

What's a Million, Anyway?

*Australia's 2013-18 Job Creation in
Historical Perspective*

By Jim Stanford, Troy Henderson, and Matt Grudnoff
The Centre for Future Work at the Australia Institute

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Table of Contents

Summary.....	4
Introduction: What's a Million?.....	6
Methodology	10
Twelve Reasons to Question the Value of a Million.....	12
1. Been There, Done That.....	12
2. A Mediocre Growth Rate.....	13
3. Part-Time Nation	16
4. Hours v. Jobs.....	19
5. Who Wants to Work?	20
6. Not Enough Work	23
7. Employment to Population Ratio	26
8. Adjusted Employment-Population Ratio.....	27
9. Hours of Work per Potential Worker	29
10. Insecure Work: The New Normal	30
11. Shrinking Paycheques.....	33
12. Total Labour Compensation	35
Conclusion: As Good As It Gets?.....	37
References.....	40

Summary

This paper reviews Australia's job-creation record over the past five years, on the basis of year-end employment data recently published by the Australian Bureau of Statistics. Its aim is to evaluate claims that the pace of employment creation during that period (with 1.1 million net new jobs added between 2013 and 2018) represents an outstanding and historic economic achievement.

For several reasons, Australia's employment performance between 2013 and 2018 was actually relatively weak in historical context. These reasons, described in detail in the report, include:

- The 2013-18 period marked the **tenth time in Australia's history** that over one million net new jobs were created over five years. The first occurred 30 years ago, when Australia's labour market was barely half the size it is now.
- Given the size and growth rate of Australia's working age population, **the labour market must create more than one million jobs every five years** – just to keep up with ongoing population growth and maintain unemployment at its current rate.
- Expressed as a rate of growth, rather than an absolute number of jobs, job creation over the past five years has been relatively weak: ranking 8th of 12 five-year periods dating back to 1958. This was **the slowest job-creation in any of those periods that did not experience a recession or major financial crisis**.
- Almost half of the new jobs created between 2013 and 2018 were part-time, and the share of part-time work in total employment grew notably. Greater reliance on part-time jobs (many of which are filled by people who want to work more hours) transforms a given number of hours of work into a larger number of jobs – but at the cost of reduced income and underemployment. **Without the higher share of part-time employment, the number of new jobs created in the past five years would have been well under one million.**
- Measured by aggregate hours worked, **total "work" performed in the economy grew more slowly** than the number of jobs. This is mostly because of the growth of part-time work, along with a gradual decline in average hours of work for full-time workers. **The growth of total hours work actually lagged slightly behind the growth of Australia's working age population.**

- **Since 2008 Australia's population has been growing at the fastest rate since the late 1960s.** This means more work was needed just to occupy that growing population. Coincidentally, the total number of new jobs created in the last five years (1.1 million) equals the net inflow of migration to Australia over the same period (1.1 million).
- Given rapid population growth, **there was only enough work available in Australia's labour market in the past five years to keep half of working-age Australians employed on a full-time-equivalent basis** – or, alternatively, to provide just 19.8 hours of work per week for each working-age Australian.
- In this context, the quantity of work available in Australia's labour market over the past years was inadequate to the needs of a growing population. **Underutilisation of labour was significantly worse in the last five years** than in the previous period (including unemployment, underemployment, and non-participation), and the worst since the recession-wracked 1990s.
- In addition to an inadequate quantity of work, **the quality of work deteriorated markedly.** By several indicators, **typical jobs are less secure, have fewer hours, and benefit from fewer contractual protections** than was the case five years ago. Hence, even Australians who found work are experiencing more severe working conditions and greater precarity.
- Labour compensation also deteriorated dramatically during the past five years, which have witnessed an **unprecedented slowdown in nominal wage growth**, and an erosion of real purchasing power for Australian workers. The decline in relative and absolute compensation of workers is inconsistent with a situation in which demand for workers was truly strong.

In sum, the growth in work and employment over the past five years has been mediocre, at best – and certainly not sufficient to absorb the number of Australians wanting and needing work. The falling quality and compensation of work, meanwhile, imposes real hardship on many households: struggling to make ends meet despite inadequate and insecure hours and working conditions. Millions of workers, therefore, are coming out of this five-year period of supposedly “historic” growth in rough shape. In this context, the labour market experience of the last five years is much less impressive than some political leaders have claimed.

Introduction: What's a Million?

In the months leading up to the 2013 federal election campaign, Tony Abbott, then leader of the Liberal Party, famously pledged that a Coalition government (if elected) would create a million jobs over the next five years. “Today, I am committing a future Coalition government to creating one million new jobs within five years and two million new jobs over the next decade,” Abbott said.¹

This seemingly dramatic promise was widely reported, and resonated with many Australians. Abbott’s party won the election and took office in September, 2013.

More than five years (and two Prime Ministers) later, Coalition leaders are returning to that “million jobs” touchstone, as they prepare for another upcoming election. Total employment has indeed grown by over 1 million jobs since the Coalition took office in 2013: on the basis of newly-released ABS full-year employment data, average employment in 2018 was 1.1 million positions higher than in 2013.

Malcolm Turnbull, who was still Prime Minister when the million jobs threshold was first crossed, gladly took credit for the achievement. “This excellent result didn’t happen by accident. It’s the result of the hard work of Australian businesses supported by the government’s strong economic management.”² His Treasurer and ultimate replacement as Prime Minister, Scott Morrison, tweeted: “One million jobs have been created in Australia since the Coalition Government was elected. That's what we promised and that is what we have delivered.”³

New Treasurer Josh Frydenberg (who inherited a darkening economic outlook after his predecessor, Scott Morrison, moved up to replace Malcolm Turnbull) continues to highlight this achievement as a key accomplishment of his government’s record in office. “We have achieved our 2013 goal to help create more than one million jobs within five years,” he announced.⁴ He warned that the Coalition’s million-job achievement is a stark contrast to the Labor Party’s economic platform which, he suggested, would tip Australia into recession.⁵ He has also referenced the million jobs

¹ See Abbott (2012).

² See Creighton (2018).

³ See <https://twitter.com/ScottMorrisonMP/status/998461399046148096>.

⁴ See Frydenberg (2018a).

⁵ See <https://twitter.com/JoshFrydenberg/status/1064247976237838336>.

to shift attention from the recent slowdown in GDP growth, arguing that the job-creation is more important than quarterly GDP figures.⁶

Frydenberg's (former) colleague, then-Minister for Jobs Kelly O'Dwyer, also highlighted the million-jobs threshold as a key accomplishment. "1,144,500 jobs have been created since the Government came to office in 2013, showing our plan for a stronger economy is working," she said, marking the 5-year anniversary of the government's election. "The Government has put in place the right policy settings which continue to pay dividends."⁷ (O'Dwyer, of course, recently left Cabinet and is resigning her seat.) Other Cabinet Ministers, MPs, and friendly commentators continue to cite the one million new jobs as an outstanding accomplishment, one that supposedly confirms the strong economic management record of the current government – and implying that future prosperity would be jeopardised by any change in government. It is safe to assume these claims will be repeated *ad infinitum* in the lead-up to this year's federal election.

An important discussion should occur regarding the degree to which a sitting federal government can reasonably claim credit for all jobs created across a huge, diverse and decentralised economy like Australia's – composed of millions of businesses and consumers, other levels of government, and other major economic players. Clearly, most of the factors driving aggregate labour market performance are beyond the direct control of government: including influences such as consumer and business confidence, global economic developments (like foreign demand for Australian exports and exchange rates), actions of the banking system (including the Reserve Bank of Australia), swings in mass psychology (which drive the rise and fall of financial and property markets), resource and environmental constraints, and even the weather. The only jobs in Australia's labour market which the Commonwealth government *directly* controls are those in the federal public service: which, incidentally, *declined* by 10,000 positions in the five years ending in financial 2017-18.⁸ While the influence of federal policies on overall economic conditions (and hence job creation) is obviously important, government cannot determine the result – and it is laughable to claim that a Commonwealth government "created" any net new jobs that appeared over a certain period of time.

For purposes of this paper, however, we will set aside that important caveat. Instead, we will concentrate on whether the creation of a million net new jobs over a five-year period does indeed mark a noteworthy or impressive achievement. Australia's labour

⁶ See Frydenberg (2018b)

⁷ Minister for Jobs and Industrial Relations (2018).

⁸ Authors' calculations from ABS Catalogue 6248.0.55.002, Table 1.

market consists of a working age population of over 20 million people, 12.5 million of whom are employed in at least some capacity.⁹ Is a million new jobs in five years really an impressive outcome? The obvious answer to that question is: “It depends.”

It depends on how many Australians are looking for work – that is, on the growth of the pool of available workers. It depends on how large employment was to start with. It depends on the nature of the jobs being created: including, crucially, whether each embodies a normal schedule of working hours, or unusually short hours. And it depends on the quality of the jobs being created, and how well workers are being compensated for their efforts.

For all of these reasons, and others, this report will show that the creation of 1.1 million net new jobs in Australia’s economy over the past five years is not actually proof of a successful and prosperous labour market. To the contrary, the quantity of new work has been inadequate to meet the needs of Australia’s rapidly-growing population. The *rate of growth* of employment (as opposed to the increase in the absolute number of new jobs) has been relatively slow by historical standards; in fact, employment has grown at a slower pace over the past five years than any of the non-recessionary five-year periods which we reviewed, going back 60 years.¹⁰ The “achievement” pales even further when considering the shorter average hours worked by each worker, primarily the result of growing reliance on part-time work (much of it involuntary part-time work). The amount of work available, on average, to working age Australians shrank in the past five years compared to the previous five-year period – and was lower, indeed, than in any other five-year period since the late 1990s. The inadequate *quantity* of work in Australia’s labour market in turn reinforced a worrisome decline in the *quality* of work, which has become harsher and more precarious by a number of indicators. Meanwhile, real compensation for Australian workers actually declined in the last five years – a truly unusual outcome that, in the past, was only associated with severe recession.

In short, according to a complete set of relevant measures, Australia’s present labour market condition is more typical of an economic downturn, than an economic boom. Yet surprisingly, that unimpressive performance occurred amidst aggregate macroeconomic conditions that were modestly favourable: GDP expanded throughout the five-year period, at a decent if not stellar average rate of 2.7 per cent per year.

⁹ As will be discussed further below, an individual need only work one hour in the week in which they were surveyed by the ABS to be considered “employed.”

¹⁰ As explained in Table 1 below, we include the Global Financial Crisis of 2008-09 in the list of economic downturns; while it did not technically constitute a recession in Australia, it clearly was a dramatic external shock which undermined labour market performance for several years.

Unfortunately, this growth did not translate into more genuine improvements in decent job opportunities for working Australians.

It was once thought that a million dollars was a lot of money. But today, spending a million dollars on a home, or accumulating a million dollars in a superannuation account, is neither unusual, nor a sign that someone is truly “rich.” In short, a million dollars isn’t what it used to be.

