

Unemployment: who counts?

As the American economy turns down and takes Australia with it, pressure on employment is inevitably intensifying. Already our official unemployment rate is rising again after modest improvements over recent high-growth years.

At the time of writing, the Australian Bureau of Statistics (ABS) calculates the unemployment rate at 6.9 per cent, down from 8.7 per cent in April 1996. But the critical word here is 'calculates': unemployment data are by no means indisputable. They are estimates based primarily on small surveys; they can never provide a precise measurement. And the esoteric definition of 'unemployed', together with the vagaries of the labour force participation rate, only brings further uncertainty.

Presently, you are 'employed' if you work one or more hours for pay in the survey week. You are also 'employed' if you work without pay for one or more hours in a family business or farm. You are counted as 'unemployed' if you do not work at all during the survey week and have actively looked for work during the preceding four weeks. If you are not working but have not actively looked for work immediately before the survey week, you are not counted in the labour force — you are outside the 'participation rate'.

It is in this latter category that *hidden* unemployment exists. The participation rate falls as discouraged job-seekers stop looking for work. When this happens, the official labour force declines and measured unemployment often falls with it, despite there being no increase in available work or in the number employed.

The mass substitution of part-time work for full-time jobs in Australia is also creating extensive *under-employment*. For example, data for the last six months indicate a net loss of almost 20 000 jobs. In that time the number of people searching for full-time jobs has grown by 40 000, with half that increase coming in the most recent [February] quarter. But even these disturbing figures do not present the full picture. Full-time employment is being replaced by part-time work. When one full-time job disappears and a part-time job replaces it, official employment levels remain unchanged. In reality, of course, wholesale substitution of part-time for full-time positions means the amount of available work declines further.

So the official unemployment rate captures neither of these elements: neither hidden nor under-employment. That, among other things, is a basis for genuine concerns about the real extent of measured joblessness. It can be argued persuasively that official data significantly understate the extent of national unemployment.

A different approach is adopted in the Morgan Unemployment Estimates. Conducted by the Roy Morgan Research Centre, Australasia's only member of the Gallup Poll International Association, this analysis includes Australians who would have worked if a job were available, and not merely those who have actively looked for work in the past four weeks. The latest Morgan estimate has unem-

ployment at 9.6 per cent. In contrast to the ABS finding of an almost 2 per cent fall over five years, the Morgan analysis has national unemployment actually rising from 9.2 per cent in April 1996. Whilst this method incorporates hidden unemployment, it too makes no adjustment for under-employment. Logically, it can therefore be claimed that it also understates the full extent of unemployment.

These limitations are so obvious that it comes as no surprise to hear pleas for a new approach emerging. One can be found in work by Ian Watson of the Australian Centre for Industrial Relations Research and Training, in conjunction with the Committee for Economic Development of Australia (see, for example: *Beyond the unemployment rate: a new Health of the Labour Market index*, CEDA Bulletin, July 2000). His argument for a broader suite of indices is launched from the proposition that official unemployment rates fail to provide any useful indication of either the quantity or quality of available work.

A proposed HLM index would flush out hidden unemployment by using an employment population ratio, rather than the participation rate. This would measure how many people are in work as a proportion of the over-15 population. That would provide a much more accurate yardstick over time for the quantity of available work. Under-employment would be tackled by including measurement of the number of part-time workers wanting more hours. And (at last!) a key component of the indices would be a ratio of unemployed people to vacancies, an initiative which might finally allow us to demolish the absurd argument that unemployment results primarily from 'dole bludging'. The most recent available figure here, incidentally, is 6.3 unemployed people to every job vacancy. On the quality side, indices are more complex and attempt to capture accepted social values. They include consideration of long working hours, skill levels, casualisation and a variety of gender, intra- and inter-industry earnings comparisons.

Whether we can realistically expect political parties to take up this issue seriously, or at least to maintain a commitment beyond Opposition is questionable. But clearly something needs to be done. In the last decade, governments of both persuasions have made various changes to unemployment data-collection. It is not only the compulsive cynic who feels the major aim of these changes may have been manipulation of the unemployment rate for political purposes. That suspicion can only be fuelled by the ACIRRT/CEDA finding that all their work availability indices are either in decline or static. On their analysis, the quantity dimension of the labour market has still not returned to levels achieved in the late 1980s.

What is very clear is that, on all analyses, Australian aggregate employment has been falling for at least the last six months. Whatever the official figures may say, it is also clear that real unemployment is rising commensurately. An imminent period of economic downturn suggests further deterioration in the short to medium term. ■



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