



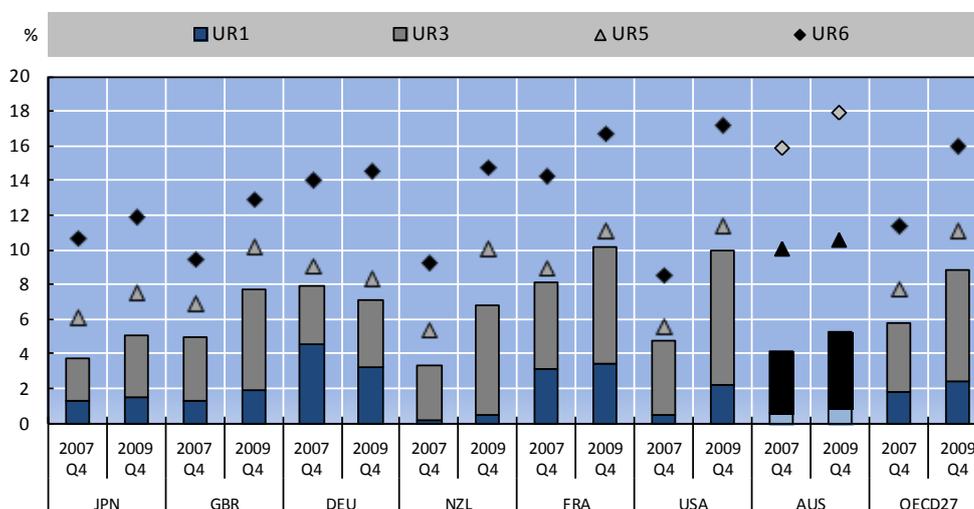
Employment Outlook 2010 – How does AUSTRALIA compare?

Australia has escaped the worst of the global recession and its unemployment rate, at 5.2%, is now one of the lowest in the OECD. Young Australians are also faring better than their counterparts in most other OECD countries. The youth (15-24 years) unemployment rate was 11.6% in 2009 compared with 16.4% on average in OECD countries. In contrast with most other countries, the latest OECD projections suggest that Australia’s employment-to-working-age population ratio should be back to its pre-crisis level by the end of 2011.

However, despite having a lower-than-average unemployment rate, overall slack in the labour market is actually higher than the OECD average (Figure 1). This includes a large pool of underemployed workers – comprising full-time workers who have been asked to work part-time during the downturn and so-called “involuntary” part-timers who could not find a full-time job – as well as many people who have given up looking for work.

The increase in unemployment was accompanied by growth of other forms of unemployment and underemployment

Alternative measures of labour market slack, 2007 Q4-2009 Q4^a



UR: Unemployment rate.

Alternative measures of labour market slack:

UR1: Long-term unemployed (one year or more) as a percentage of the labour force.

UR3: Unemployment rate (ILO definition).

UR5: Unemployed plus persons marginally attached to the labour force, as a percentage of the labour force plus persons marginally attached to the labour force.

UR6: Unemployed plus persons marginally attached to the labour force plus underemployed workers, as a percentage of the labour force plus persons marginally attached to the labour force.

Underemployed persons: defined as persons who are either: i) full-time workers working less than a full-week (less than 35 hours in the United States) during the survey reference week for economic reasons; or ii) part-time workers who want but cannot find full-time work.

Persons marginally attached to the labour force: refers to persons not in the labour force who did not look for work during the past four weeks, but who wish to work, are available to work and—in the case of Australia, Canada, Italy, Japan, New Zealand and the

United States—have looked for work sometime in the past 12 months. Discouraged workers are the sub-set of marginally attached workers who are not currently searching for a job because they believe none are available.

- a. Countries shown in ascending order of UR6 in 2009 Q4. Seasonally unadjusted data, excepted for the United States. OECD27 and G7 are weighted averages. The OECD area excludes the following countries: 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.

The latest *OECD Employment Outlook* shows that more than 90% of the reduction in total hours worked in Australia in the two years to the end of 2009 was due to declining working hours rather than reduction in employment, compared with just over half on average in previous downturns. The likely explanation is that **widespread skills shortages in the years prior to 2007 have encouraged firms to retain their staff** in the expectation of a short-lived downturn and high costs of recruitment during the ensuing recovery.

As a result, under-employment increased significantly during the downturn. However, even before the current downturn, Australia had amongst the highest rate of involuntary part-time employment in the OECD. More than 60% of involuntary part-time workers have no post-school qualifications and one-third of them is aged under 25. In this context, it is important that policies implemented by the Australian government during the crisis to assist young and unskilled job-losers – such as additional job search support and training places for young job seekers and incentive payments for employers who hire new apprentices – be available for the under-employed, as well as the unemployed. However, it may be difficult to target underemployed workers insofar as only around 10% of them are registered with Centrelink.

More broadly, part-time workers in Australia often have poor financial incentives to move into full-time work. Analysis in this year's *OECD Employment Outlook* shows that, in countries like Australia with a high rate of part-time work, many workers take up part-time work each year, but far fewer move back into full-time work. Australia's tax and benefit system creates few incentives for part-time workers to take up full-time work because the payoff from working longer hours is small: for every additional dollar earned, an average worker moving from part-time to full-time employment will lose almost 55 cents in taxes or lost benefits. The disincentives are even greater for households with children where only one person works, who lose more than 70 cents of every additional dollar earned when moving to full-time work, mainly through a loss of means-tested family benefits.

OECD Employment Outlook 2010 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 Stefano Scarpetta (tel: +33 1 45 24 19 88 or e-mail: stefano.scarpetta@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: www.oecd.org/els/employment/outlook.