The same is clearly true of a million jobs. When Australia first created a million jobs over five years – an accomplishment first logged three decades ago, between 1983 and 1988 – that could have been considered a notable achievement. But that feat has now been recorded ten times, in total. Thirty years after it was first achieved, creating a million jobs in five years is no longer “impressive”; it is, in fact, par for the course. Australia’s labour market now must create more than a million net new jobs every five years, just to keep up with population growth and maintain unemployment at its current rate. Coalition leaders are making a virtue out of a necessity; their claims that this milestone represents a triumph of economic policy management should be discounted.¹¹

The rest of this paper is organised as follows. A short methodology section describes the approach taken to evaluating Australia’s labour market performance over time, and the various sources of statistical data cited. The report then walks through 12 specific factors which provide important context for Australia’s job creation over the past five years, and allow us to evaluate whether that record genuinely constitutes an impressive or unusual achievement. The conclusion reviews the major findings, and suggests that the 2013-18 period was in fact a wasted opportunity to truly improve the conditions of working households in Australia.

¹¹ Other researchers who have also tried to evaluate the million-jobs achievement in historical context include Carmignani (2018), Jericho (2018) and ACTU (2018b).

Methodology

This report describes several dimensions of Australia's labour market performance in historic perspective: including total employment, hours of work, job quality indicators, and compensation. The analysis (including all charts and tables) is based on official public data, obtained from:

- The Australian Bureau of Statistics (specific catalogues and tables listed accordingly);
- The Reserve Bank of Australia (which maintains a useful database of historical economic statistics); and
- The Department of Jobs and Small Business (which maintains a database on federally regulated collective bargaining).

Where relevant, international comparisons are provided on the basis of consistent data published by the Organization for Economic Cooperation and Development (specific sources cited where appropriate).

Monthly labour force statistics demonstrate large fluctuations resulting from sampling errors and other transient factors. To minimise these effects, our report focuses on annual average labour market outcomes; our report includes the year-end 2018 employment data just recently released by the ABS. On this basis, we confirm that a total of 1.1 million net new jobs were created in the past five years (comparing new employment data for the whole of 2018¹² with corresponding numbers for 2013, the year the Coalition government was first elected).

To place the performance of Australia's labour market in historical perspective, several sections of the report compare average outcomes for the 2013-18 period with corresponding five-year blocks going back several decades. Where data is available, we extend the historical analysis back sixty years in total: beginning 1958, and then considering consecutive five-year periods up to and including 2013-18. In some cases, consistent data is not available going back to 1958, in which case the historic period under consideration is necessarily shortened.

¹² For a few variables (such as weekly wages and labour compensation reported in the national accounts), full-year 2018 data is not yet available; these occasions are noted below, and appropriate adjustments to calculations of growth rates and other metrics are made.

Growth rates over multiple years are calculated on a compound (ie. geometric) annual average basis. To avoid double-counting, when five-year period average levels (rather than average growth rates over a five-year period) are the variable of interest, averages are calculated using the ending year of the period and the four previous years. Where available, seasonally adjusted data are used.

Twelve Reasons to Question the Value of a Million

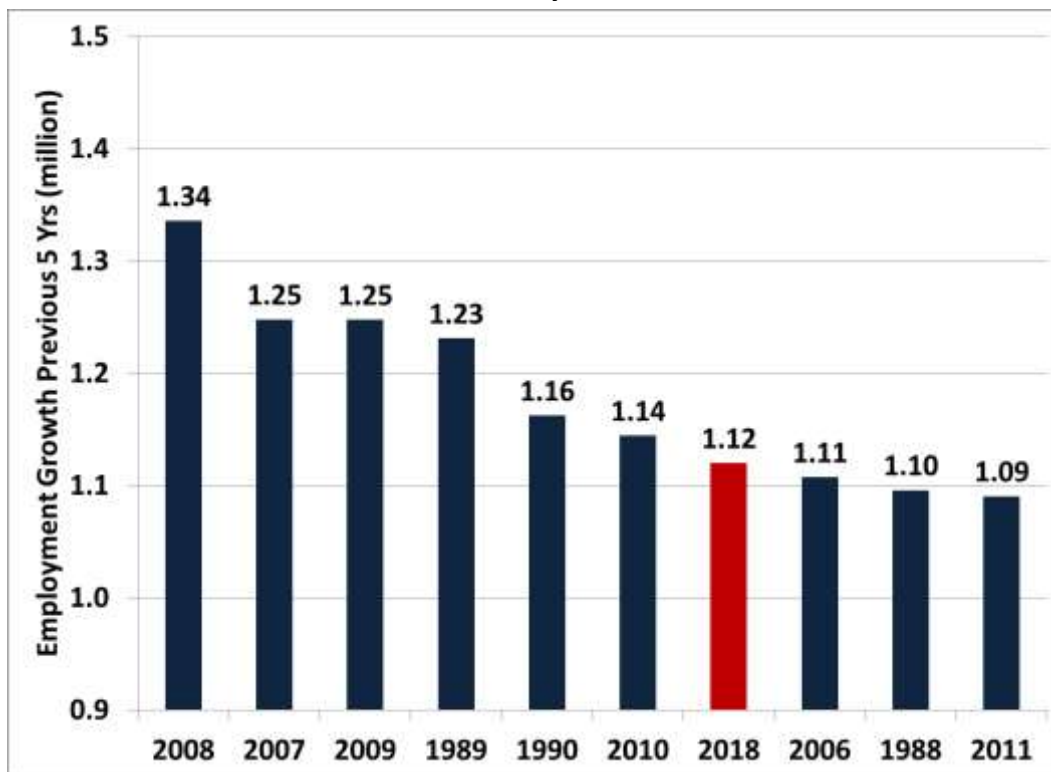
1. BEEN THERE, DONE THAT

A million new jobs certainly sounds impressive. But achieving that benchmark over a five-year span is not actually unusual.

Annual average employment did indeed grow by 1.12 million positions between 2013 (the year Tony Abbott led the Coalition to majority victory) and 2018. However, that was actually the tenth time total employment in Australia grew by at least 1 million over a five-year period.

Figure 1

Ten Million-Job Runs in Australian History



Source: Author's calculations from ABS Catalogue 6202.0, Table 1.

Figure 1 presents the ten different occasions this milestone was achieved. In fact, the first time a million net jobs were created in five years occurred exactly 30 years ago: from 1983 through 1988, as the job market recovered strongly from the recession of

the early 1980s. That achievement was then replicated consecutively in the next two years (1989 and 1990).

The recession of 1990-91 broke the streak of million-job runs. And the recovery from that recession was not as rapid as had been the case in the 1980s; hence the million-job benchmark was not reached again during the 1990s. However, after the turn of the century, Australia's economy was propelled forward by several factors (including the resources boom, rapid population growth, and a strong housing expansion). Over the next decade there were six consecutive five-year periods – from 2001-06 through 2006-11 – when the economy created over a million jobs in five years.

The onset of the Global Financial Crisis, followed by the downturn of resource investments after 2012, broke that string, and suppressed job growth for several years. The 2013-18 period is the first time in 7 years that the economy produced over 1 million net new jobs in five years. While this job growth is welcome news, it is neither unprecedented nor, in historical perspective, extraordinary.

In fact, as indicated in Figure 1, the 1.12 million jobs created from 2013 through 2018 years is the fourth smallest of the ten occasions when that million-job marker was reached. The largest five-year job gain was experienced between 2003 and 2008, when 1.34 million jobs were created; that peak expansion was then cut short by the GFC.

Of course, a more obvious reason why the 2013-18 employment expansion is relatively unimpressive, is the simple fact that the expansion started from a higher initial level of employment than any of the previous streaks. In fact, the starting employment level for that run (11.5 million in 2013) was 82 per cent higher than employment was thirty years earlier (6.3 million in 1983, when the first-ever million-job run commenced). The 1983-88 employment expansion represented a 17.5 per cent cumulative expansion in employment over five years; that's almost twice as large as the 9.8 per cent expansion experienced three decades later, from 2013 through 2018.

2. A MEDIOCRE GROWTH RATE

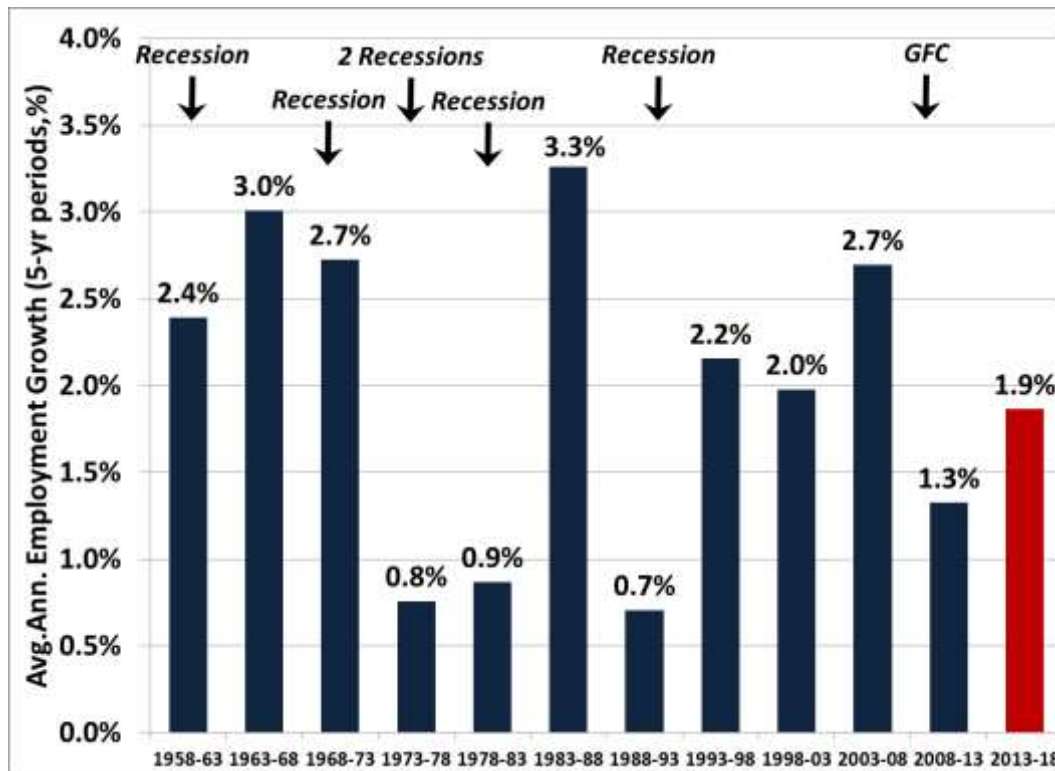
It should be obvious that absolute job creation numbers can only be meaningfully evaluated relative to the size of the labour market within which that job creation is occurring. A million new jobs means much more in a smaller country than a large one. (Consider, for example, the U.S. economy produced 1.2 million new jobs in just 3 months late in 2018.¹³) A much better way to compare job creation records between

¹³ U.S. Bureau of Labor Statistics (2019), August through November.

jurisdictions or over time is to consider the *rate* of job growth, rather than *absolute numbers* of new jobs.

