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Hidden Unemployment in Australia

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Work Wages Welfare is a research and policy development project that explores ideas and policies to achieve full employment in a fair society.

Other papers in the series include:

Riding the roller-coaster: the use of fiscal policy to ease and avoid recessions, 2001

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Glossary

ABS	Australian Bureau of Statistics
ABS unemployment rate	The monthly published *unemployment* figures.
Excluded jobless people	People who are *marginally attached* to the labour force, but whose main reason for not looking for work does not include "attending an educational institution", "no need to work", "moved house/holidays", or “child care” (if their preference was to care for their children rather than work).
Hidden unemployed people	People who are not counted in the ABS unemployment rate - s*everely underemployed people* and *excluded jobless people*.
Jobless people	All people who do not have a job, including those not looking for work and those who do not want to work.
Job deprived	People who do not have the level of work they need. Includes unemployed and hidden unemployed people.
Labour force	All people who are either employed or *unemployed* according to the standard ABS definition (see *ABS unemployment rate*).
Marginally attached people	People who want to work and are actively looking for work but are unable to start within a week, or people who want to work are not actively looking but are available to start within four weeks.
Newstart Allowance	Fortnightly social security payment for people who are unemployed.
Official unemployment ratel	See *ABS unemployment rate*.
Participation rate	Proportion of the population over 15 years that is in the *labour force*. Often specified in this paper as participation rate of the *workforce age* population, ie the proportion of people aged 15-64 who are in the labour force.
Severely underemployed people	People who are working for 16 hours per week or less and who want to work more hours.
Standard unemployment rate	See *ABS unemployment rate*.
Underemployed people	People who are not working full-time who would like to work more hours and are available to do so. See *severely underemployed*.
Unemployed/ unemployment	People defined as unemployed by the ABS: they are not employed, that is have not had one hour or more of paid work in a week (or unpaid work in a family business or farm); have been actively seeking employment within the last four weeks; and are able to start work immediately.
Unemployment plus rate	A measure of unemployment plus hidden unemployment as a

	percentage of an adjusted labour force (labour force plus excluded jobless). This has been developed by ACOSS as a contemporary measure of job deprivation in Australia.
Voluntarily jobless people	People who do not have job and who are neither unemployed nor hidden unemployed.
Workforce age	People aged 15 to 64 years of age.
Youth Allowance	Fortnightly social security payment for young people who are unemployed or who are studying.

Executive summary

The headline unemployment figures that are published each month are used by policy makers, the Reserve Bank, and others to follow trends in Australia's unemployment levels. As is often suspected, these figures only tell part of the unemployment story. They are derived by the Australian Bureau of Statistics (ABS) using a strict definition of unemployment that counts a person with only one hour of work in a week as being employed.

This paper shows that if we were to include hidden unemployment in the statistics, we would have an unemployment rate that is about *double* the official rate.

Changes to the labour market over the last twenty years have led to high levels of joblessness that are not reflected in the official unemployment figures and are a cause of deepening social and economic disadvantage within our communities.

Jobs growth in Australia over the 1990s was predominantly in part-time and casual employment. Industries that used to employ blue-collar workers have been declining while industries that feature casual employment are on the rise. This means that more jobs are insecure and part-time, and that people who have been employed in a particular industry all their lives find that they are no longer suitable for the work on offer. Associated with these trends are people's experiences of gaining work, but not necessarily the number of hours they want, and people becoming discouraged in their search for work and dropping out of the labour market altogether.

We describe people as experiencing *hidden unemployment* if they are not working enough hours to earn a basic income, or if they want to work but have given up looking.

In this paper we propose a method of quantifying hidden unemployment that captures the majority of people who have maintained what the ABS calls a 'marginal attachment' to the labour force (referred to as *excluded jobless people*[1]), and people who are working for less than sixteen hours per week and would prefer to work more hours (referred to as *severely underemployed people)*. We have tightly defined hidden unemployment in order to identify people who are likely to be experiencing similar levels of economic and social disadvantage as people who are 'officially' unemployed.

By counting together the number of unemployed people (as measured by monthly ABS statistics), plus the number of hidden unemployed people, we are able to measure the overall extent of *job deprivation* in Australia. We use the formula below to find the *unemployment plus*[2] rate.

Unemployment Plus Rate Formula:

$$\frac{\text{unemployed + severely underemployed + excluded jobless people}}{\text{labour force + excluded jobless people}}$$

Using this formula, the *unemployment plus rate* for September 2002 was found to be 12.9 per cent – just over double the official unemployment rate.

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[1] People who want to work and are actively looking for work but are unable to start within a week, or people who want to work are not actively looking but are available to start within four weeks. They are not classified as *excluded jobless* if their main reason for not seeking employment included "attending an educational institution", "no need to work", "moved house/holidays", or "child care" (if their preference was to care for their children rather than do paid work).

[2] Unemployment plus hidden unemployment.

Unemployment and hidden unemployment, 2002

	Unemployed people	Hidden unemployed people	Unemployed plus hidden unemployed people	Standard unemployment rate	Unemployment plus hidden unemployment rate
Males	354,000	239,000	593,000	6.4%	10.5%
Females	273,000	477,000	750,000	6.2%	15.8%
All	627,000	717,000	1,344,000	6.3%	12.9%

By comparison to the standard ABS measure, the *unemployment plus rate* more closely represents the total number of people who are likely to be substantially economically disadvantaged because they do not have a minimum level of paid work. In this regard, our measure of hidden unemployment differs from other published alternative measures of unemployment. Other measures tend to focus on 'labour underutilisation', which is more a measure of the impact of unemployment on the economy than a measure of the social impact on the person and the community. Instead, we are proposing a measure that most reflects the number of people experiencing hardship through job deprivation.

Importantly, our research finds that *hidden unemployment* has remained stable while 'official' unemployment has declined. The failure of hidden unemployment to decline alongside the decline in official unemployment emphasises the need for a new unemployment indicator that exposes the level of hidden unemployment in Australia and for strategies and policies that address the problem directly.

	Unemployment (standard ABS)	**Hidden Unemployment**	**Unemployment plus hidden unemployment**[3]
1992	10.8%	8.5%	19%
2002	6.3%	6.9%	12.9%
Change	4.5%	1.6%	6.1%

Exposing hidden unemployment also helps explain why the number of people receiving income support payments has not declined at the same rate as standard unemployment. Some claim that this is due to rising welfare dependency but, in fact, many people relying on income support are hidden unemployed. They may only be working a few hours a week and still need a partial Centrelink payment to top up their earned income. Further, many people are not receiving the type of employment assistance and other supports they need to enable them to get a job.

