



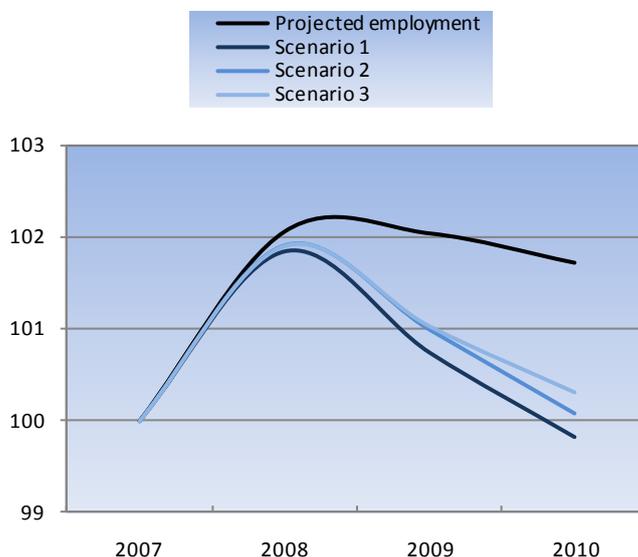
Employment Outlook 2009 – How does AUSTRALIA compare?

While Australia may have avoided the worst of the global recession, unemployment has risen steadily since early 2008. Internationally-comparable data from the OECD show that Australia's unemployment rate has risen from 3.9% in the February 2008 to 5.8% in July 2009, an increase of around 40% and the highest rate in almost six years. Nevertheless, it remains well below the OECD average of 8.3%.

Australia's fiscal stimulus package seems to have had a strong effect in cushioning the decline in employment caused by the global economic downturn. Estimates in the *OECD Employment Outlook 2009* suggest that employment in Australia is likely to decline by between 1.4% and 1.9%, or around 150 000-200 000 jobs, less by the end of 2010 than if no fiscal measures had been taken. This is due to both the relatively large size of the fiscal package (5.4% of 2008 GDP, third largest after Korea and the United States among OECD countries) and the degree to which employment responds to fiscal stimuli such as tax cuts or public expenditure; this is typically higher in countries, like Australia, where a relatively large proportion of domestic demand is met by local production. As a result, employment is projected to fall only slightly from its 2008 peak.

Figure 1. **Jobs impact of Australia's fiscal stimulus package**

Projected evolution of total employment (2007=100)



Note: Projected employment is taken from the latest OECD projections of employment. The alternative scenarios use data on the size of Australia's fiscal package and different assumptions about the impact of fiscal stimulus on employment to estimate employment as it would be in the absence of fiscal stimulus. Scenario 1 uses the average GDP multipliers from a literature review, adapted to apply to a harmonised and somewhat more detailed taxonomy of spending and taxation categories, and for the tendency for multipliers to be smaller in more open economies and larger in more closed economies. Scenario 2 adjusts these GDP multipliers downward to account for the possibility that the macro models reviewed do not fully account for the fact that some of the extra spending is for imports rather than domestically-produced goods and services. Scenario 3 adds a second downward adjustment to account for the possibility that fiscal multipliers are smaller than normal in the current situation, due to an unusually high propensity to save.



Adjustments to working hours may have prevented more widespread job losses, but are also leading to growing discontentment among workers. More than 3% of male full-time workers and 9% of female full-time workers moved into part-time work between July and August 2009, compared with less than 1% who were unemployed. Aggregate hours have fallen by 2.6% since peaking in July 2008. In contrast, employment declined by only 0.2% over the same period. While shorter hours may have saved jobs, they have increased dissatisfaction among part-time workers. There are now almost 885 000 underemployed workers – part-timers who want to work more – in Australia, an increase of 23% from the same time two years ago.

Youth unemployment is also rising quickly. The unemployment rate for 15-19 year olds is almost three times the adult rate at 16.4% (seasonally adjusted). Around 130 000 young people neither work nor are enrolled in full-time education, an increase of 35 000 since the same time last year. Across OECD countries, youth employment is more than twice as sensitive to business cycle fluctuations as that of prime-aged workers. Young people who seek to enter the labour market without secondary or tertiary qualifications are particularly vulnerable. Changes to the Youth Allowance to encourage young people to stay at school or in training longer, as well as measures to help redundant apprentices and increases or planned increases in the school-leaving age in a number of states are all welcome steps, particularly given that Australia's secondary school retention rates are well below those of other advanced countries.

Unemployment is a key driver of poverty in Australia, so stemming further job losses will be vital to prevent poverty spreading over the next few years. Even before the current downturn, analysis presented in the *OECD Employment Outlook 2009* shows that 55% of jobless households in Australia were relatively poor, compared with 37% on average across the OECD. In contrast, there is less chance of poverty for those who can stay in work. Only 3% of households with at least one person working are poor, and the working poor make up only 15% of the poor population, compared with more than 60% on average across the OECD. Australia's tax and transfer system – targeted towards low-income earners – reduces the risk of poverty among working households by three-quarters, but is less successful in tackling poverty in jobless households.

Adverse labour market conditions can also prompt an increase in claims for disability benefits as job seekers become discouraged or long-term unemployment affects their health. Disability benefit receipt has almost doubled in Australia since 1990, with the biggest growth among the working-age population. OECD analysis reveals that previous unemployment or inactivity significantly increases the likelihood of receiving disability benefits in Australia. Around 44% of disability beneficiaries have previously been unemployed and they tend to have longer spells of previous unemployment than non-recipients. Only a small proportion of disability beneficiaries return to work, and of those that do, within three years three-quarters have either retired or are otherwise inactive. Programmes to help disability benefit recipients return to work and prevent workers with health problems losing contact with the labour market are vital to reduce the likelihood of long-term welfare dependency among the current cohort of unemployed.

OECD Employment Outlook 2009 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 4524 19 88 or email: stefano.scarpetta@oecd.org) or Danielle Venn (tel: +33 1 45 24 75 01 or email: danielle.venn@oecd.org) from the OECD Employment Analysis and Policy Division.