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ROY MORGAN MEASURES REAL UNEMPLOYMENT IN AUSTRALIA NOT THE 'PERCEPTION' OF UNEMPLOYMENT

By Gary Morgan, Michele Levine & Julian McCrann

Re: [Perception of Statistics by Ian Ewing](#), Acting Australian Statistician, Canberra, ACT – The Australian Letters section (June 6, 2012).

Ian Ewing of the ABS writes that the 'ABS labour force survey provides an objective measure of people's actual labour market activity, using endorsed international standards, and has been doing so consistently for almost 50 years' while 'the Morgan survey measures people's perceptions of employment or unemployment status.'

This assertion by Ian Ewing is 'wrong'.

The Roy Morgan Unemployment estimate is an accurate measure of the true state of the employment market in Australia based on what respondents tell us about their employment status. Those surveyed are asked "Are you now in paid employment" – If No: "Are you self-employed or a consultant" and if Yes: "Do you work full-time or part-time?" If still No: "Are you now looking for a paid job?" and "A full-time job for 35 hours a week (or more) – or a part-time job". Those in part-time employment are also asked: "Are you now looking for a full-time job or additional hours?"

[In May Roy Morgan found 2.1 million Australians \(17.2%\) are either unemployed or underemployed.](#) It should be noted that Roy Morgan releases a **monthly underemployment** estimate – **which the ABS only currently releases on a three-monthly basis.**

Over 50,000 Australians are interviewed each and every year – over 1,000 Australians each weekend – to determine the Roy Morgan Unemployment estimate. Our methodology is summarised on each and every Roy Morgan Unemployment release published:

*"The Roy Morgan Unemployment estimate is obtained by surveying an Australia-wide cross section by face-to-face interviews. **An unemployed person is classified as part of the labour force if they report they are looking for work.** The results are not seasonally adjusted and provide an accurate measure of monthly unemployment estimates in Australia."*

There is no seasonal adjustment of the monthly Roy Morgan Unemployment estimates, and people saying they are unemployed are not excluded by Roy Morgan as they are by the ABS who use unrealistic conditions to classify if a person is unemployed. (These key ABS classification restrictions are noted in every Roy Morgan Unemployment estimate):

"The ABS classifies an unemployed person as part of the labour force only if, when surveyed, they have been actively looking for work in the four weeks up to the end of the reference week and if they were available for work in the reference week."

This ABS requirement means many Australians who are 'ready, willing and able' to commence employment are not counted as unemployed by the monthly ABS unemployment estimate.

People might say, 'what difference does it make' if there are two measures of unemployment?

The problem is that the ABS unemployment estimates are 'paraded' by the Federal Government and Government Ministers (Treasurer Wayne Swan in particular) as indicative of their 'good' economic policy;

and this in turn leads to policy errors by the Federal Government, the RBA and others which consequently misleads businesses and decision-makers looking to invest in their future.

Unfortunately decisions made on the basis of the ABS unemployment figures have real consequences for Australia and Australians. The RBA's determination to maintain Australian interest rates at well above the rates of comparable countries (**Canada – the country most similar country to Australia with regards to its strong resource sector has interest rates of 1%**) means real Australians and real Australian businesses suffer from the higher borrowing costs that restrict lending in Australia and reduce investment by Australian businesses that would otherwise provide employment to many more Australians.

The low [ABS unemployment figures \(5.1% in May\) and a very low 4.9% in April \(which has now been revised upward to 5.0%\)](#) allows the Federal Government to ignore the requests of Australian businesses for a more supportive investment environment and more flexible labour laws – which would allow businesses to hire more employees.

The [Roy Morgan May Unemployment estimate](#) shows that Australia has a large 'cohort' of unemployed (997,000 – 8.2%) and underemployed (1,107,000 – 9.0%). A total of 2.1 million (17.2%) Australians that are either looking for work or want to work more hours. This total has now been above 2 million Australians for six months – since December 2011. Unemployment has been above 8% now for 8 months – the 'longest stretch' at this high level since April 2002 more than a decade ago.

Clearly there are many Australians who would like to find employment or be employed for more hours each week – these people are ignored because each month the Federal Government purposely ignores the true level of unemployment – and the Federal Opposition are inept by letting them 'get away with it'.

In fact the Federal Government itself has the most to lose from relying on the unbelievable ABS unemployment estimates – each time the Government claims it should receive 'credit' for its good economic management a majority of Australians don't believe what they say due to their own personal experiences.

[A recent Morgan Poll survey conducted in early May asked Australians this simple question:](#) *"The monthly Australian Bureau of Statistics unemployment estimate is 4.9% (for April) while the monthly Roy Morgan estimate is 9.3% (for April). Which do you think is closest to Australia's true level of unemployment - 4.9%* or 9.3%?"*

A large majority of Australians (60.5%) said the Roy Morgan unemployment estimate was closer to Australia's true level of unemployment compared to only 30% who said the ABS figure was closer and 9.5% didn't know. This question showed that each time the Government 'plays up' its economic credentials by quoting the ABS unemployment estimates most Australians simply don't believe it.

[Henry Thornton was right to say in Monday's Australian that](#) *"The global economy is in a parlous state. Australia's so called 'miracle economy' is little better, except for the effects of what was looking like our biggest mining boom. Major mining projects are, however, likely to be cancelled or postponed. The Reserve Bank should cut rates by another 50 basis points when it meets today. But structural reform is more important than monetary ease, and sadly there is no sign of relevant action."*

Henry's full article (republished in The Australian) is available here:

http://www.henrythornton.com/article.asp?article_id=6450

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