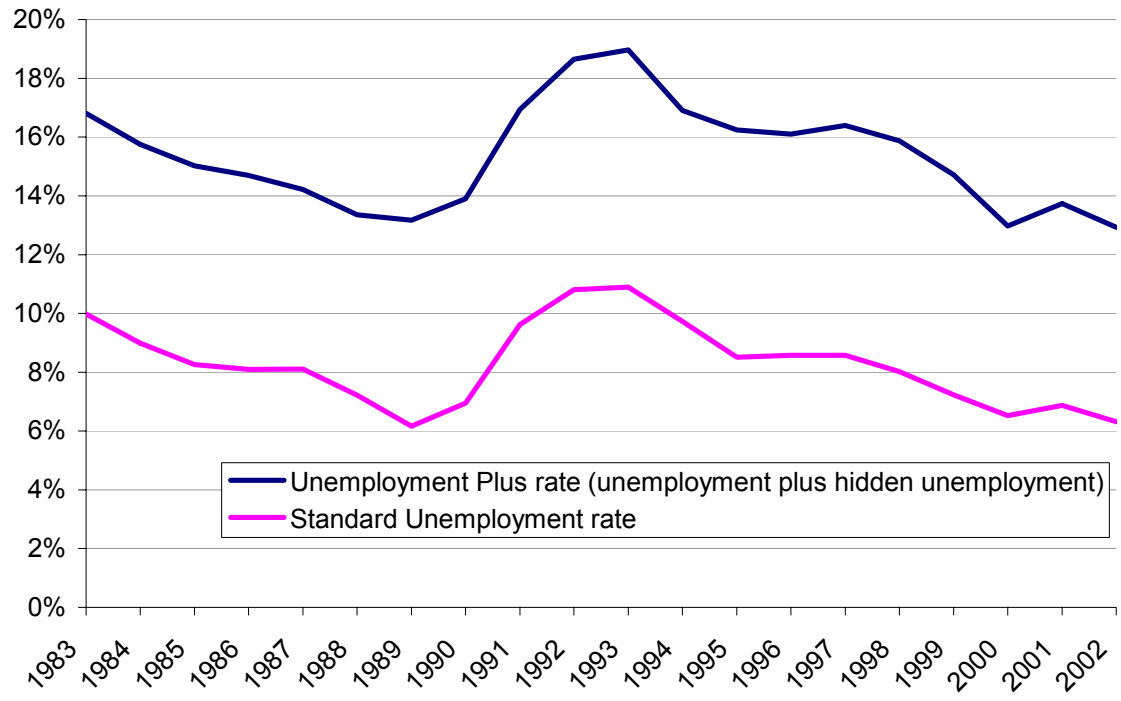
[3] The unemployment plus hidden unemployment rate does not equal the standard unemployment and hidden unemployment rates because 'excluded jobless' people are not captured in the labour force calculation used by the standard unemployment measure (see Unemployment Plus Rate Formula above).

Our research shows that some groups of people are especially vulnerable to experiencing hidden unemployment. Mothers, mature age people, Indigenous people and people with disabilities all have much higher than average rates of hidden unemployment. In order to reduce their need to rely on income support, it is necessary to address the fundamental causes of joblessness. This includes addressing a lack of full-time job opportunities, pervasive employer discrimination, a lack of affordable quality child care, and a lack of support for people with disabilities.

Alongside the situation where many people do not have the work they need and want, is a concern that Australia will soon be facing a labour shortage due to an ageing population. If the problem of hidden unemployment is not addressed, within a decade employers will not be able to find workers who are available and equipped for the job vacancies. Potential workers will be discouraged, lacking in skills and experience, or lacking the support they need, such as childcare, to be able to participate fully in the labour force.

It is only when there is a greater understanding of hidden unemployment, that policies can be developed to effectively address its impact. We propose changes to the collection and release of published ABS data to fill this gap in our knowledge of hidden unemployment. At the same time, Government policies should target reductions in hidden unemployment, as well as the traditional measure of unemployment. This requires governments to develop strategies to open up the opportunity to work for all people who are job deprived.

Standard Unemployment Rate and Unemployment Plus Rate, All persons



Sources: ABS Labour Force Catalogue No 6203, ABS Persons Not in the Labour Force Catalogue No 6220, ABS Underemployed Workers Catalogue No 6265, ABS Australian Demographic Statistics Catalogue No 3101.

Notes:
Standard Unemployment refers to the ABS unemployment rate, ie unemployment as a percentage of the standard labour force.
Unemployment plus hidden unemployment refers to standard unemployment plus excluded jobless (the majority of 'marginally attached' people plus severely underemployed people (<16 hours work per week) as a percentage of an adjusted labour force (standard labour force plus excluded jobless people).

1. The problem of hidden unemployment

Joblessness is a primary cause of poverty in Australia. When people lose, or cannot find, a job they are at risk of experiencing poverty, ill-health, loss of identity, social isolation, and of having poorer future prospects for their children. In short, not having a job is closely associated with economic and social disadvantage.

The monthly ABS unemployment rate is used to monitor the level of unemployment in Australia. But can it also be used to measure the likely level of economic and social disadvantage as a result of joblessness?

In the last decade the official unemployment rate has fallen from 11 per cent in 1992, to around 6 per cent in 2003. Does this indicate a related decline in economic hardship within Australia?

There is an emerging perception that the unemployment figures do not reflect the true unemployment levels in this country. Many people's experience of unemployment is that their families, friends and neighbours are finding it difficult to find jobs, or they have given up looking. When people do have a job it is often part-time and casual.

This gulf between people's experience of unemployment and the fall in official unemployment figures is caused by two factors: the growing concentration of long-term unemployment within particular regions and households, and the growing prevalence of 'hidden unemployment'.

What is hidden unemployment?

Hidden unemployment refers to the levels of involuntary joblessness and underemployment that are not counted in the official unemployment statistics. The ABS calculates the official unemployment figures using very strict criteria to classifying people as employed or unemployed.

People are counted as unemployed by the ABS if:

- they are not employed – that is they have not had one hour or more of paid work in a week (or unpaid work in a family business or farm);
- they have been actively seeking employment within the last four weeks, and
- they are able to start work immediately.

All other people are regarded as not in the labour force and therefore are not included in the official unemployment statistics.

This measure of unemployment is the International Labour Organisation's agreed standard measure. It is useful for measuring the health of the economy and for enabling standardised comparisons of unemployment across all countries.

What this official unemployment rate does not do, however, is measure the extent of economic and social disadvantage caused by a lack of paid work. It does not identify whether people are working enough to earn a basic level of income. It also does not identify people who want to work but have given up looking, or people who have barriers to seeking employment, or people who may not be able to start work immediately. In other words, it does not capture people who are underemployed or many people who are involuntarily without a job. These are people who are *hidden unemployed*.

This paper proposes a way of measuring *hidden unemployment* that includes people who are job deprived, but who are not counted in the official unemployment figures.

Hidden unemployment is defined as including:

- *Severely underemployed people* – people who are working for less than 16 hours per week and want to work more hours; and
- *Excluded jobless people* – a subset of people who are marginally attached to the labour force and who have a preference for working.

The category of *excluded jobless people* identifies people who really would prefer to work but who for a range of reasons do not currently fit the definition of unemployed. We have taken the group of people who are already identified by the ABS as marginally attached to the labour force – people who want to work and are actively looking for work but are unable to start within a week, or people who want to work are not actively looking but are available to start within four weeks – but have not included those who have stated as their reasons for not seeking employment as "attending an educational institution", "no need to work", "moved house/holidays", or "child care" (if their preference was to care for their children rather than work).[4] Through this method we have identified a group of people as *excluded jobless* who: are not working, are close to the labour market, want a job, and who are not officially counted as unemployed.

People who are hidden unemployed may experience all of the economic and social disadvantages normally associated with unemployment and many of them are moving in and out of employment and unemployment. This group is not well understood or catered for in the context of current employment policy. Many of these people receive social security payments, such as Parenting Payment, or the Disability Support Pension, or even Newstart Allowance.