Figure 2

Employment Growth Rates, 5-Year Periods, 1958-2018



Source: Author’s calculations from ABS Catalogue 6202.0, Table 1, and RBA Historical Statistics, Table 4.3.

By this standard, the employment expansion of 2013-18 appears even less impressive. Figure 2 compares the average annual rate of employment growth experienced over the last five years (1.88 per cent per year) with the average growth rates logged during corresponding five-year intervals over the past 60 years. Of those 12 periods, the 2013-18 average growth rate ranks 8th. And the average rate of employment growth in the last five years has been slower than the average rate of employment growth experienced over that 60-year period as a whole (about 2 per cent).

Moreover, the 8th-place ranking of the most recent 5-year period overstates the relative performance of the job market in the last five years. Periods of weaker job growth (evident on Figure 2 between the mid-1970s and the early-1990s) all reflected the occurrence of intermittent recessions – when employment was undermined by weak aggregate demand, business uncertainty, and poor consumer spending. In contrast, the most recent five-year period experienced no recession; real GDP grew fairly steadily, at an average rate of 2.7 per cent per year (reasonable if not stellar). Despite that continuing economic expansion, Australia’s job-creation record over the

past five years has been sub-par, compared to its performance over the past six decades.

Table 1 lists all of the recessions experienced in Australia during the last 60 years: 6 recessions in total.¹⁴ Table 1 also includes one other important negative shock: the Global Financial Crisis of 2008-09. While that episode did not cause an official recession in Australia (thanks largely to a powerful and rapid stimulus program implemented by Commonwealth and state governments¹⁵), the GFC nevertheless had a strong negative impact on business and consumer confidence, export demand, spending patterns, and hence job creation.

Table 1	
Recessions in Australia, 1958-2018	
Downturn	Quarters of Declining Real GDP
March 1961 – September 1961	2
September 1971 – March 1972	2
June 1975 – December 1975	2
June 1977 – December 1977	2
September 1981 – June 1983	7 ¹
December 1990 – June 1991	2
September 2008 – June 2009 (GFC)	1 ²
Source: Authors' compilation from ABS Catalogue 5206.0, Table 1. Recession defined as period of two or more consecutive quarters of declining real GDP. 1. Real GDP expanded for one quarter during this period (in June 1982), but then began contracting again; we consider the whole period to constitute one recession. 2. Real GDP declined in only one quarter during the GFC (December 2008), but real national income declined for 3 consecutive quarters, and several other indicators attested to a severe downturn.	

These six recessions (and the GFC) are all indicated on Figure 2. It turns out that among five-year periods which did *not* experience a recession (including the GFC), the latest five-year period has featured the *weakest* average rate of job growth of any of

¹⁴ We follow the conventional approach of defining a recession as a period in which real GDP declines for at least two consecutive quarters.

¹⁵ Real GDP declined for one quarter at the end of 2008, and then began growing again as the stimulus came into effect.

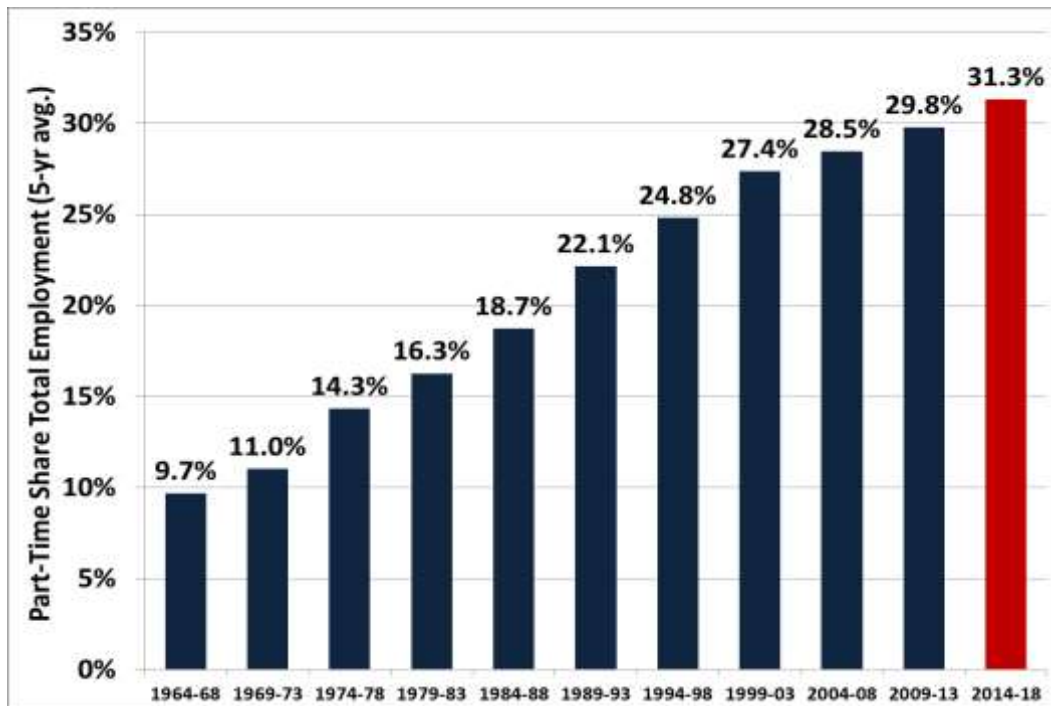
the periods considered. In other words, the last five years demonstrated the *slowest pace of job-creation of any of the non-recessionary five-year periods considered since 1958.*

3. PART-TIME NATION

Another reason the growth of total employment (even measured as a growth rate, rather than an absolute number) overstates the true strength of Australia’s job market is the growing importance of part-time employment. Almost half of all the jobs created in Australia between 2013 and 2018 were part-time positions: 519,000 of the 1.12 million net new jobs created over that period. Many of those part-time jobs involved very few hours of work; in fact, *to be counted as “employed” in the ABS survey, an individual needs only work one hour* during the reference week (when the survey was conducted). When a given amount of total “work” is parcelled up into part-time rather than full-time positions, the obvious mathematical result is an apparent inflation of the total number of “jobs” – even though the aggregate amount of “work” (and income) associated with those jobs may be no higher.

Figure 3

Part-Time Employment as Share Total Employment, 5-Year Periods, 1964-2018



Source: Author’s calculations from ABS Catalogue 6202.0, Table 1, and RBA Historical Statistics, Table 4.8.

With such a disproportionate reliance on part-time job-creation, the part-time share of total employment has increased again. As illustrated in Figure 3, that share averaged 31.3 per cent of all jobs over the five-year period (and reached a record high of 31.7 per cent in 2017 and again in 2018). That is the highest incidence of part-time work since the statistical series on hours of work commenced in the early 1960s; the part-time share of total employment has tripled since then. The average part-time share grew by 1.5 percentage points in the last five years, compared to the previous period – its biggest jump since the 1990s. With part-time jobs now accounting for almost one in three jobs, Australia ranks third among all industrial nations in its reliance on part-time work.¹⁶

Without such a large role for part-time job-creation, the five-year million-job target would not have been reached. Imagine that the share of part-time jobs had instead remained steady over the last five years, at the same average recorded in the previous five years (29.8 per cent), and that average hours worked per year for both full-time and part-time workers was also steady. In that case the total increase in hours worked achieved between 2013 and 2018 would have translated into fewer jobs: since each job was associated with a constant (rather than declining) number of hours. In this scenario, the labour market would have been able to create only 936,000 jobs over the five years (658,000 full-time and 279,000 part-time). ***It is only because of the reduction in average hours worked, driven by part-time work, that the million-job threshold was reached and exceeded.***¹⁷

If the growth of part-time work truly reflected the preferences of workers, and if part-time jobs attracted the same benefits (in earnings, job security, employment entitlements, paid time off, superannuation, and other benefits), then the rapid growth of part-time work might not be so concerning. Unfortunately, neither of these conditions holds in Australia's case. Almost 30 per cent of all part-timers in Australia (or 1.2 million people) report they would prefer to work more hours, according to the ABS survey of underemployment.¹⁸ They accept whatever hours of work they can find,

¹⁶ Australia ranks behind only the Netherlands and Switzerland. Moreover, in those countries the quality of part-time work is protected through extensive social benefits, paid leave, and pensions, and hence part-time jobs are more desirable. Author's calculations from OECD (2019).

¹⁷ Total hours worked grew by 1.59 billion between 2013 and 2018. Preserving the 70.23 per cent share of full-time jobs that prevailed on average in the five years to 2013, and the same average hours worked per year by full-time (2054) and part-time (849) workers over that same period, implies total job-creation of 936,000.

¹⁸ See ABS Catalogue 6202.0, Table 24. Another 700,000 full-time workers would also prefer to work more hours; full-time hours have declined in recent years (discussed further below). These figures are based on the broader definition of underemployment contained in the ABS's "expanded analytical series." In contrast, Figure 6 (below) is based on the conventional, narrower definition.

often pieced together from multiple jobs, but would prefer the greater income and stability that comes with longer, more regular hours or full-time positions. Similarly, the quality dimensions of part-time work are also clearly inferior: 54 per cent of part-time waged jobs¹⁹ in 2018 were casual (lacking normal entitlements to paid holidays and sick leave), compared to just 12 per cent of full-time positions.²⁰ Hourly wages are lower in part-time work: about 10 per cent lower for women part-timers compared to full-time, and about 20 per cent lower for men (OECD 2010). And part-time workers are much more likely to have their wages and conditions determined by the minimum conditions of modern awards: 34 per cent of part-time workers were paid according to a minimum award in 2016, twice as high as the proportion of full-time workers.²¹

And while many part-time workers, especially women (who account for almost 70 per cent of part-time workers), may indicate a nominal “preference” for part-time work, even this must be evaluated in light of Australia’s poor systems for supporting working parents – especially the absence of universal, high-quality, accessible early childhood education. Women report that caring for children is the overwhelming reason they work part-time, even though many would prefer more hours; and improving access to child care spaces, and reducing the financial burden of child care, are the most important stated factors for improving women’s labour force participation.²²

For all these reasons, the unusual and rapid growth of part-time work in Australia’s labour market should not be seen primarily as a positive reflection of the preferences of Australian workers. Rather, the trend reflects the desire and ability of employers to construct a lower-cost, super-flexible workforce: with part-time, irregular hours that can adjust costlessly (at least from the employers’ perspective) to cycles in business activity, and offering an inferior package of compensation and entitlements. These jobs are filled from pools of relatively vulnerable or marginalised workers (including women, youth, and immigrants), who accept inferior positions because of lack of access to better or full-time work. In any event, whatever its explanations, it is undeniable that the growing share of part-time work has inflated the absolute growth in employment in recent years; it is another factor to question whether that growth is indeed a positive accomplishment.

¹⁹ Excluding owner-managers of small businesses.

²⁰ Authors’ calculations from ABS Catalogue 6291.0.55.003, Table EQ04.

