

OECD Employment Outlook 2014

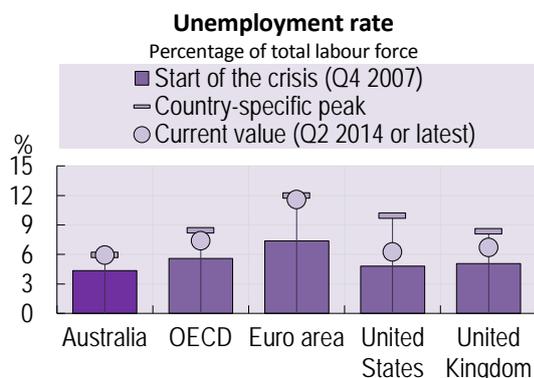
The 2014 edition of the OECD Employment Outlook reviews recent labour market trends and short-term prospects in OECD and key emerging economies. It zooms in on how the crisis has affected earnings, provides country comparisons of job quality, examines the causes and consequences of non-regular employment, and estimates the impact of qualifications and skills on labour market outcomes.

For further information: www.oecd.org/employment/outlook

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Despite recent increases in unemployment, Australia continues to fare better than many other OECD countries

Unemployment in Australia rose to a 12-year high in July of 6.4% (seasonally adjusted). While the short-term impact of the global financial crisis had been comparatively modest, the unemployment rate has been increasing steadily over the past two years (by 1.2 percentage points since July 2012), driven by declines in mining investment and slower growth in China.



Source: OECD Short-Term Labour Market Statistics (database), (<http://dx.doi.org/10.1787/data-00046-en>).

This stands in contrast with the experience of some other OECD countries, such as the United Kingdom and the United States. In these two countries, unemployment initially rose more than in Australia as a result of the crisis but is now on a downward path. Despite the uptick in the unemployment rate in Australia, it still remains well below the average rate for the euro area and for the OECD as a whole. Australia's employment rate also remains well above the OECD average. In the second quarter of 2014, the rate for 15-64 year-olds was 71.7%

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How does AUSTRALIA compare? © OECD September 2014

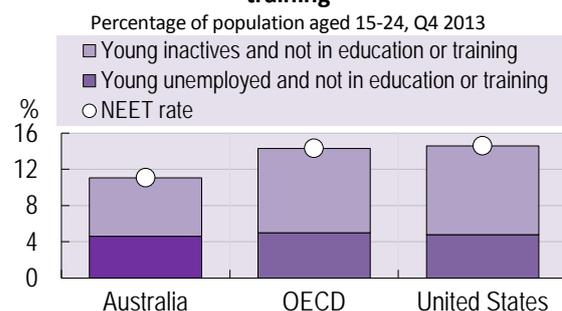
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– 6.1 points above the OECD average – although 1.7 points down from its peak in 2008. Moreover, according to the most recent OECD economic projections from May 2014, the unemployment rate in Australia will begin to edge down in the second half of 2015, with a pick-up in general demand offsetting declining investment in the resource sector.

But more than one in ten youth are neither in employment nor in education or training

At 13.3% in the second quarter of 2014, the unemployment rate of young people (aged 15-24) has increased by 3.6 points in Australia since the end of 2007. But among out-of-school youth, inactivity, which is often the result of discouragement and marginalisation, is a bigger problem than unemployment.

Youth neither in employment nor in education or training



Source: OECD calculations based on quarterly national Labour Force Surveys.

A measure that captures both the risk of unemployment and inactivity is the share of youth neither in employment nor in education and training. Over the five years to December 2013, this share increased by 2.6 points to reach 11%, with inactive youth making up the largest part of it (nearly 60%).

The Australian Government has introduced a number of new initiatives starting from 1 July 2014 to help disadvantaged youth move away from welfare dependency and into a job, including: financial incentives to find and keep a job (the Job Commitment Bonus), skill development programmes (a reinvigorated Work for the Dole) and initiatives to support apprenticeships and traineeships (Jobs 2014). Measures were also announced to restrict access to unemployment benefits and the length of these benefits for young first-time job seekers. For some youth, these measures could result in increased financial hardship, and so their impact should be closely monitored.

Rising unemployment has put the brakes on wage growth

Starting from the second quarter 2012, real wage growth has slowed dramatically. This follows three years of sustained growth, as compared with stagnant or falling real earnings observed for the OECD area as whole over the same period. The slowdown has been sharp in Australia: over the 12 months to December 2013, real hourly wage fell by 0.5 points, as nominal earnings growth was outpaced by inflation. Data for Australia for the second quarter of 2014 suggest that real wages have fallen further.



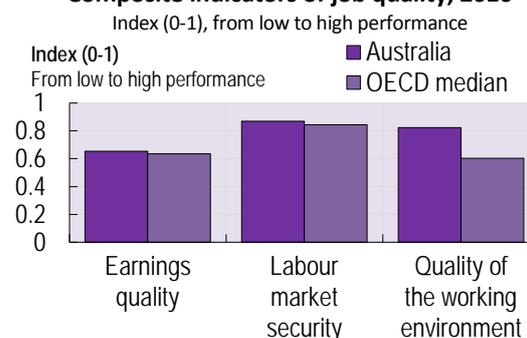
a) Total compensation of employees divided by total hours worked of employees in real terms (deflated using the consumer price index).

Source: OECD calculations based on quarterly national accounts.

Australia performs well in terms of the quality of the work environment

People spend most of their day and a significant part of their life at work. Therefore, job quality is a key determinant of well-being. The 2014 *OECD Employment Outlook* paints a broad picture of job quality across OECD countries.

Composite indicators of job quality, 2010



Source: *OECD Employment Outlook, 2014*.

This is based on three main aspects of job quality: earnings quality (level of earnings and degree of inequality); labour market security (risk of job loss and income support available); and quality of the working environment (work demands and conditions, and resources and support available to cope with work demands).

Compared to other OECD countries, Australia performs well in terms of the quality of the work environment. Relatively few workers report difficult and stressful working conditions, where high work pressure and difficult tasks are combined with insufficient resources and support in the workplace to accomplish job duties. However, performance with respect to earnings quality and labour market security is less good relative to OECD standards. The index of earnings quality is not particularly high in Australia as it is dragged down by relatively high earnings inequality even though average earnings are also relatively high. Despite having a low risk of unemployment, labour market security remains modest in Australia due to the relatively low generosity of unemployment assistance.

OECD Employment Outlook 2014 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 (+33 1 45 24 87 94; mark.keese@oecd.org) or Anne Saint-Martin (+33 1 45 24 85 90; anne.saint-martin@oecd.org) from the OECD Employment Analysis and Policy Division.