The lack of comprehensiveness of the ABS unemployment data is illustrated by the fact that not all people who are receiving unemployment payments from Centrelink are officially counted as unemployed. Many people assume that registering as unemployed with Centrelink is what includes them in the unemployment statistics. This is not the case.

The unemployment rate is derived through a monthly survey conducted by the ABS. This survey asks people questions about their labour force activity, such as whether they are employed, if they have been looking for work, and if they are available to start work straight away. It is from these questions that the ABS determines whether a person is counted as employed, unemployed, or not in the labour force. This survey does not relate in any way to whether a person has registered with Centrelink or with a job agency.

A changing labour market and hidden unemployment

Hidden unemployment has emerged as a growing concern as a result of fundamental changes in the labour market over the last thirty years. Over this period there has been:

- a shift from low levels of unemployment to sustained high levels of structural unemployment;

[4] We have used unpublished ABS data to divide the "child care" category between those people who would prefer to work but cannot find suitable child care versus those who are engaged in child care and would not want to work because they prefer to look after their children themselves. Only those who cannot find suitable child care are identified as *excluded jobless* people.

- slow full-time jobs growth;
- an exponential increase in part-time and casual employment;
- a marked increase in the participation of women in the labour force;
- an overall decline in employment in the manufacturing sector;
- an increase in jobs in services industries; and
- increases in low paid and very high paid jobs but a decline in middle level jobs.

Some of these changes to the labour market have worked in combination to produce desirable outcomes, such as more opportunities for women to work part-time. However, the overall primary effect has been a polarising of employment opportunities. Households and regions are increasingly being divided between those who are close to full employment (and often over-employed) with very little hidden unemployment, and those experiencing high levels of unemployment, underemployment and low-paid insecure work.

Full-time, part-time and casual jobs growth

While the current unemployment rate is comparable to unemployment levels in 1980, the proportion of workforce aged people in employment has actually been increasing. In 2002, 70 per cent of workforce aged people were employed, compared with 63 per cent in 1983.[5] This apparent contradiction of having increased employment levels without a decline in unemployment has occurred as a consequence of rising levels of labour force participation – mostly due to more women participating in the labour force.

Employment growth figures also fail to indicate the nature of the jobs that have been created, and the labour market disadvantage associated with many of the new jobs. Full-time permanent jobs have historically been the predominant type of employment in Australia. However, almost all jobs growth throughout the 1990s was in part-time and casual employment. There was actually a net loss of jobs that were both full-time and permanent between 1990 and 2000. This pattern of job creation has been identified as "the principal reason for the increase in labour market inequality in Australia in the 1990s".[6]

While the trend towards part-time rather than full-time jobs growth began in the 1980s, it was most apparent during the 1990s. Taking 1980 as a reference point, about 85 per cent of employees were working full-time. Throughout the 1980s, about 57 per cent of all new jobs were full-time. During the 1990s, only about 25 per cent of new jobs were full-time.[7]

The trend away from full-time jobs growth can clearly be seen in the changing proportion of people who are in full-time employment:

- 83% of employed people were working full-time in 1983
- 71% of employed people were working full-time in 2003.[8]

The figure below indicates the weakness of full-time jobs growth in the 1990s compared with the previous decade. The gap between the bottom two lines represents part-time employment, which has grown strongly throughout the period. The gap between the top two lines represents unemployment.

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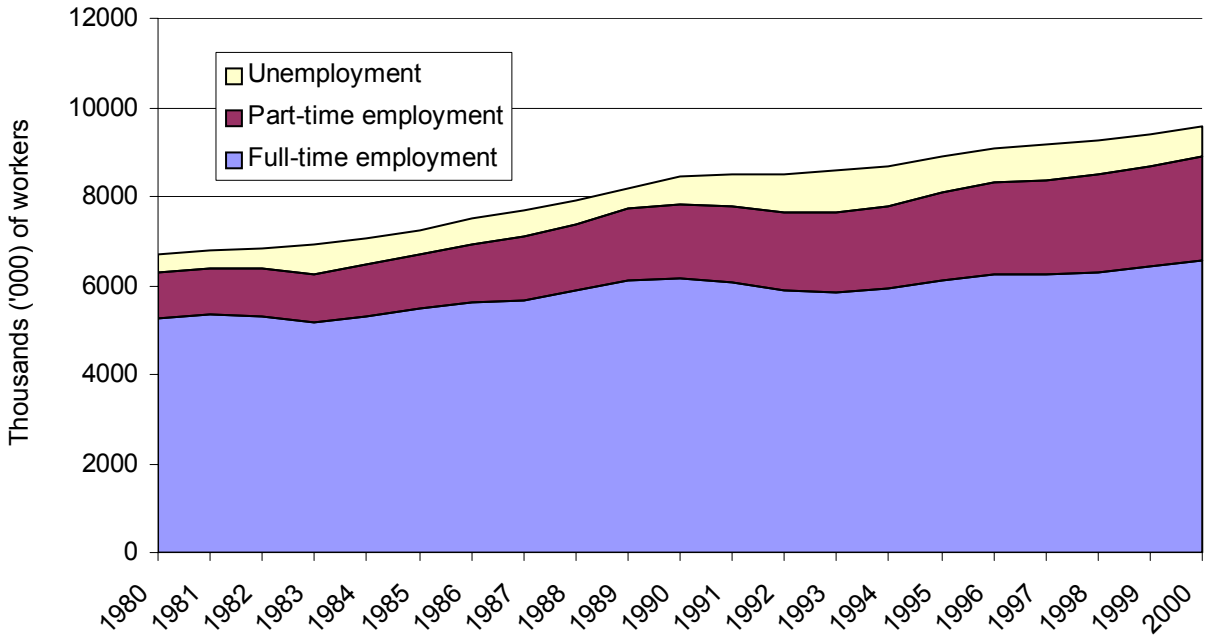
[5] ABS *Labour Force*, Cat. No. 6203
[6] Keating M 2003, p27.
[7] Borland J, Gregory B, Sheehan P 2001, pp9-11.
[8] ABS *Labour Force,* Cat. No. 6203

Figure 1: Growth in the labour force – unemployment, part-time and full-time work



Source: ABS Labour force, Catalogue No. 6203.

The growth in part-time employment is not necessarily a problem, as it meets the preferences of many employees. Mothers are the primary group who have increased their participation in the labour force, and they may often prefer to work part-time.[9] It may also suit students needing to earn an income while studying. To the extent that part-time employment is optional and found within a family unit that includes a full-time earner, it is not of great concern. About three in four part-time workers do not want to work more hours.

The move from permanent to casual work that has accompanied the growth in part-time work is of greater concern. In 1990, only 19 per cent of jobs were casual, but 75 per cent of new jobs created throughout the 1990s were casual. Casual employment is less often an employee preference and tends to be associated with poor quality employment. People are defined by the ABS as casual workers if they do not have paid leave entitlements, but will usually also be ineligible for other entitlements, such as training and development, and can easily lose their job without notice or any compensation.