²¹ Authors’ calculations from ABS Catalogue 6306.0, Data Cube 5, Table 1.

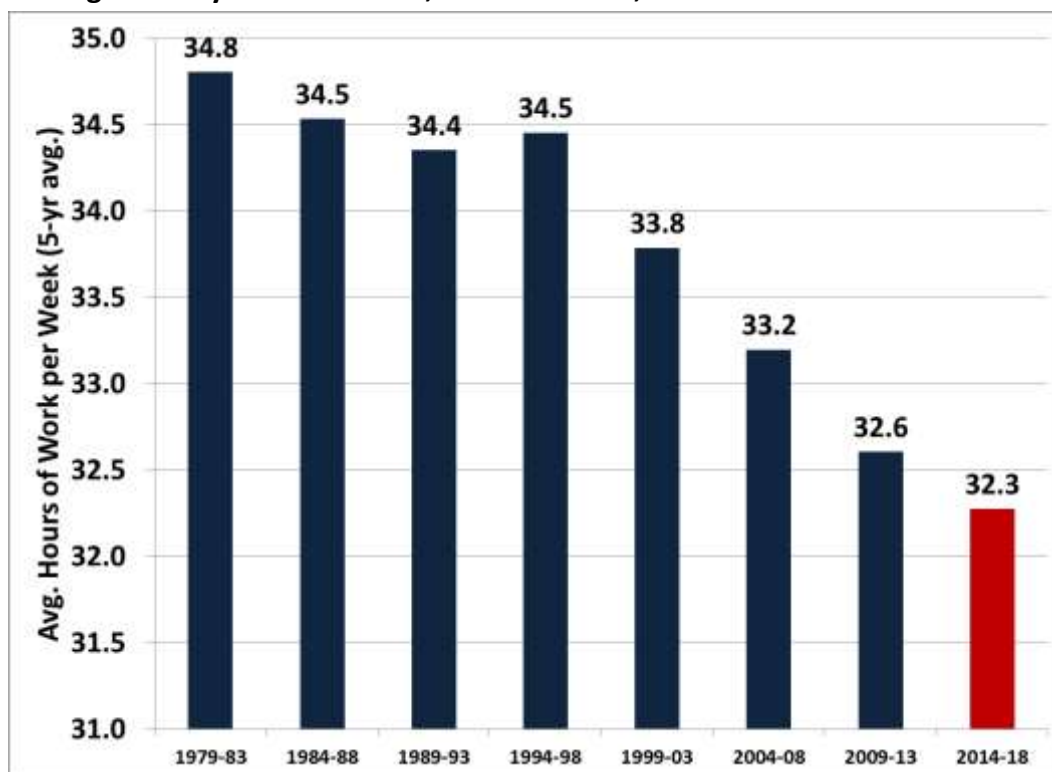
²² See ABS Catalogue 6239.0, “Barriers and Incentives to Labour Force Participation,” 2017. See also Workplace Gender Equality Agency (2016), which links poor access to child care and other services to Australia’s unusually low rate of labour force participation for prime working age women, compared to other industrial countries.

4. HOURS V. JOBS

The role of part-time jobs in inflating employment figures can be further understood by evaluating growth in total *hours* of work – as compared to the absolute number of jobs. Total hours worked by employed Australians grew less rapidly during the 2013-18 period than the number of jobs. Hours worked grew at an annual average rate of 1.59 per cent over this time, slower than the 1.88 per cent average annual growth in total employment. Like employment growth, the growth of total hours worked since 2013 was also unspectacular in historical perspective: the 2013-18 period ranks 6th out of the 11 consecutive five-year periods since the ABS began collecting data on hours of work.²³

Figure 4

Average Weekly Hours of Work, 5-Year Periods, 1979-2018



Source: Authors' calculations from ABS Catalogue 6202.0 Tables 1 and 19.

The shift to part-time jobs, along with incremental reductions in average hours worked by full-time workers,²⁴ explains why hours of work have grown more slowly than total

²³ Statistics on aggregate hours worked began to be collected in 1966.

²⁴ Average hours worked by full-time workers declined by about 25 hours per year between 2013 and 2018, or slightly more than 1 per cent (authors' calculations from ABS Catalogue 6202.0, Tables 1 and 19). This reflects reduced overtime and reductions in hours worked by some full-time workers as economic activity slowed down.

employment. It also implies that average hours worked per employee have also declined. Figure 4 illustrates the downward trend in average weekly hours worked per employed person.²⁵ Average hours worked per employed person declined in the last five years by 20 minutes per week compared to the previous period, to just over 32 hours per week per worker – the lowest in the history of this data. With almost half of all new jobs since 2013 being part-time, a typical “job” is now associated with considerably less earnings capacity than was the case in previous periods.

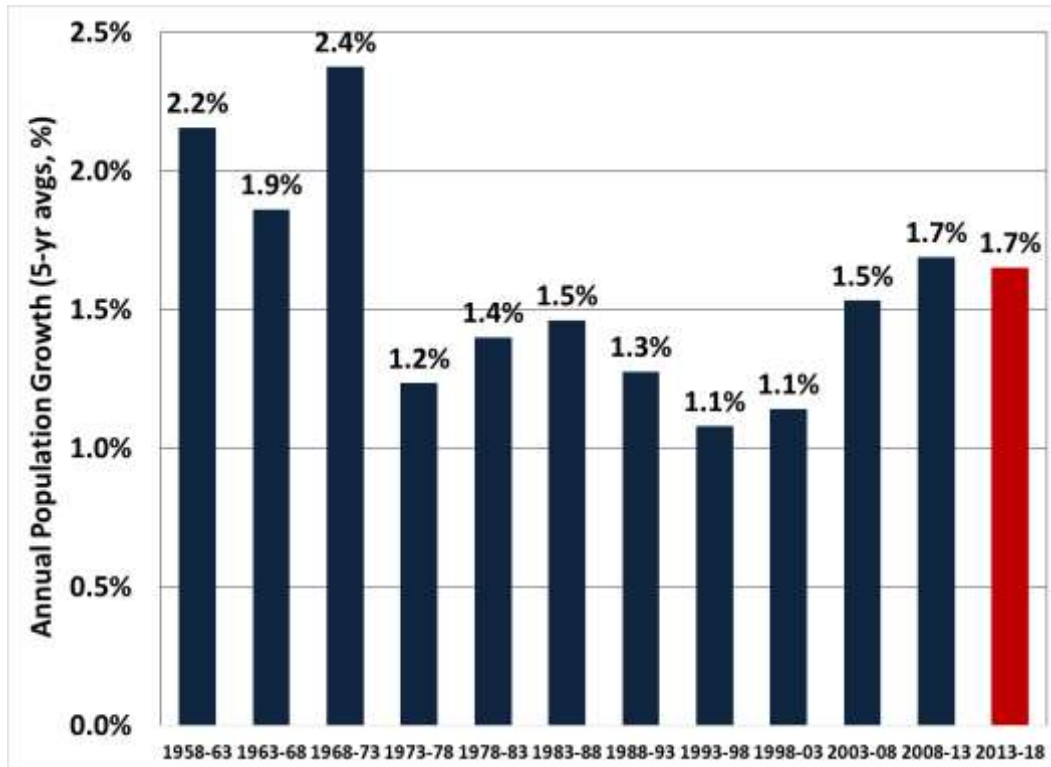
Again, a decline in average working hours is not necessarily a negative development: if it reflected an increase in paid leave opportunities (for holidays, family leave, or other reasons), the genuine preferences of workers, and/or the beneficial effects of technological change and productivity growth (in which case shorter working hours would be accompanied by increases in average hourly earnings). Unfortunately, none of these circumstances explain the reduction of average working hours in Australia over the past five years. The shorter average work week has been driven primarily by the expansion of generally lower-quality part-time jobs, and a consequent growth in underemployment; it is another sign that Australia’s labour market is actually weak, not strong.

5. WHO WANTS TO WORK?

The adequacy of any particular pace of job-creation depends entirely on the corresponding growth in potential labour supply: that is, the expanding number of people who want and need that work. Australia has long had one of the fastest rates of population growth of any major industrial economy. Since 2008, Australia’s population growth accelerated further, reaching an average annual rate of 1.7 per cent (see Figure 5). That’s the fastest rate of population growth since the late 1960s, and faster than the rate of growth of total hours of work.

²⁵ To avoid breaks in the data series, Figure 4 reports data only back to 1978 when the current ABS hours of work series commenced.

Figure 5
Average Annual Population Growth, 5-Year Periods



Source: Authors' calculations from ABS Catalogue 3101.0, Table 1, and Catalogue 3105.0.65.001, Table 1.2. 2018 first half.

With such rapid population growth, the economy needs to generate an equally rapid pace of job-creation just to keep pace. In that regard, comparing employment growth rates in isolation across countries or time can be misleading. Countries with relatively stable or even declining population (such as Germany or Japan) can achieve very high employment rates (and low unemployment) despite very slow net job-creation – simply because the number of people needing work is not expanding. In Australia, in contrast, the labour market must generate new work at a rapid rate just to keep pace with our rapid population growth. And the pace of necessary job growth must increase, when that population growth accelerates – as it has in recent years.

Immigration has become the dominant source of Australia's population growth. Net inward migration from other countries accounted for close to 60 per cent of total population growth registered over the past five years;²⁶ this large share reflects both

²⁶ And since ABS population statistics include only people who have been resident in Australia for at least 12 of the previous 16 months, this figure excludes shorter-term migrant labourers – including backpackers, some students, and some workers on "Temporary Skill Shortage" (formerly 457) visas. See ABS Catalogue 3101.0, "Explanatory Notes,"

the relatively rapid pace of immigration, combined with a slowing birth rate among the domestic population. Coincidentally, the cumulative amount of net inward migration over the past five years – 1.1 million new Australians – almost exactly equals the total number of new jobs created over the same period.²⁷ The well-documented abuse of migrant workers (who face commonplace wage theft and other unfair practices, and who fear being expelled from Australia if they challenge their employers) means that rapid immigration is often associated with especially harsh working conditions and wages.

The point here is not to suggest that the labour market would be stronger if immigration was reduced; there are many ways in which inward migration to Australia in fact stimulates job creation (for example, through extra economic activity spurred by the work and spending of newcomer families). And the best way to ensure fair treatment for migrant workers is to give them the same legal and institutional rights as other workers, backed up with ambitious and well-resourced enforcement efforts. Nevertheless, it is important to put Australia's recent job-creation in the context of Australia's unusually rapid population growth – growth which now mostly reflects immigration. Far from representing some kind of "outstanding" achievement, the new work created over the past five years was not even adequate to keep up with population growth.

In that light, consider that with a working age population now exceeding 20 million Australians, ***the labour market must produce over one million net new jobs in every five-year period just to maintain current rates of unemployment.***²⁸ In other words, the government is celebrating about an outcome that is in fact *necessary* simply to prevent labour market aggregates from deteriorating. This is a fine example of making a virtue out of necessity.

