of joblessness over the past two decades says there has been "a switch away from those not in work being supported by other family members toward whole households being jobless and largely supported by the state."

One of the study's authors, Professor Peter Dawkins, thinks unemployment is Australia's biggest social problem. Yet the unemployment rate is only part of the story. The real problem for governments is the widening gap in the distribution of jobs, says Dawkins.

"If all unemployed people were unemployed for a short period of time and they were in households where others were employed, it would not be so worrying. But the worrying thing is that unemployment has become more concentrated in households where nobody has got a job. Policymakers need to be aware many of the new jobs are part-time and they're being disproportionately snapped up by households where there is a full-time worker."

The growing demand for highly educated workers means most people in jobless households lack the skills and qualifications to get such jobs.

"These unemployed households are not going to become computer programmers; the challenge is how to increase job incentives and job readiness," Dawkins says. "The government's welfare reform package is on the right track but the real issue is creating more jobs at the unskilled end of the workforce."

Media coverage of dole queues has mainly focused on youth unemployment, the long-term unemployed and the older jobless, leaving unemployed breadwinners with young and teenage children largely ignored, says Alison McClelland, associate professor of social work and social policy at La Trobe University.

Among OECD countries, Australia has the third-highest incidence of children under 15 growing up in households with no adult working. McClelland cites the latest figures available, which show that last June 14 per cent of Australian children under 15 lived in jobless families. She says this has disturbing implications for future generations, given that such children are more likely to leave school early and be unemployed.

McClelland says the federal budget's incentives to encourage people to move from welfare to work might send a positive signal to those who felt there was no future for them in the labor market. But the \$800 training credit for people to pay for training once they undertook work for the dole was unlikely to stretch far for disadvantaged job seekers with few skills.

She says research by the Brotherhood of St Laurence revealed that low-skilled job seekers who found work got casual short-term jobs, which they often soon lost. "What's \$800 or three days of training going to do for these job seekers?" McClelland says. "I used to be a believer in the '80s that if someone got a foothold in the labor market they would be OK. But now I'm deeply worried that getting a job is not enough to guarantee that people will be able to move on to better paid, more secure employment."