



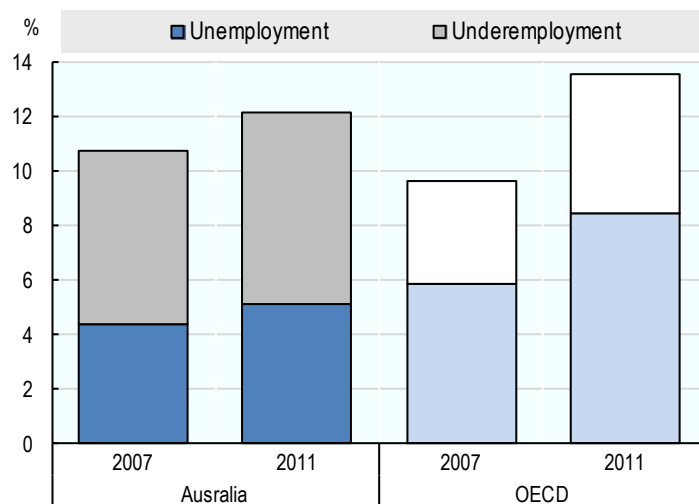
OECD Employment Outlook 2012

How does Australia compare?

Australia's labour market continues to perform well in comparison with other major developed countries. The unemployment rate, at 5.1% in May 2012, is among the lowest in the OECD. By contrast, nine OECD countries had double-digit unemployment rates, including Greece and Spain where more than one in five of the labour force are unemployed. Structural unemployment, as measured by the non-accelerating inflation rate of unemployment or NAIRU, is largely unchanged in Australia, whereas for the OECD as a whole it has started to edge up. There is also little evidence of growing mismatch between available job vacancies and the number of unemployed looking for work. These are promising signs that Australia seems to have weathered the global financial crisis without significant long-term labour market consequences.

Nevertheless, underemployment continues to be a significant problem, particularly for women. More than 12% of the labour force are now either unemployed or working part-time and would like to work longer hours, an increase of two percentage points since 2007. At 7.2% in the fourth quarter of 2011, Australia's rate of underemployment is much higher than the OECD average of 5.0%, so that total labour underutilisation in Australia is close to the OECD average, despite much lower unemployment. While underemployment is not as potentially damaging to workers as unemployment, it can have long-term consequences for career progression, earnings potential and retirement income. This is of particular concern as the majority of Australia's underemployed workers are women, who already suffer from lower earnings and retirement income than men.

Unemployment and underemployment as a percentage of the labour force^a



a) Data are for the fourth quarter of each year. OECD average is the weighted average of all OECD member countries except Chile, Israel, Korea, Mexico and Switzerland.

Source: OECD estimates for European countries based on the European Union Labour Force Survey (EULFS) and national labour force surveys for non-European countries.



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Environmental taxes are likely to have a modest overall effect on employment and little impact on the demand for skills. New modelling in the OECD's *Employment Outlook* suggests that the main labour market impacts of climate-change mitigation policies will be to alter the sectoral composition of employment. Fossil-fuel industries will experience the steepest employment declines and renewable energy industries the sharpest increases. Nevertheless, the resulting labour market changes will be modest compared with underlying rates of labour reallocation generally observed in OECD countries. The OECD's modelling also suggests that any potentially negative effects of environmental taxes on employment can be offset if the revenue from higher environmental taxes is used to lower tax rates on labour income, rather than to make transfers directly to households.

Like many OECD countries, the labour share – or the share of wages, salaries and benefits in national income – declined in Australia between 1990 and 2007. The latest edition of the *OECD Employment Outlook* shows that Australia's labour share fell by 3.8 percentage points and by 5.1 percentage points if the mining and real estate industries are excluded. Many factors have contributed to the decline, including increased domestic and international competition, higher productivity and capital-deepening. However, a reduction in the bargaining power of workers has also played a role. Australia experienced one of the strongest declines in trade union membership in the OECD over that period, as well as a significant drop in the share of workers whose wages were set by collective agreements or awards. Such trends are likely to have reduced the bargaining power of workers, especially the low-skilled. The decline in the labour share in Australia has also been associated with an increase in wage and income inequality over recent decades.

OECD Employment Outlook 2012 is available to journalists on the **password-protected** website or on request from the **Media Relations Division**. For further comment on Australia, journalists are invited to contact Mark Keese (tel: +33 1 45 24 87 94; e-mail: mark.keese@oecd.org) or Danielle Venn (tel: +33 1 45 24 75 01; e-mail: Danielle.venn@oecd.org) from the OECD Employment Analysis and Policy Division. For further information: <http://www.oecd.org/employment/outlook>.