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/3101.0Explanatory%20Notes1Jun%202018?OpenDocument>.

²⁷ This is not to imply that immigrant workers captured "all" the new jobs created in Australia; not all migrants are in the labour force, and migrant workers actually face extra challenges gaining a foothold in paid work.

²⁸ The average working age population in Australia in 2018 was approximately 20.25 million people; the working age population has grown recently at 1.6 per cent per year. Average employment in 2018, over 12.5 million, implies that around 62 per cent of those working-age Australians were employed. If the working age population continues to grow at the same rate, maintaining a constant employment rate (and, by extension, a constant unemployment rate, assuming steady labour force participation) requires the creation of 1.05 million new jobs over the next five years. Subsequent five-year periods would require even more new jobs, since future population growth will occur from even higher starting populations.

6. NOT ENOUGH WORK

With such rapid population growth, job creation over the past five years has had little effect on the overall balance between supply and demand in the labour market. In fact, the pool of underutilised labour has become larger, even though employment rose by over a million net new positions.

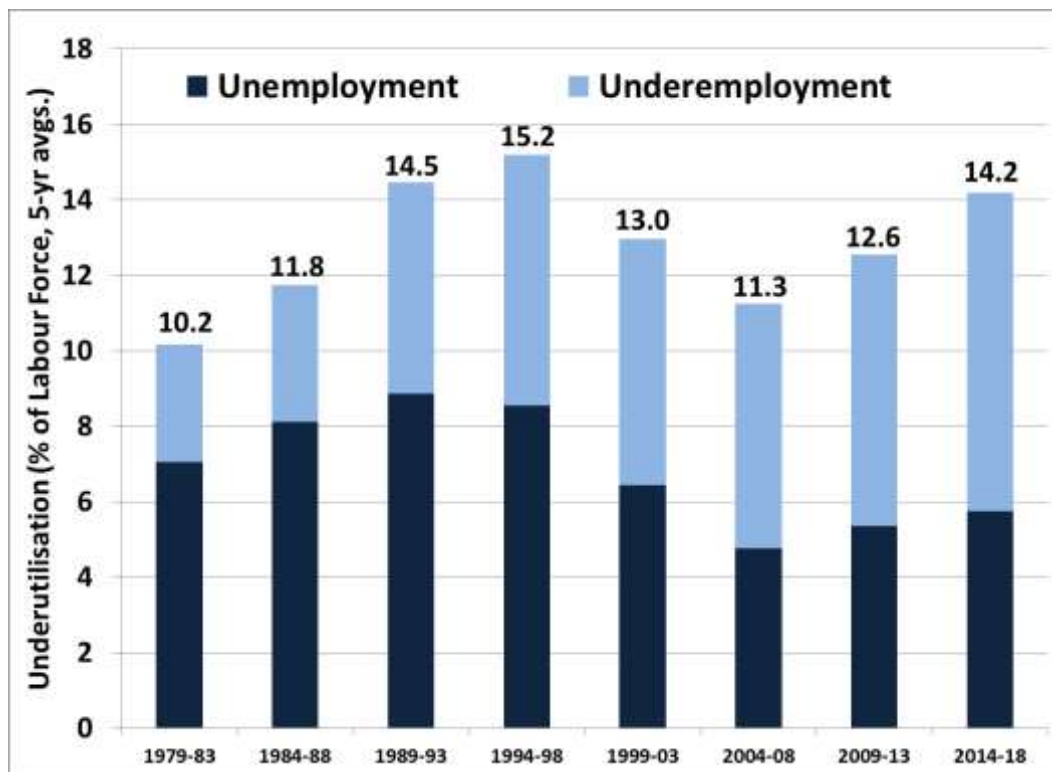
The average official unemployment rate during the last five years (5.7 per cent) was higher than during the preceding period (which averaging 5.2 per cent from 2009 through 2013). This is especially surprising given that the former period included the near-recession associated with the global financial crisis. To be sure, the unemployment rate has edged downward over the past two years, and presently stands at around 5 per cent. But that's only slightly lower than it was in late-2013 when the current government took office. The lack of significant movement either way in the unemployment rate is an immediate indication that the pace of job-creation in last five years was only roughly keeping up with growth in the pool of potential workers.

Worse yet, the official unemployment rate is an increasingly inaccurate guide to the true supply-demand balance in the labour market. To qualify as “unemployed” by the official measure, an individual must have not worked even a single hour during the reference week (when the monthly ABS survey is conducted). Moreover, they had to have engaged in an *active* job search (involving submitting applications, contacting employers, and other active outreach – well beyond simply watching job advertisements), and be immediately available to work. The official measure of unemployment thus excludes two significant pools of un- or underemployed labour: those working less than they would prefer (as little as a handful of hours per week), and those not undertaking a suitably “active” job search (probably because they doubt it would be successful).

The first form of disguised unemployment is captured through ABS statistics on underemployment: defined as individuals who were employed (at least one hour), but would prefer to work more. Australia's underemployment rate (equal to the number of underemployed workers as a share of the total labour force) has increased substantially over since 2013. In the last five years it averaged 8.4 per cent of the labour force: the highest of any five-year period since the ABS began gathering this data in 1978. Elevated underemployment results from the large number of part-time workers who do not receive enough hours of work to meet their personal and financial needs.

The ABS also calculates a combined underutilisation rate, representing the sum of official unemployment plus the underemployment rate. The pattern of total underutilisation is illustrated in Figure 6. Labour underutilisation in Australia grew significantly during the past five years, averaging 14.2 per cent of the labour force from 2014 through 2018. That increase was driven both by an increase in the average official unemployment rate (dark blue), and a larger increase in underemployment (light blue). Underutilisation over the last five years has averaged higher than any other period since this data began to be collected, other than the recession-wracked 1990s. Near-record underutilisation further attests to the inadequacy of recent employment growth in Australia, relative to the population that needs work.

Figure 6
Labour Underutilisation Rate, 5-Year Periods, 1979-2018



Source: Author’s calculations from ABS Catalogue 6202.0, Table 22.

Figure 6 does not take into account the second pool of disguised unemployment discussed above: individuals who would like to work if jobs were available, but do not undertake a job search sufficiently active to qualify them (under ABS definitions) as participants in the labour market. One indicator of the size of this pool of “discouraged” workers can be gleaned from recent trends in Australia’s labour force participation rate.²⁹ It increased markedly through most of the past half-century,

²⁹ The participation rate measures the proportion of working-age Australians who are either employed or “actively” seeking it.

driven especially by the increasing participation of women (and more recently also by the rising proportion of older Australians who are working past normal retirement age). For example, over the decade to February 2009 (when the GFC began to suppress participation), the participation rate rose 3.1 percentage points – led by a 5.8 point rise in women’s participation.³⁰ That growth was then partly reversed for several years following the GFC, as many Australians left the labour force (due to poor job prospects), and fewer joined it. The participation rate has rebounded in the last two years, but still hovered slightly below its 2009 peak at end-2018 – a full decade after the GFC hit.³¹ If the participation rate had continued growing at its pre-2018 rate (as would be expected given continuing growth in women’s paid work), it would be more than 3 percentage points higher today – representing the effective addition of around 600,000 more workers to Australia’s labour force. Suppressed labour force participation helps to reduce the official unemployment statistics – but it represents lost work effort and productivity that significantly undermines Australia’s economic and social well-being.

A second, even bigger estimate of this form of hidden unemployment is provided by the ABS’s more detailed annual survey of labour force participation and job search. This supplementary survey asks non-participating Australians why they are not presently in the labour force (that is, neither working nor actively seeking work). According to this survey, almost 900,000 Australians wanted to work and were available for work in February 2018, but did not “actively” seek a job (once again, as defined by the relatively strict meaning of that term applied by the ABS). This pool of “marginally attached” workers (as the ABS calls them) would add another 6 percentage points to the combined underutilisation rate reported above – taking it to over 20 per cent, or some 2.75 million un- or underemployed potential workers.

These indicators of elevated unemployment, underemployment, and non-participation confirm that there is not nearly enough work available to productively occupy Australians who have stated they want to work. In this context, no matter the absolute number of new jobs created over the past five years, Australia’s job-creation record must surely be considered inadequate, rather than a cause for celebration.

³⁰ Male labour force participation grew marginally over that same decade.

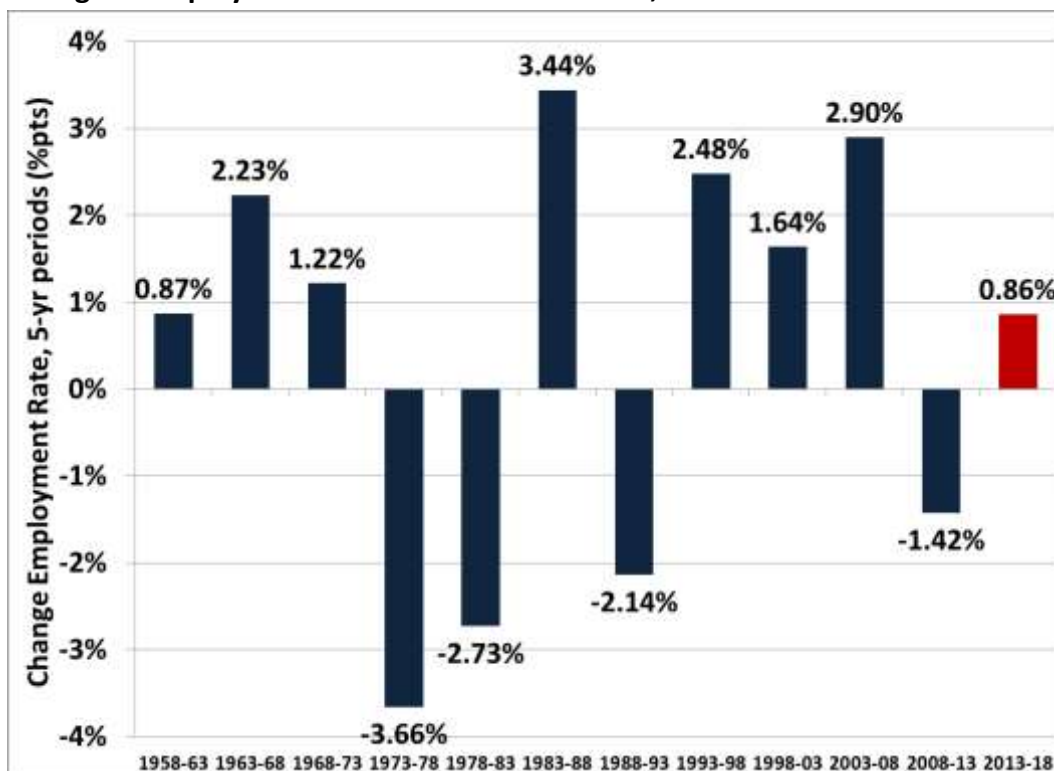
³¹ Overall participation at end-2018 was slightly lower than the 2009 peak; female participation was 1.3 points higher (less than a quarter of its increase in the previous decade), while male participation declined by 1.5 points. Both the much slower growth of women’s participation, and the decline in men’s, can be attributed to the weak labour market conditions that have prevailed since the GFC.