Teenagers and women have traditionally been employees who may prefer casual work. However, casual employment has been rising more rapidly than the demand created by increases in the teenage and female labour force. Only one in five casual workers indicate that they prefer to work on an intermittent basis, which may be a primary reason for someone preferring casual employment. Meanwhile, two thirds of casual workers prefer predictable hours or work. In practice, there does appear to be some degree of stability within casual employment, with over half of casual employees in the same job for over a year.[10]

The increase in casual employment appears to be driven by employer preferences for engaging casual labour, rather than by employee preference for casual work. With casual employment, the

[9] Refer to Chapter 4 for a discussion on the labour market participation by mothers
[10] Watson, Buchanan, Campbell and Briggs 2003, p 67.

burden of risk is carried more by the employee than by the employer. Casual employment enables employers to readily change employees' hours of work in accordance with labour need. [11]

People in casual employment are more vulnerable to joblessness than permanent employees. For example, a permanent employee who becomes temporarily incapacitated through an illness or accident would be likely to have a period of leave but continue to be employed. A casual employee in the same situation is vulnerable to losing their job and having a period out of the labour force altogether. Casual employees do not have any entitlements to leave and therefore when they require time off they are dependent on the employer agreeing to release them.

Growth in part-time and casual jobs has not occurred evenly across all occupation types or geographic locations. There has been a phenomenon of a 'hollowing out' of the labour market. There have been increases in full-time permanent employment at the very top end of the labour market, and increases in low-paid casual and part-time employment at the bottom end, but a loss of middle jobs, such as in trade and clerical occupations.[12] There is a disturbing trend away from full-time permanent work for many people who require it.

The change in full-time employment levels of men – a group that has little optional part-time employment – hints at the disadvantage behind the employment figures:

- In 1983, 94% of working males were employed full-time;
- In 2003, only 85% of working males were employed full-time.

In conjunction with this falling rate of male full-time employment, there has also been a fall in male labour force participation rates. Prior to 1985, most of the decline in male labour force participation could be attributed to mature age workers (55 to 64 years of age). Since 1997, nearly all of the aggregate change in the male participation rate can be attributed to prime age men, 25-54 years of age.[13] Further analysis is required to determine the reason for the decline in participation levels of prime age men, however it is expected that many are likely to be discouraged job seekers.

A *four tier* hierarchy has emerged within the labour market:

1. Highly skilled workers with secure full-time jobs (who are likely to sustain employment even if they change jobs frequently or are engaged on a temporary basis);

2. Workers with middle-order skills in full-time jobs (for example trades and advanced clerical workers), whose jobs are vulnerable in economic down-turns;

3. Low-skilled workers (the majority of whom are women or young people) who are increasingly segregated into more precarious or part-time jobs, and face the prospect of frequent bouts of unemployment;

4. People who mainly rely on social security payments for their income for prolonged periods (who are mostly low skilled, and often have limited experience in secure, full-time employment).[14]

People in the last two groups share many characteristics in common and are at high risk of unemployment, hidden unemployment, and joblessness generally. People who are unemployed, underemployed or marginally attached to the labour force, are most likely to move into low paid

[11] Watson et al 2003, pp 67-70.
[12] Borland, Gregory and Sheehan 2001, pp 1-20.
[13] Dixon 2002, pp 419-430.
[14] ACOSS 2003, p113.

employment when they do gain a job and are also at much greater risk than other workers of once again becoming jobless.[15]

The current official unemployment rate does not measure either the quantity of available employment or the quality of that employment. Hours of work, earnings inequality, and security of employment, are all factors that indicate the quality of employment. They are also indicators of what is happening more broadly in the labour market.[16] Many of these are issues associated with casual work and underemployment.

The standard ABS unemployment rate is a fair gauge of labour market disadvantage where there is little deviation from a norm of full-time permanent work and where most workforce age people who want to work are participating in the labour force. However, in the current situation many people are in casual and part-time work that is unstable, other people are moving in and out of employment, and others are discouraged job seekers who have dropped out of the labour market altogether.[17]

With almost all jobs growth in part-time work, and 20 per cent of workers now in casual employment,[18] a measure of hidden unemployment is needed to encapsulate those people who are excluded from getting the work they need and want.

People not in the labour force and discouraged job seekers

It may be thought that with growing numbers of people in the labour force, that lack of participation in the labour force and marginal attachment to the labour force would no longer be a problem. However, marginal attachment to the labour force has only decreased slightly and therefore remains an ongoing concern. Changes in the nature of the labour force, and greater participation in employment by women, have given rise to a greater expectation that people will work if they can.

Mothers predominate as people with marginal attachment to the labour force. This is because many mothers who are currently outside of the labour force may well work if both a job and appropriate child care were available. However, if these things are not attainable, they will give up looking for work and join the ranks of people who are not in the labour force, or people who are hidden unemployed, rather than people who are counted as unemployed.

Mature age people have been particularly affected by changes to the labour market, which has led to them withdrawing from the labour force altogether. People aged between 55 and 64 have low levels of labour force participation. They have quite low levels of unemployment and marginal attachment to the labour force. They also have low levels of employment. This indicates that it is common for mature age people to not have a job and that mostly they are completely withdrawn from the labour market and do not expect to work again. This means mature age people do not appear in either the unemployment or hidden unemployment statistics. However, many mature age people who are appearing as voluntarily jobless may prefer to work and have accepted early retirement as the only option.

Indigenous people and people with disabilities also have particularly low rates of participation in the labour force. However, this is not due to any recent changes in the labour market but is

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[15] Dunlop 2001, pp 95-117.
[16] Watson 2000
[17] See Le Anh & Miller P: Job quality and churning of the pool of the unemployed (ABS Occasional Paper Catalogue No 6293.0 1999), ABS: "Social Trends" Catalogue No 4102 1990; Dunlop2001; and ABS Occasional Paper Catalogue No 6293.
[18] ABS 2001 *Forms of Employment in Australia,* Catalogue No. 6359.0

instead due to systemic disadvantage and discrimination. People with disabilities are likely to experience employer discrimination, as well as often lacking the supports they require to participate in employment.

Indigenous people have a high rate of marginal attachment to the labour force and underemployment. Furthermore, Indigenous people may be outside mainstream employment by participating in the Community Development Employment Project (CDEP). When participating in CDEP, people forego their unemployment benefits to undertake part-time community work. CDEP participants are usually underemployed and normally earn the equivalent of what they would have received from unemployment payments.[19] People participating in CDEP are officially counted as employed, but they are experiencing similar levels of employment disadvantage and economic exclusion as people who are unemployed.[20]

A measure of job deprivation is needed to capture those people who, as a result of systemic disadvantage and ongoing discrimination in the labour market, have given up looking for work or who are working too few hours to be sustainable.

Implications of hidden unemployment

An accurate picture of employment, unemployment, and hidden unemployment is required to inform and enable appropriate policy responses that reflect the realities of the contemporary environment. A lack of understanding of hidden unemployment in Australia can lead to a lack of well formulated policy.

Understanding hidden unemployment has significant economic and social consequences. It has particular importance in the context of the need to:

- reduce economic wastage;
- generate jobs and reduce unemployment levels;
- respond to an ageing population and labour market shortages; and
- combat economic disadvantage and social exclusion.

Impact on the economy

As with unemployment generally, high levels of hidden unemployment result in the underperformance of the economy through lost output and income. Additionally, hidden unemployment contributes to problems in reducing unemployment. This is apparent when the economy is growing strongly and discouraged job seekers are enticed back into the labour force, and underemployed people seek more hours of work.

