

Roy Morgan — Research —

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By email: gburge@afr.com.au

Mr Glenn Burge
Editor
The Australian Financial Review
201 Sussex Street
SYDNEY NSW 2000

August 21, 2003

Dear Mr Burge,

"IT'S TIME" FOR A REALISTIC MEASURE OF UNEMPLOYMENT IN AUSTRALIA

Peter Saunders' commentary on unemployment figures¹ addressed only part of the problem with the official unemployment statistics. By re-classifying some unemployed people as permanently disabled (or by inventing a Youth Allowance that disguises youth unemployment figures), the official statistics hide a huge number of people who would actually like to be employed.

But re-classification of people on welfare benefits is only part of the masking problem. Hugh Morgan's weekend essay correctly pointed out that "the monthly unemployment statistics...understate the numbers of people who are seeking more work, or would like to get a job but did not fit the official definition of unemployed"².

The Australian Bureau of Statistics Unemployment Estimate 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. That instantly cuts out those who have become disenchanted with the process of looking for a job and so are not regularly seeking employment – not because they don't want a job but because they have **given up hope** of finding one. It is obvious that these people **must** be included in the unemployed if Australia is to have an accurate picture of the true state of unemployment.

As pointed out in Michele Levine's article in September's *New Investor*³, these unemployed people are included in the Roy Morgan Unemployment Estimate. By asking respondents who are not employed if they are actually looking for a paid job (regardless of whether they've looked in the last four weeks), the Roy Morgan Unemployment Estimate⁴ obtains a more accurate number than the official ABS figure. This was pointed out by Dr Peter Brain, Executive Director of the National Institute of Economic and Industry Research, after the Institute released a report on unemployment in Australia's regions in 2001⁵.

"Underemployment" is another issue that also needs to be measured properly. The ABS Estimate does not take into account people who have been employed for a small amount of part-time work but would like to work additional hours.

The Australian Council of Social Service (ACOSS) and other commentators have estimated that by taking into account "hidden" and "underemployment" the real level of joblessness is approximately

¹ Saunders, P. (2003) 'Lies and Statistics - It is easy to fudge a low employment rate', *AFR*, August 16-17, p. 71

² Morgan, H. (2003) 'Unlocking jobs is key to sustaining growth', *AFR*, August 16-17, p. 70

³ Levine, M. (2003) 'A delicate balance - national security and domestic issues', *New Investor*, September pp. 14-15

⁴ Roy Morgan Research (2003) *Unemployment still low despite slight rise to 8.0%*, July 2003. Retrieved August 21, 2003 from <http://www.roymorgan.com/news/polls/2003/3654/>

⁵ Milburn, C. (2001) 'Is unemployment at 10%?', *Age*, June 13, p.13

double that given by the official data⁶. Even the ABS's Labour and Statistics Branch acknowledged in 2001 that the official unemployment rate alone may provide a misleading picture⁷.

Unfortunately, no Government will change the way unemployment is measured if the "number" is higher. But until the Government is honest with the electorate, the problem of joblessness will not receive the attention that it deserves.

The unemployment measurement issue is too important to ignore for the sake of political expediency. Mr Tony Abbott, Minister for Employment and Workplace Relations, knows the ABS unemployment figure is deceptively low. He must show leadership by correcting an ongoing error.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Gary Morgan', with a long horizontal flourish extending to the right.

Gary C. Morgan
EXECUTIVE CHAIRMAN

⁶ ACOSS Paper 325: *Overcoming joblessness in Australia: 12 Budget priorities*, February 2003. Retrieved August 21, 2003 from http://www.acoss.org.au/info/2003/info325_bps_unemp_final.doc

⁷ Long, S. (2001) 'Hidden jobless could bring Howard down', *AFR*, June 15