7. EMPLOYMENT TO POPULATION RATIO

The relationship between the number of jobs and the number of people available to perform them can be considered more precisely by examining trends in the employment rate. The employment rate measures the share of the working age population (that is, Australians over 15 years of age) who are employed in at least some job – even if they work very few hours. This measure thus avoids the traditional distinction (encountered in calculating the official unemployment rate) between non-employed individuals who are “actively” seeking work, and those who are not. To some extent, after all, what really matters is whether people are working or not; imposing ultimately arbitrary judgments regarding their job search behaviour does not affect that. Especially during times of labour market slackness, when large numbers of workers “disappear” from the official unemployment statistics, the employment rate is a more robust indication of the adequacy of employment opportunities.

Figure 7

Change in Employment Rate over 5-Year Periods, 1958-2018



Source: Authors’ calculations from ABS Catalogue 6202.0, Table 1, and RBA Historical Statistics, Table 4.3.

Figure 7 portrays the cumulative change in the average employment rate experienced over each of the five-year periods we have considered, expressed as a percentage of the working age population. It thus measures whether the expansion of employment

matched, exceeded, or lagged the corresponding expansion in the working age population. Figure 7 indicates that the employment rate did increase over the 2013-18 period, but only slightly (by less than one percentage point of the working age population). This slight increase attests to the fact that the growth of total employment (1.88 per cent per year, including part-time jobs) slightly exceeded the growth of the working age population (1.60 per cent per year³²). Keep in mind that the growth rate of total employment was lifted by the growing share of part-time work, which converted a given rate of growth of hours of work (which grew at 1.59 per cent per year, slightly slower than the growth in the working age population) into a faster rate of job growth.

As is evident in Figure 7, the modest improvement in the employment rate over the last five years is mediocre at best: placing 8th of the 12 five-year periods considered over the last 60 years.³³ Keep in mind that the employment rate typically grows during periods of economic expansion, and falls during recessions. Considering the steady GDP growth which was experienced over the past five years, we might have expected a larger increase in the employment rate. Indeed, among the non-recessionary five-year periods we examined over the last 60 years, the growth in the employment-population ratio from 2013 through 2018 was the weakest. Relative to the working-age population, therefore, the job growth of the past five years – even boosted by growing part-time work – was distinctly weak in historical perspective.

8. ADJUSTED EMPLOYMENT-POPULATION RATIO

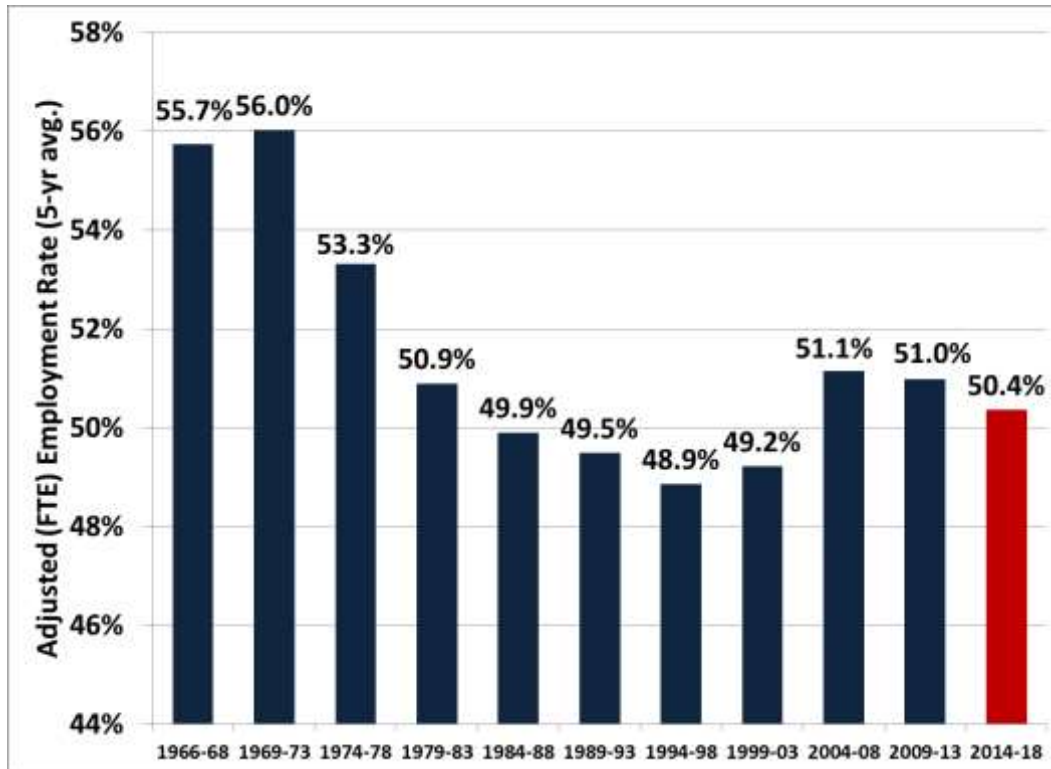
As hinted above, measuring the change in the employment rate over time will overstate the apparent strength of labour market performance in periods when working hours per employed person are declining. This is especially true when the decline in working hours mostly reflects an increase in involuntary part-time work – as has clearly been the case in Australia. We should therefore adjust our analysis of changes in the employment rate to account for the effects of rising part-time work.

³² The 1.6 per cent average annual growth of the working age population (ie. aged over 15) from 2013-18 was slightly slower than the average annual growth in total population (1.7 per cent), indicating that the age profile of net additions to Australia's population (including from both net births and net migrants) was younger than that of the existing population.

³³ Recall from Figure 2 above that the 2013-18 growth rate of total employment also ranked 8th of the 12 periods considered.

Figure 8

Average Full-Time Equivalent Employment Rate, 5-Year Periods, 1966-2018



Source: Authors' calculations from ABS Catalogue 6202.0, Tables 1 and 19; RBA Historical Statistics, Tables 4.3 and 4.12.

Figure 8 therefore provides an alternative measure of the relationship between employment and the working age population. It portrays a “full time equivalent employment rate”: defined as the number of *full-time equivalent* jobs in the labour market as a proportion of the working age population. It is calculated by dividing aggregate hours worked by the average annual hours of work performed by full-time workers. The denominator of this ratio (average full-time hours) is not constant, but varies over time for both positive and negative reasons: possibly due to a reduction in regular working hours or an increase in annual leave (this is why average full-time hours fell from the 1960s through the 1980s), or to reductions in overtime and shorter-hours working arrangements amidst weak labour demand conditions (as has been the case more recently). Whatever the reasons for the fluctuation in average full-time hours, we use the average hours worked in each year by full-time workers as a representative measure of a typical “full-time job.” We then evaluate the adequacy of overall employment opportunities (in FTE terms) accordingly.

On average over the last five years there were only enough hours worked to employ just 50.4 per cent of the working age population on a full-time basis. That average adjusted FTE employment rate was 0.6 percentage points lower than during the

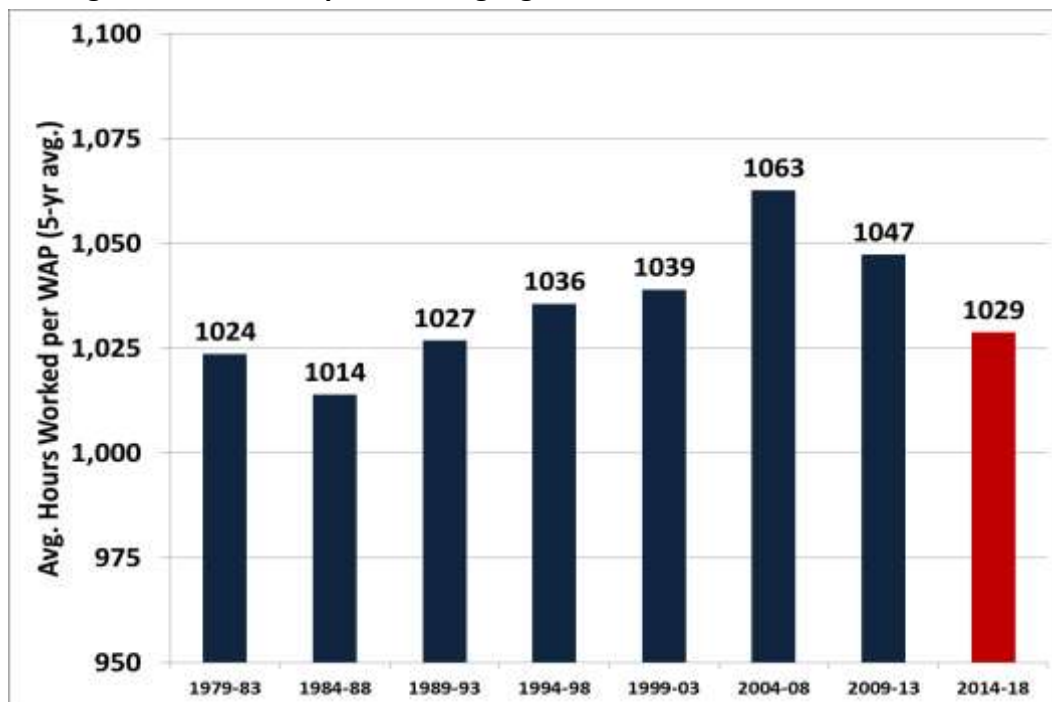
previous period, partly reversing gains in employment intensity that had been experienced over the previous two decades (dating back to the recovery from the 1990s recession).³⁴ The combination of rising women’s participation with relatively strong labour demand conditions boosted this adjusted FTE employment rate by almost 5 percentage points between 1993 and 2008. But since then the inadequate growth of hours worked relative to the size of the working age population has reversed this positive trend.

9. HOURS OF WORK PER POTENTIAL WORKER

An alternative perspective on the inadequate quantity of work available in the labour market, relative to the number of Australians available to perform it, can be generated by comparing the total number of hours worked to the size of the working age population. This measure is illustrated in Figure 9.

Figure 9

Average Hours Worked per Working-Age Australian, 5-Year Periods, 1979-2018



Source: Authors’ calculations from ABS Catalogue 6202.0, Tables 1 and 19.

Average annual hours worked per working-age Australian fell significantly after 2013 compared to the previous 5-year period, to 1029 hours per year. That is equivalent to

³⁴ The decline in the adjusted FTE employment rate would have been even larger during the 2013-18 period were it not for a reduction, of about 0.6 per cent, in average hours worked by full-time workers. That boosted the number of FTE jobs potentially supported by the actual aggregate hours worked.

19.8 hours work per week, for each member of the working age population – ***barely enough to keep each working-age person employed on a half-time basis.***³⁵

Hours worked per working age adult in 2014-18 declined to roughly the same level as was experienced in the late 1980s and early 1990s, when employment was suppressed by recessionary conditions. The official unemployment rate is much lower now than it was then; but this has been offset by shorter average hours of work (driven primarily by the growth of part-time work) and much higher underemployment.