There are significant economic implications of an underutilised labour force at a time when an ageing population is expected to create labour supply shortages. Special measures are required to sustain an adequately sized labour force at a time when a large proportion of workers enter retirement, and the relative service needs of the population increase. It is predicted that the

[19] Participants may also receive a CDEP Participant Supplement – a small additional Centrelink payment of $20.80 per fortnight to cover participation costs. Participants that would otherwise be eligible for a pension may receive a Centrelink payment that covers the difference between their CDEP wages and the pension amount.

[20] For further analysis of the impact of hidden unemployment and joblessness on particular groups in Australia, refer to Chapter 4.

workforce will grow by just 125,000 for the entire decade of the 2020s, an average increase of just 12,500 workers per year, compared with a current average growth rate of 170,000 workers each year.[21] As well as fewer people being in employment, there will also be a rise in demand for particular types of labour as an older population will require greater servicing through health, aged care and other services.

The labour force exclusion of many people of workforce age through hidden unemployment will exacerbate labour shortages. While it might be expected that problems of joblessness will be overcome with a greater demand for labour, this positive outcome will only occur if there are supporting policies to ensure people maintain a connection with paid work and that the skills of the jobless match the job vacancies.

A long time out of employment makes it very difficult for people to re-enter employment even when jobs become available. Without active engagement and training policies, there will be a wide gap between the skills of jobless people and the skills required by employers. There is a need for education and training to ensure that the gap between available labour and job skill requirements is minimised.[22] People who have been out of employment for a long time, or who have never worked, also often require actual work experience to be able to gain a job. This means ensuring that: a sufficient number of people are trained for entry level positions; that people within employment are retrained according to changing skill needs; that appropriate lifelong learning occurs; and that people who are not in employment are provided with the education, training and work experience opportunities to be able to get a job when they want to do so.

Over the last decade there has been an increase in individuals undertaking further education. However, many people are not using their educational or skill qualifications within their workplace and are undertaking unskilled work instead. Where skills are required for particular jobs, it has become the responsibility of the individual to make sure they have the right training. Employing casual and contract staff offers greater flexibility for organisations to obtain staff with the required skills rather than re-training the staff that they have.[23] These trends present a number of challenges for developing policies and systems to ensure people are not at risk of falling out of employment as skill requirements change, and that they can effectively re-enter employment after they have spent a period out of the labour force.

Reducing hidden unemployment and minimising skill shortages, needs to be dealt with on two main fronts – by addressing the process of skills development and by developing systems for supporting lifelong learning. The traditional focus of training young people and people who are unemployed needs to be broadened to also consider the long term skill needs of hidden unemployed people and low-skilled workers currently in employment.

Social disadvantage: economic and social exclusion

The social impact of hidden unemployment manifests in the economic and social exclusion of jobless individuals and families. These are common experiences shared by people enduring unemployment and hidden unemployment. However, people who are hidden unemployed are at further risk of not being included in policies and programs that seek to assist people who are unemployed. Programs are likely to be under-funded if the estimated levels of jobless people whom they are targetting are based on the standard unemployment rate alone.

[21] Andrews K "Age adds to a company's bottom line". In *The Australian Financial Review*, 27 August 2003.
[22] Keating 2003, pp31-2.
[23] Watson et al 2003, pp151-164.

Economic exclusion

Economic exclusion occurs when an individual or a family does not have a sufficient earned income to enable basic needs to be met. When families face joblessness or severe underemployment they will generally receive income support payments. However, unemployment benefits are insufficient over long periods to prevent poverty and it is generally only by becoming adequately employed that a person is able to avoid poverty. When people first become unemployed they often have savings and resources that will assist them during the first period of unemployment. After people are unemployed for a long period, their resources run down and they lack the income to be able to easily meet costs. For example, a person who has been employed will often not need to buy new clothes for themselves or dependants for some time. This means that their income support payments will not need to stretch to cover clothing until they have been out of work for a longer period.

It might be expected that people who are hidden unemployed and who are only marginally attached to the labour force might be at less risk of poverty than other unemployed people, as they are not necessarily actively seeking work. However, while poverty rates are highest for households with long-term unemployment, poverty rates are still high where the primary household earner is not in the labour force, regardless of the reason. Data from 1996 shows the poverty rate was 43.6 per cent when the primary earner was male but not in the labour force. When the primary earner was female but not in the labour force the poverty rate was 52.6 per cent. Furthermore, 67 per cent of households with the primary earner not in the labour force are in "near poverty" (that is less are than 20 per cent above the poverty line).[24]

With joblessness a significant cause of poverty, the best possibility for overcoming poverty lies with being able to get a job of adequate hours. However, people who are experiencing hidden employment tend to experience difficulty in either getting a job or getting more hours of employment. A recent study suggests that people who are marginally attached to the labour force tend to share the same disadvantage in the labour market as unemployed people, and quite a different labour market experience from others not in the labour force.[25] Most people who enter the labour market after not being in the labour force, and also not being marginally attached, will move straight into employment without spending time unemployed.[26] This behaviour suggests that these people are truly *voluntarily* not in the labour force – when they choose to enter employment they have no difficulty getting a job.

On the other hand, people who are marginally attached[27] to the labour force will generally either remain marginally attached or will become unemployed. Unlike other people who are not in the labour force, they will nearly always spend a period in unemployment (undertaking active job search) before they get a job.[28] The length of time since a person last worked is a key determining factor in how long it takes to get a job.

People who are *underemployed* can also experience labour market disadvantage. It is often a struggle for people who are in part-time and casual employment to move into permanent work. The majority of people who are unemployed move into casual jobs when they find work. Once this occurs they are no longer counted as unemployed, but their hours of work may still be insufficient and the instability of casual employment may mean they are unable to make longer-term financial decisions.

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[24] Gregory and Sheehan 1998, p120.
[25] Gray, Heath and Hunter 2002
[26] Gray et al 2002.
[27] In this study, Gray et al define marginal attachment as a person not actively searching for work but being willing and available to start work.
[28] Gray et al 2002.

It is commonly believed that a move into casual work is a stepping stone to a full-time permanent job. However, research has shown that it is only people who are *most* disadvantaged in the labour market who increase their possibility of gaining permanent employment by undertaking casual work first. Those job seekers who would be very unlikely to move straight into permanent employment will increase their long-term chances by undertaking casual work first. People who are less disadvantaged are unlikely to gain permanent employment any sooner by undertaking casual work first.[29] This is not to argue that people should not get a casual job, but rather that when they do they may still encounter difficulties in the labour market.

A scarcity of full-time jobs and the dominance of casual part-time employment in some industries, such as hospitality, means it is possible for people who are disadvantaged in the labour market to become "trapped by a cycle of job insecurity and low pay". Their periods in work are likely to be interspersed with spells of unemployment and periods outside of the labour force.[30]

The prospects for full-time employment are only slightly greater for job seekers in part-time employment than they are for people who are unemployed. Data from 1995 shows that of the total number of part-time workers looking for full-time work, only 21 per cent had found full-time work a year later. Of job seekers who were unemployed, 17 per cent found full-time work.[31]

Part-time or casual low paid workers are less likely than full-time and permanent low paid workers to move into higher paid work. Casual low paid workers are also more likely to become jobless than other workers.[32]

People who are unemployed, underemployed or marginally attached to the labour force are likely to experience ongoing labour market disadvantage even after they do gain a job. They are more likely to get a low-paid job and are also about three times more likely than other workers to become jobless again. These people are at risk of being stuck in a cycle of moving from joblessness to low paid work and back to joblessness.[33]

The labour market disadvantage experienced by hidden unemployed people, both those who are marginally attached and those who are underemployed, and the similarity of experience to people who are unemployed suggests that they should be considered in a similar context. To ignore people who are hidden unemployed as a group experiencing labour market disadvantage is to ignore a group of people who are often facing ongoing economic exclusion and who are at risk of long-term joblessness. This may have particular implications for the eligibility criteria for job seekers participating in labour market programmes.