10. INSECURE WORK: THE NEW NORMAL

We have documented that the quantity of work available in Australia’s labour market is clearly inadequate to meet the needs of the country’s growing population – notwithstanding headlines about a million new jobs. Perhaps more concerning has been the simultaneous erosion in the *quality* of work. Many Australians who gained paying work in the last five years (thus contributing to the “million job” success story) are in fact experiencing unprecedented insecurity and precarity in their work lives. The visible erosion of job quality in recent years provides more reason to second-guess the supposed triumph of Australia’s recent labour market performance.

The growth of job insecurity can be described by a wide variety of indicators; no single statistic fully captures the multidimensional erosion that has occurred in the stability, quality, and security of employment. For example, many commentators wrongly equate job insecurity with the proportion of waged workers employed under casual contracts. While casualisation has certainly grown in recent years (as documented below), and Australia has the highest rate of temporary employment of any industrial country,³⁶ casualisation is just one of many indicators of the all-round deterioration in the stability and quality of work.

Table 2 summarises the evolution of four key measures of job-quality over the 2013-18 period, even as the labour market was producing over a million net new jobs. We have already discussed the rapid growth of part-time work, which artificially boosted the apparent number of “jobs” created – even though the total amount of “work”

³⁵ This finding is the analogue of the conclusion described in Figure 8: namely, that there was enough work offered in the 2013-18 to employ just over half of working age Australians on a full-time equivalent basis. To avoid breaks in the data series, Figure 9 extends back only to 1978, when the current ABS hours of work series commenced.

³⁶ See OECD (2015), Table 4.1.

available lagged slightly behind population growth. The part-time share grew by 1.5 percentage points of total employment between 2013 and 2018.

Table 2 Indicators of Job Quality		
	2013	2018
Part-Time Work	30.2%	31.7%
Casual Work ¹	23.7%	25.0%
Part-Time Self-Employment	5.1%	5.5%
Employed Covered by EBA ²	22.0%	15.0% ³
Source: Authors' calculations from ABS Catalogue 6202.0, Table 1; ABS Catalogue 6291.0.55.003, Data Cube EQ04; Catalogue 6333.0, Table 2.3; Dept. of Jobs and Small Business, "Trends in Federal Enterprise Bargaining." 1. As share total employees. 2. Federally regulated only. 3. First 3 quarters.		

Table 2 also documents the significant rise in casual employment over the last five years. The share of waged employees (excluding owner-managers of small businesses) who are employed on a casual basis (without access to normal paid leave entitlements, like holidays and sick days) reached 25 per cent in 2018 – up 1.3 percentage points over the five-year period. This rate of casual employment is now approaching the all-time record casual share of 25.7 per cent experienced in 2004.³⁷ The casual share declined over the subsequent decade, but began growing again with weaker labour market conditions earlier in this decade. The growth of casualisation is all the more unusual given the supposedly rapid pace of new job-creation over the same period: providing another indication that the labour market is not as strong as some claim (otherwise workers would feel more empowered to choose permanent rather than temporary jobs).

Another dimension of insecure work is the growing number of Australians engaged in small-scale, part-time self-employment. This includes people working from their own homes, working in supposedly "independent" contractor positions, performing "gig" jobs for digital platforms, and other marginal business undertakings. Over three-quarters of part-time self-employed Australians have no employees, and two-thirds

³⁷ Authors' calculations from ABS Catalogue 6105.0, Table1.

are not even incorporated. For many Australians, this form of work represents an effort to support themselves in the absence of more secure and better-paying employment alternatives, rather than a positive opportunity to “be your own boss.” In any event, these individuals have no access to paid sick leave, holidays, superannuation contributions, and other entitlements typically associated with work. The number of Australians in part-time self-employment grew 100,000 between 2013 and 2018, representing a 0.4 percentage point increase in the share of total employment (to 5.5 per cent of employment by 2018).

Another important dimension of the decline in employment quality has been the rapid fall in the number of Australian workers who enjoy the protection of a current enterprise agreement (EA). Particularly in the private sector, both the number of EAs in effect, and the number of workers covered by them, has plunged since 2013.³⁸ This trend reflects the non-renewal of many previous EAs, the termination of hundreds of agreements (almost always initiated by employers), and the virtual disappearance of new EA-making in the face of concerted employer opposition and a legal and regulatory environment that has become very hostile to collective bargaining.

The Commonwealth Department of Jobs and Small Business maintains a comprehensive database of current EAs, in all workplaces regulated by federal IR provisions.³⁹ According to this data, only 15 per cent of employed Australians were covered by a current EA in 2018, a fall of 7 percentage points (or almost one-third) during just five years. This implies that an overwhelming majority of employed Australians have their working conditions and compensation now determined by either individual arrangements with their employers (a relationship in which few individual workers will have much bargaining power) or by the minimum conditions of modern awards.⁴⁰

The multi-dimensional erosion of employment quality over the past five years provides further evidence that the aggregate supply-demand balance in labour markets is actually quite weak, notwithstanding the creation of over a million jobs in that period. In previous decades, truly strong episodes of job-creation were associated with

³⁸ The causes, consequences, and likely future implications of the erosion of private sector enterprise agreements are explored in detail by Pennington (2018).

³⁹ This database excludes agreements regulated by state industrial relations commissions, primarily in state-level public service workplaces; it thus underestimates the total number of Australian workers covered by an EA, but is nevertheless a reasonable depiction of the *change* in coverage (since state-level public sector collective bargaining has been stable).

⁴⁰ According to ABS data, the share of non-managerial employees whose wages and conditions are set according to a minimum award increased by 5 full percentage points between 2014 and 2016; see ABS Catalogue 6306.0.

improvements in job quality – as workers used their economic bargaining power to hold out for more satisfactory job offers (including permanent and full-time jobs, and jobs benefiting from the protection of a collective agreement). In recent years, in contrast, the deterioration of all of these measures attests to the profound insecurity that is still experienced by workers. In that context, the 1.1 million jobs created between 2013 and 2018 have not provided an adequate foundation – neither in quantity nor in quality – for many Australians to achieve decent work arrangements.

11. SHRINKING PAYCHEQUES

Another sign of the underlying weakness of labour demand conditions since 2013, regardless of the absolute volume of job-creation, has been the unprecedented stagnation of wages and labour compensation. When demand for a commodity is truly vibrant, this usually sparks increases in its price – as buyers (in the case of the labour market, employers) bid up the price to lock in supplies ahead of competing buyers. The performance of wages over the past five years, however, utterly contradicts this characteristic of a strong market. Far from rising to reflect vibrant demand, wages have endured an unusual, unprecedented and sustained period of weakness.

Since 2013, when business investment spending turned downward after the completion of several major resource projects, wage growth in Australia has plumbed historic lows. In contrast to typical annual wage inflation around 4 per cent per year (and even higher in some years), average annual wage growth declined after 2013 to 2 per cent or less. There are several different statistical methods for measuring wage growth. We present here two of the most important: but other measures tell a similar and consistent story. By any measure, since 2013 Australian wages have grown at their slowest sustained nominal rate since the Great Depression.⁴¹ And in real terms, relative to the ongoing increase in consumer prices, wages have gone backwards. The wage slowdown since 2013 represents a pattern of labour market behaviour more typical of a deep recession than of a vibrant jobs expansion.

The ABS publishes a long series on average weekly wages paid to workers in different sectors of the economy.⁴² Figure 10 portrays the average annual growth in that series,

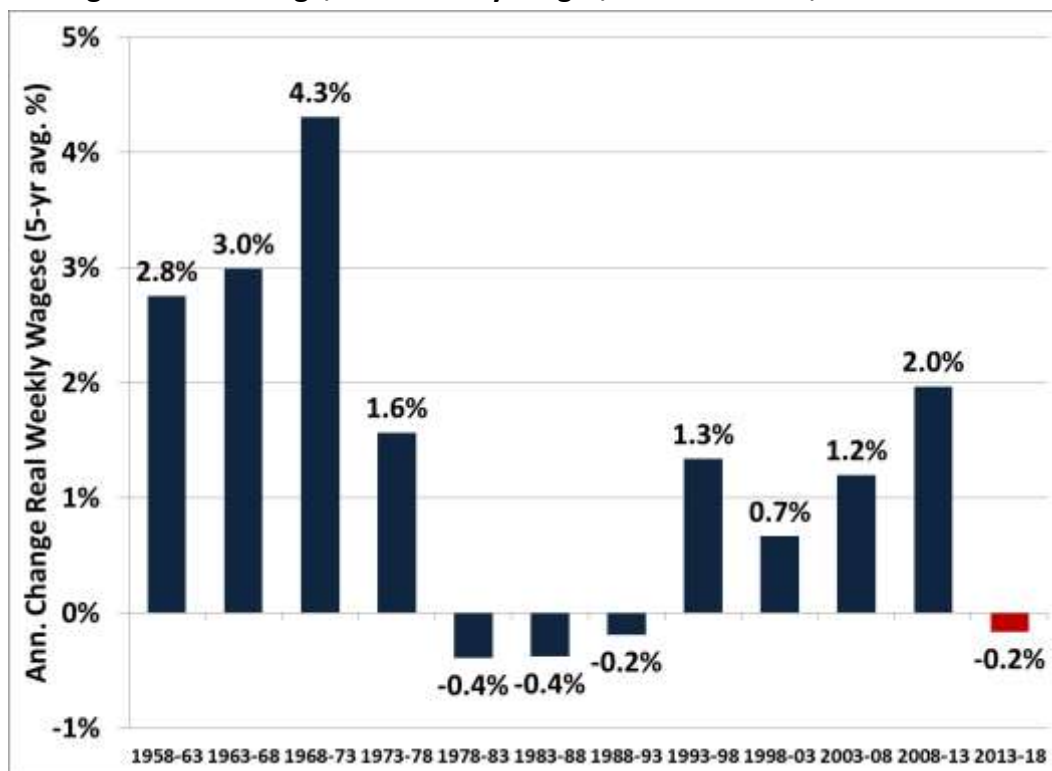
⁴¹ For a comprehensive overview of the causes, consequences, and potential solutions to the slowdown of wages in Australia, see the essays compiled in Stewart et al. (2018).

⁴² The ABS's Wage Price Index (Catalogue 6345.0) is another commonly reported measure of wage inflation. It is not suitable for present purposes, however, for two main reasons. First, the series extends only back to 1997 (not enough to provide the historical perspective we are seeking). Second, the WPI measure is constructed on the basis of a representative "basket" of jobs which is held constant from one period to the next, in order to gain a supposedly precise measure of "pure" wage

adjusted for changes in the consumer price index so as to capture changes in workers' real purchasing power. Average weekly earnings can change both due to changes in hourly compensation, and changes in the number of hours worked per worker. Weakness in both of those components contributed to the sudden deceleration of wage growth in Australia after 2013. **Real average weekly earnings were actually lower in 2018⁴³ than five years earlier**, reflecting an average decline over the five years of 0.2 per cent per year.

Figure 10

Average Annual Change, Real Weekly Wages, 5-Year Periods, 1958-2018



Source: Authors' calculations from ABS Catalogues 6302.0 and 6401.0; RBA Historical Statistics, Tables 4.17 and 4.18. 2018 first-half.

This is the first time since the early 1990s that real wages in Australia declined over a sustained period. The loss of workers' real purchasing power represents a sudden shift from the experience of labour markets in the more expansionary period of the past two decades, when Australia's real wages growth was among the fastest in the

pressure; the WPI thus excludes the effect of changes in the composition of employment (and in particular the shift toward insecure, part-time, and less well-paid jobs that helps to explain the erosion of security and prosperity for many Australian workers). Even according to the WPI, however, the 2013-2018 period has witnessed a startling deceleration of wages.

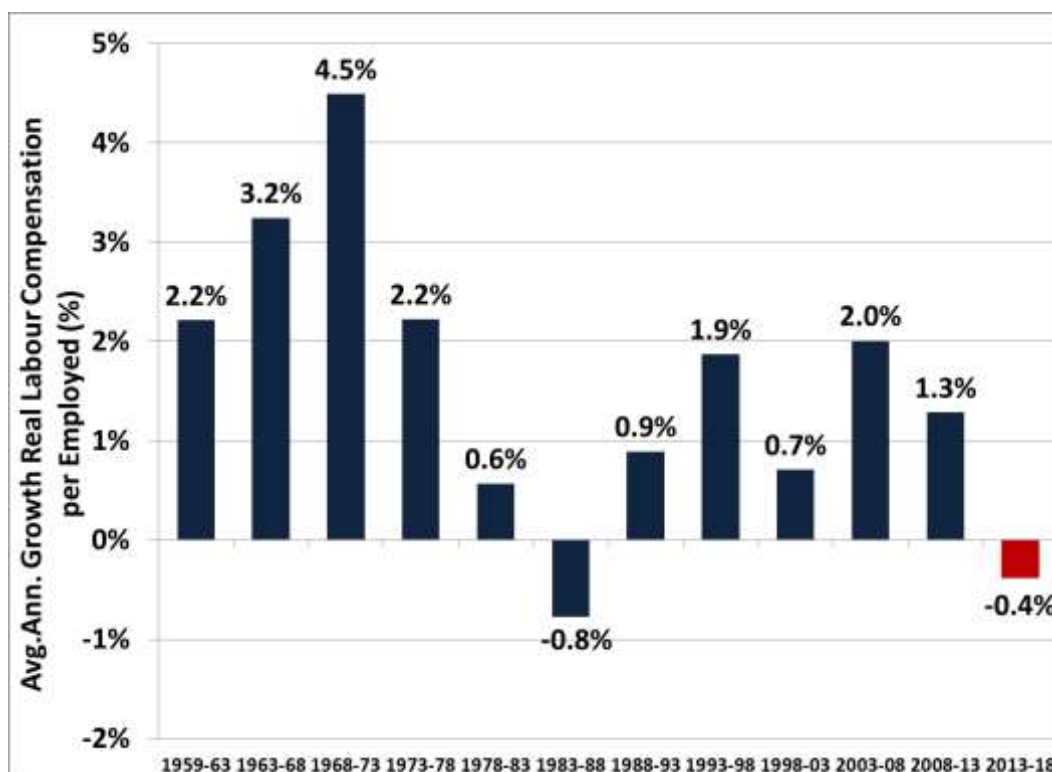
⁴³ Weekly wage data is now published twice yearly by the ABS; Figure 9 represents data from the first half of 2018 (latest available), and average annual growth rate calculations were adjusted accordingly.

industrial world. Even in the five-year period following the GFC, real weekly wages still continued to grow. The experience of the 2013-18 period is both a sharp and painful break from recent history, and a worrying sign of deep malaise in the labour market. If labour demand was truly expanding as vibrantly as government officials and some commentators have claimed, workers would surely have had the power to protect and expand their pay packets.

12. TOTAL LABOUR COMPENSATION

A second, broader perspective on trends in labour compensation can be obtained from the ABS's national income accounts. Quarterly GDP statistics report the allocation of total national income into its major components: including labour compensation (which includes wages, salaries, and supplementary benefits such as superannuation contributions); business profits; mixed income for small business owners; and others. The unusual slowdown in wages is starkly visible in this data.

Figure 11
Average Annual Growth, Real Labour Compensation per Employed, 5-Year Periods, 1958-2018



Source: Authors' calculations from ABS Catalogues 5206.0, Table 7, 6202.0, Table 1, and 6401.0, Table 1; and RBA Historical Statistics Table 4.3. 2018 data for first three quarters.

Figure 11 illustrates the annual average growth in labour compensation, adjusted both for the rise of consumer prices, and for growth in total employment. The measure is thus an indicator of change in real labour compensation paid to each employed Australian. It declined at an annual rate of 0.4 per cent over the five-year period from 2013 through 2018.⁴⁴ This was ***only the second time in Australia's postwar history that real compensation per employed person declined on a sustained basis***; the other was during the mid-1980s, when the economy was recovering from the recession of the early 1980s, and was also experiencing the effects of the Prices and Incomes Accords (which deliberately restrained labour compensation growth, in part offset by an expansion of social benefits). ***Real labour compensation per worker in Australia is now 2 per cent lower than at its peak in 2012.***

Keep in mind that even as real wages and real labour compensation per employed person were declining over the past five years, real output per hour of labour continued to increase. Average labour productivity growth averaged 1.1 per cent per year from June 2013 through June 2018.⁴⁵ That's not stellar productivity growth,⁴⁶ but it was decent and consistent – and it should have underpinned, according to conventional economic theory, ongoing *improvements* in real compensation for workers. Instead, workers have seen the real purchasing power of their wages contract.⁴⁷ The failure of wages to rise in tandem with productivity, despite the seemingly rapid pace of total job creation, is another indicator that conventional theories of labour market behaviour – which suggest that supply and demand forces will naturally reach an equilibrium in which all willing workers are engaged, and paid fairly according to their productivity – no longer apply in the Australian reality.

⁴⁴ GDP data is available only for the first three-quarters of 2018; calculations of average annual growth rates have been adjusted accordingly.

⁴⁵ Authors' calculations from ABS Catalogue 5204.0, Table 15.

⁴⁶ Recent productivity growth in Australia has been held back by many factors, including weak business investment in machinery, equipment, and R&D; underutilisation of much fixed capital capacity due to weak aggregate demand conditions; and the growing share of total employment accounted for by lower-productivity private service industries (like retail and hospitality).

⁴⁷ The coexistence of stagnant or falling wages, with ongoing improvements in real labour productivity, necessarily and arithmetically implies a decline in the share of total output that is paid to labour. See Stanford (2018) for confirmation and analysis of this trend in recent years.

Conclusion: As Good As It Gets?

Our review of the broader context for Australia's job creation has provided several reasons to reject claims that Australia's job-creation record over the past five years has been outstanding. Yes, the total number of net new jobs created in the economy in that period exceeded one million. But that ultimately arbitrary number should not be considered proof of "success," without reference to other essential explanatory and countervailing factors. Reasons to second-guess the triumphalist claims of Commonwealth government leaders include:

- The creation of a million jobs over five years is neither unprecedented nor unusual; this was the tenth time in history it occurred.
- Given the size of Australia's working age population, population growth and unemployment rates, the labour market must create more than one million jobs *every five years* – just to keep up with ongoing population growth.
- Expressed as a rate of growth, rather than an absolute number of new jobs, job creation since 2013 has been relatively weak in historical perspective: slower than the average rate recorded over the past 60 years, and unusually slow for a period not marked by a recession or major financial crisis.
- The number of new jobs in the last five years was inflated by the rapid expansion of part-time work, which effectively transforms a given total of hours worked into more jobs – but at the cost of reduced income and underemployment for many. Without a rising share of part-time work, the number of new jobs created over the last five years would have fallen well below one million.
- Measured by aggregate hours worked, total "work" in the labour force expanded more slowly than the number of jobs. This is mostly because of the growth of part-time work, and also to gradual decline in average hours of work for full-time workers.
- Since 2008 Australia's population has been growing at its fastest rate since the late 1960s – and hence more work was needed to occupy that growing population. Coincidentally, the total number of new jobs created in that time (1.1 million) just matched net inward migration to Australia in the same period (1.1 million).

- The growth of total “work” lagged slightly behind the growth of Australia’s working age population. As a result, the labour market was weaker over those five years, not stronger, reflected in higher underutilisation of labour (including unemployment, underemployment, and discouraged workers).
- There was only enough work available in Australia’s labour market in the past five years to keep barely half of working-age Australians employed on a full-time-equivalent basis – or to keep the average working-age Australian on the job for just 19.8 hours per week.
- In this context, the quantity of work available in Australia’s labour market in recent years has been inadequate to the needs of a growing population. But at the same time, the *quality* of work deteriorated markedly.
- By several indicators, typical jobs are less secure, have fewer hours, and benefit from fewer contractual protections than was the case five years ago. Therefore, even many of those who found work are experiencing unfavourable working conditions and greater precarity.
- Labour compensation has also deteriorated since 2013, with an unprecedented slowdown in nominal wage growth and an erosion of real purchasing power for Australian workers. The declining relative and absolute compensation of workers is inconsistent with purportedly strong labour demand; it is more typical of a severe recession than record-breaking expansion.

In this broader view, the performance of Australia’s labour market over the past five years is not a cause for celebration. Job creation was mostly associated with population growth, not a true strengthening of labour market conditions – and correctly measured, employment did not even keep up with the number of working age Australians. By several indicators (underutilisation, declining job quality, and falling real compensation) the labour market exhibits signs of significant stress, not success.

Perhaps most concerning, this mediocre jobs performance was logged during a period in which overall macroeconomic performance remained moderately positive. GDP growth over the past five years has been decent, if not outstanding; productivity growth has remained positive; other indicators of real economic activity have moved forward. Yet despite this relatively hospitable macroeconomic environment, Australia’s labour market performance has been disappointing. Some indicators

suggest that broader economic conditions may now be weakening in the face of several headwinds: including global trade frictions, slower growth in China, and falling property prices. In that context, the failure to leverage the economic growth of recent years into more significant employment, job quality, and compensation gains stands as a major economic failure – not a success to crow about.

Far from constituting an endorsement of Australia’s general economic and social policy directions, therefore, the generally uninspiring performance of Australia’s labour market over the last five years actually constitutes a wasted opportunity. The number of jobs created has been inadequate to Australia’s growing needs. And the quality and compensation associated with those jobs is eroding notably. A change in direction, focusing on the creation of more jobs, and better jobs, as the top priority of economic, fiscal, and industrial relations policy,⁴⁸ is urgently needed.

⁴⁸ In this regard, the integrated and expansive proposals described in ACTU (2018a) are worthy of particular mention.

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