Social exclusion

People who are marginally attached to the labour force or who are underemployed are vulnerable to social exclusion. Social exclusion emerges in two main forms as a result of joblessness. Firstly, it is a direct consequence of the lack of social interaction and sense of identity, belonging and purpose associated with working. Secondly, it is a consequence of not having sufficient income to be able to participate fully within the community, and to have a sense of control over one's own life.

While jobs may help to end social exclusion, they only do so if "they restore a sense of control, provide an acceptable status, and offer good prospects".[34] The types of jobs held by people who

[29] Chalmers J and Kalb G, 2000.
[30] Burgess and de Ruyter 2000, p10.
[31] ABS *SEUPDATE*, Edition 1 of 1998, p2.
[32] Dunlop 2000, p35.
[33] Dunlop 2000, p43.
[34] Saunders 2002, , p188.

are underemployed often do not meet these criteria. If a person is underemployed and in insecure employment, there is in fact the possibility that a person has less of a sense of control and certainty than if they are on the fixed income that a social security payment may provide.

The combination of rising part-time employment, and more women participating in the labour force, gives rise to the possibility that households may be no worse off if both adults are in part-time employment, rather than one adult in full-time employment. Unfortunately, this is not the pattern of distribution of employment within and between households. Instead there has been polarisation of employment between households.

There has been a shift in the last thirty years from nearly all families having one full-time earner to a situation where many families have two earners and many other families have no earners or only one part-time job that is often insecure. In 2002, 61 per cent of couple families had both parents employed with the majority having a father employed full-time and mother employed part-time. Meanwhile, 11.4 per cent of couple families in 2002 also had either no employment or only one part-time job. If we look at single parent families as well as couple families, 25.8 per cent of families had either no parent employed or only one parent in part-time employment.[35]

Households without someone in permanent full-time employment are likely to be made up of people who oscillate amongst unemployment, marginally attachment to the labour force, underemployment and low-paid employment. These families are nearly all likely to be dependent on some type of income support payment and to be experiencing ongoing social exclusion as well as economic exclusion.

This polarisation of family employment status is leading to a sharp rise in inequality in household income and opportunities associated with stable full-time employment. With over a quarter of families with children without a full-time job, a massive differential has emerged in family incomes. It is unemployment in combination with hidden unemployment that is making this divide particularly evident.

Addressing the implications of hidden unemployment

Understanding more fully the levels of job deprivation in Australia may lead to:

- improved measurement and understanding of economic disadvantage enabling better formulation of economic and social policies that are directed towards areas of greatest need;
- better prediction of the behaviour of the labour market and improved ability to develop strategies to manage recessions and to combat long term unemployment;
- better management and more appropriate resourcing of the skill development and lifelong learning of people who are hidden unemployed as well as people who are unemployed to enable greater employment participation;
- greater capacity to improve employment participation by groups who have high levels of joblessness – this will improve the performance of the economy, cut the social costs of joblessness, and assist in dealing with an ageing population;
- improved participation in appropriate types of employment assistance - for example, improving full eligibility for Job Network assistance for marginally attached and underemployed people;
- development of appropriate social policies that more effectively tackle the associated poverty that accompanies many forms of joblessness, e.g. access to health and dental care,

[35] Renda 2003, pp 20-21.

education and training, and the funding of regions and communities that are significantly more disadvantaged than revealed by the standard unemployment statistics.

To be able to comprehensively work on the above issues, and to track levels of progress, we need to maintain a broader measure of unemployment that includes people who are hidden unemployed and at risk of social and economic disadvantage.

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2. A new model to measure job deprivation: unemployment plus hidden unemployment

Measuring the extent of hidden unemployment as a cause of economic and social disadvantage is essential if we are to adequately formulate policy responses. It is only when the full problem of joblessness is revealed that the best policy responses can be made. Measures of hidden unemployment would give us the ability to identify the potential labour force participation rate and to identify levels of job deprivation.

This paper proposes a methodology for measuring job deprivation that includes unemployed people plus hidden unemployed people (referred to as the Unemployment Plus Rate). The defining principle of job deprivation is that anyone who is jobless and wanting to work, or who is working less than 16 hours per week and looking for more work, is vulnerable to economic and social disadvantage. It is not an exact measure of economic disadvantage, as even those who are officially unemployed will not necessarily be in financial hardship, especially if they are not eligible for social security payments. There are people without employment who are dependents, or who have independent means, but who will still want to work.[36] This proposed measure of hidden unemployment is an approximate measure of people who are likely to be experiencing similar levels of economic and social exclusion as people who are officially unemployed.

This measure does not include people who are jobless out of personal choice or necessity. People may not be seeking employment because of personal or structural barriers to employment, or because they have no need to work. Personal barriers to employment include being too ill to work, or needing and wanting to care for children. Structural barriers include having a disability and not having the necessary extra support mechanisms to undertake work, or being a parent and wanting to work but not doing so because of unavailability of child care. The Unemployment Plus Rate in this paper attempts to encompass people who have a structural, but not personal, barrier to employment.

To derive a comprehensive measure of *unemployment plus hidden unemployment* we have included the following groups of people:

- Unemployed people – those who are unemployed according to the conventional ABS definition.
- Underemployed people – those working less than 16 hours per week who want to work more hours.
- Excluded jobless people – those who are jobless and wanting to work but are excluded from the standard statistics because of either being unable to commence immediately, or because they have not been actively looking for work. [37]

People who are *hidden unemployed* are those in the second and third groups – underemployed people and excluded jobless people. People who are *job deprived* include those in all three groups – unemployed people, underemployed people, and excluded jobless people.

[36] For example, married women wanting to return to the workforce, and dependent teenagers who are wanting to get a job.

[37] This is essentially a measure of the ABS category of 'marginal attachment to the labour force'. However, it excludes people who are over 65, and whose main reason for not looking for work is because of voluntarily caring for children, on holiday, moving house, attending an educational institution, and not needing to work.

The standard unemployment rate is calculated as the number of unemployed people divided by the labour force. The labour force is comprised of people who are employed and people who are officially unemployed.

Standard ABS unemployment rate:

$$\frac{\text{unemployed people}}{\text{labour force (employed + unemployed people)}}$$

The measure of unemployment plus hidden unemployment in this paper (known as the *unemployment plus rate)* is calculated by counting *unemployed* people plus *underemployed* people plus *excluded jobless* people (otherwise known as *unemployed* people plus *hidden unemployed* people). This is then divided by the number of people who are in the labour force, which is calculated as the sum of all *employed* people, *unemployed* people and *excluded jobless* people. For this calculation the labour force is expanded beyond the usual ABS definition to also include excluded jobless people.

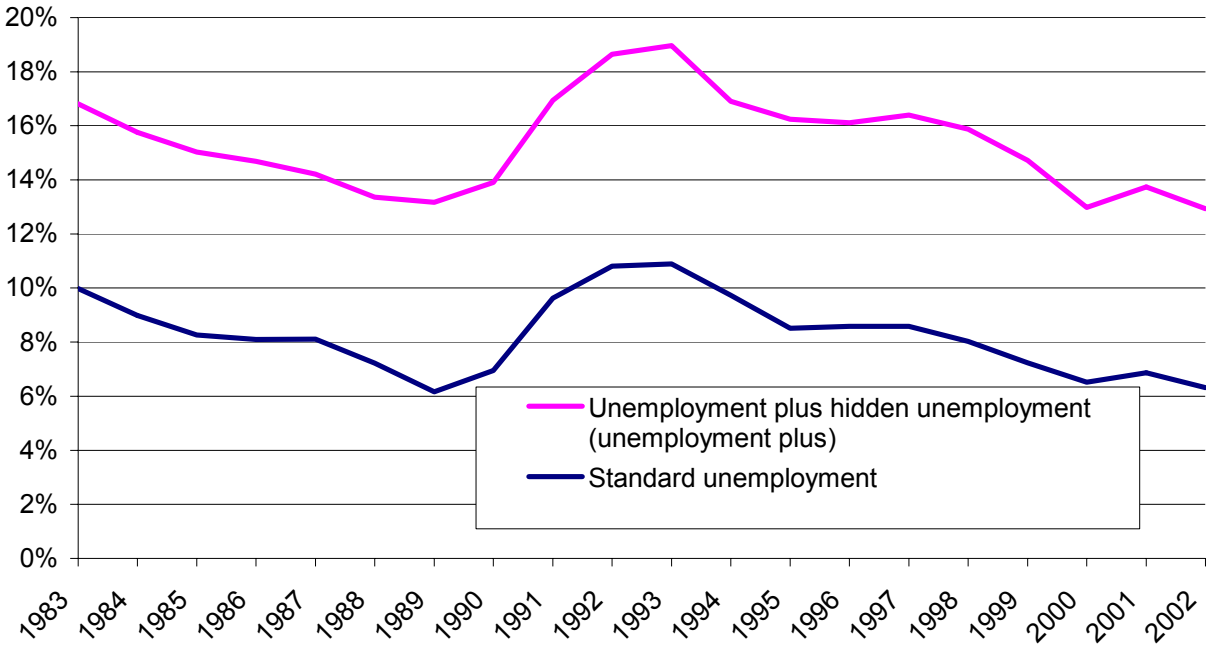
Unemployment plus rate:

$$\frac{\text{unemployed + underemployed + excluded jobless people}}{\text{labour force (employed + unemployed) + excluded jobless people}}$$

Applying the proposed model

Using this proposed measure of unemployment, the *unemployment plus* rate in September 2002 was 12.9 per cent compared with the standard unemployment rate of 6.3 per cent. This indicates that, in 2002, the total unemployment plus rate was about double the standard unemployment rate. The figure below depicts the unemployment plus rate versus the standard unemployment rate over the last twenty years.

Figure 2: Standard unemployment rate and unemployment plus rate, all persons



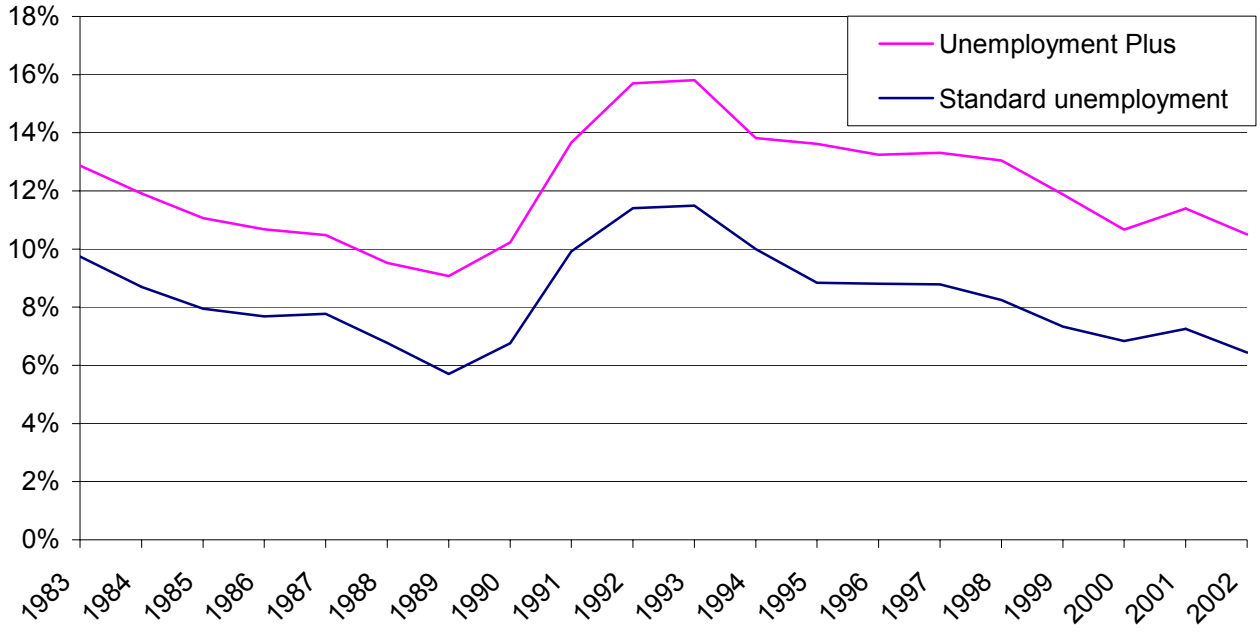
Sources: ABS Labour Force Catalogue No 6203, ABS Persons Not in the Labour Force Catalogue No 6220, ABS Underemployed Workers Catalogue No 6265, ABS Australian Demographic Statistics Catalogue No 3101.

Notes:

Standard Unemployment refers to the official ABS unemployment rate, ie unemployment as a percentage of the standard labour force.

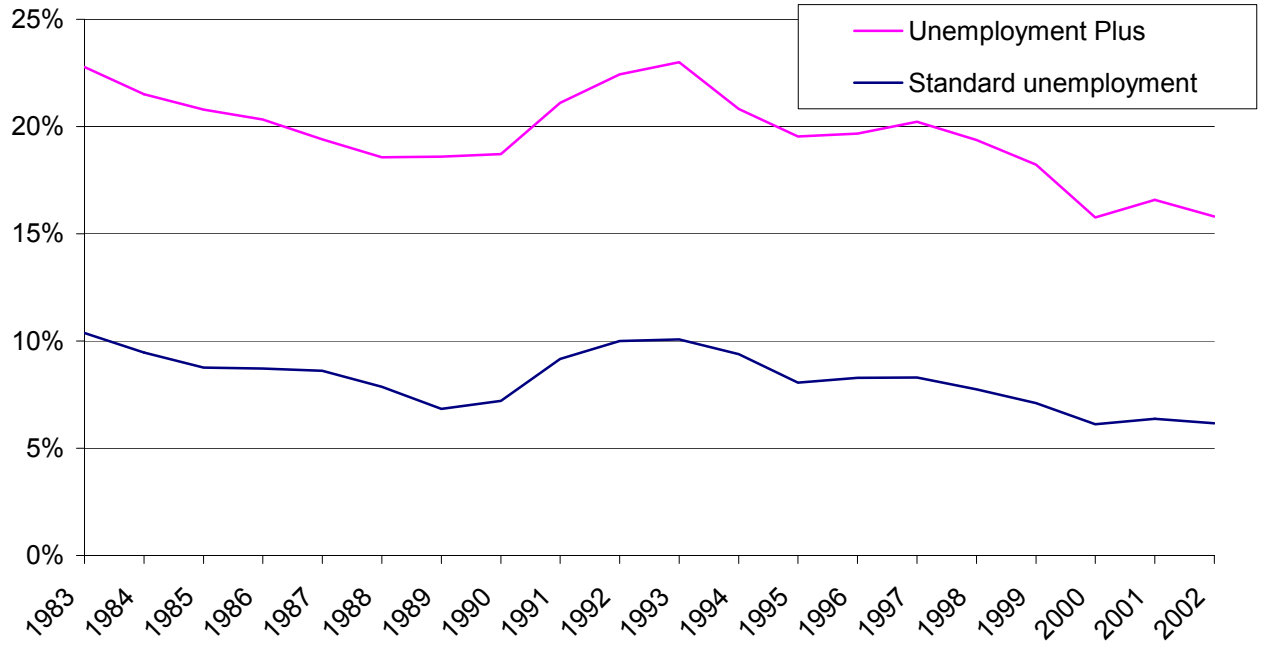
Unemployment plus hidden unemployment refers to standard unemployment plus excluded jobless people plus severely underemployed people (<16 hours work per week) as a percentage of an adjusted labour force (standard labour force plus excluded jobless people).

Figure 3: Standard unemployment rate and unemployment plus rate – males



Sources: ABS Labour Force Catalogue No 6203, ABS Persons Not in the Labour Force Catalogue No 6220, ABS Underemployed Workers Catalogue No 6265, ABS Australian Demographic Statistics Catalogue No 3101.

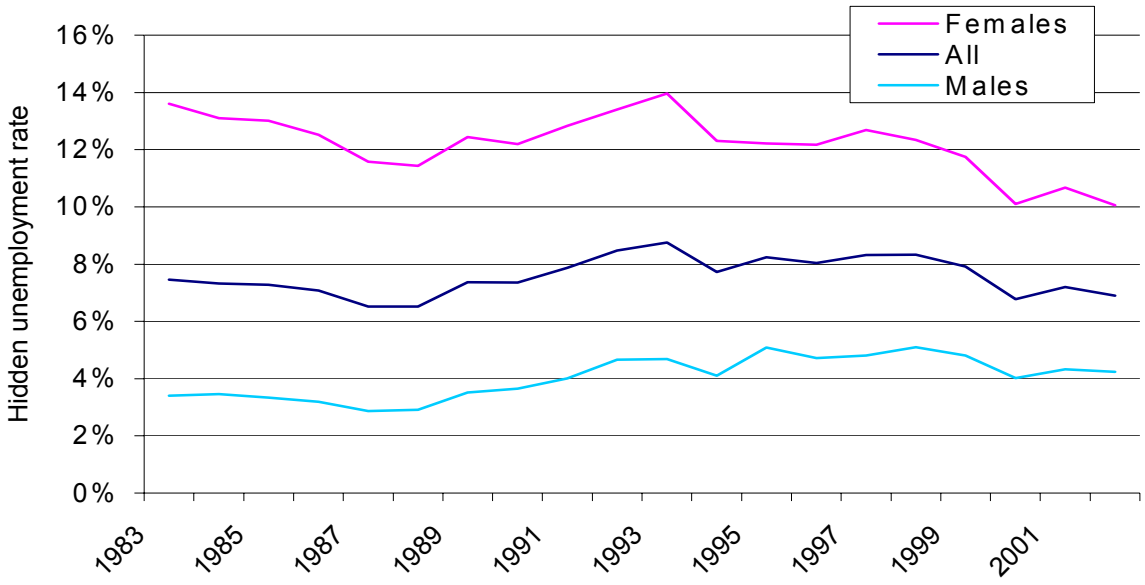
Figure 4: Standard unemployment rate and unemployment plus hidden unemployment rate – females



Sources: ABS *Labour Force* Catalogue No 6203, ABS *Persons Not in the Labour Force* Catalogue No 6220, ABS *Underemployed Workers* Catalogue No 6265, ABS *Australian Demographic Statistics* Catalogue No 3101.

The three figures above all present the standard unemployment rate on the bottom line and the unemployment plus rate on the top line. The unemployment plus rate measures the total proportion of the labour market that is experiencing job deprivation. The unemployment plus rate for men (figure 3) was 10.5 per cent in 2002 compared with a standard unemployment rate of 6.4 per cent. For women (figure 4) the unemployment plus rate was 15.8 per cent compared with a standard unemployment rate of 6.2 per cent.

Figure 5: Hidden unemployment only rate, 1983-2002



Sources: ABS Labour Force Catalogue No 6203, ABS Persons Not in the Labour Force Catalogue No 6220, ABS Underemployed Workers Catalogue No 6265, ABS Australian Demographic Statistics Catalogue No 3101.

Notes

Hidden Unemployment refers to excluded jobless people plus severely underemployed people as a percentage of the adjusted labour force (standard labour force plus excluded jobless people).

This figure does **not** include standard unemployment in its measure.

Figure 5 portrays the level of hidden unemployment without the standard unemployment rate. It only includes excluded jobless people and severely underemployed people. By comparing figure 5 with figures 2,3 and 4 it can be seen that hidden unemployment levels are not a fixed proportion of standard unemployment. It is interesting to observe that, while hidden unemployment fluctuates according to the economic cycle, it does not fluctuate with the same degree as standard unemployment. It is possibly a more entrenched or stable form of joblessness than standard unemployment.

Hidden unemployment has not seen the same downward trend as standard unemployment. Although the hidden unemployment rate was previously lower than the standard unemployment rate, since 1997 the hidden unemployment rate has been hovering just above the standard rate. In 1983, the hidden unemployment figure was 80 per cent of standard unemployment. In 2002, it was 114 per cent. Proportionately, hidden unemployment is therefore becoming more significant.

Comparisons of male and female rates of hidden unemployment in figure 5 above show distinct differences. The female hidden unemployment rate is around 4% higher than the standard female unemployment rate, and has stayed roughly proportionate to the standard unemployment rate throughout the last 20 years.

The male hidden unemployment rate is lower than the standard unemployment rate but has been steadily rising while standard unemployment has been falling. In 1983, the hidden unemployment rate was 6.3 percentage points lower than the standard unemployment rate. In 2002, the hidden unemployment rate was only 2.2 percentage points lower than the standard unemployment rate. This has meant that the unemployment plus rate has fallen more slowly than the standard unemployment rate.

The much higher rates of hidden unemployment for women than men are to be expected, as women are generally the primary carer in the family and are often perceived as the second earner. It is often the case that if a family cannot find child care the mother is less likely to work. If a mother is having difficulty finding employment she is more likely to drop out of the labour market rather than continue to actively search for work.

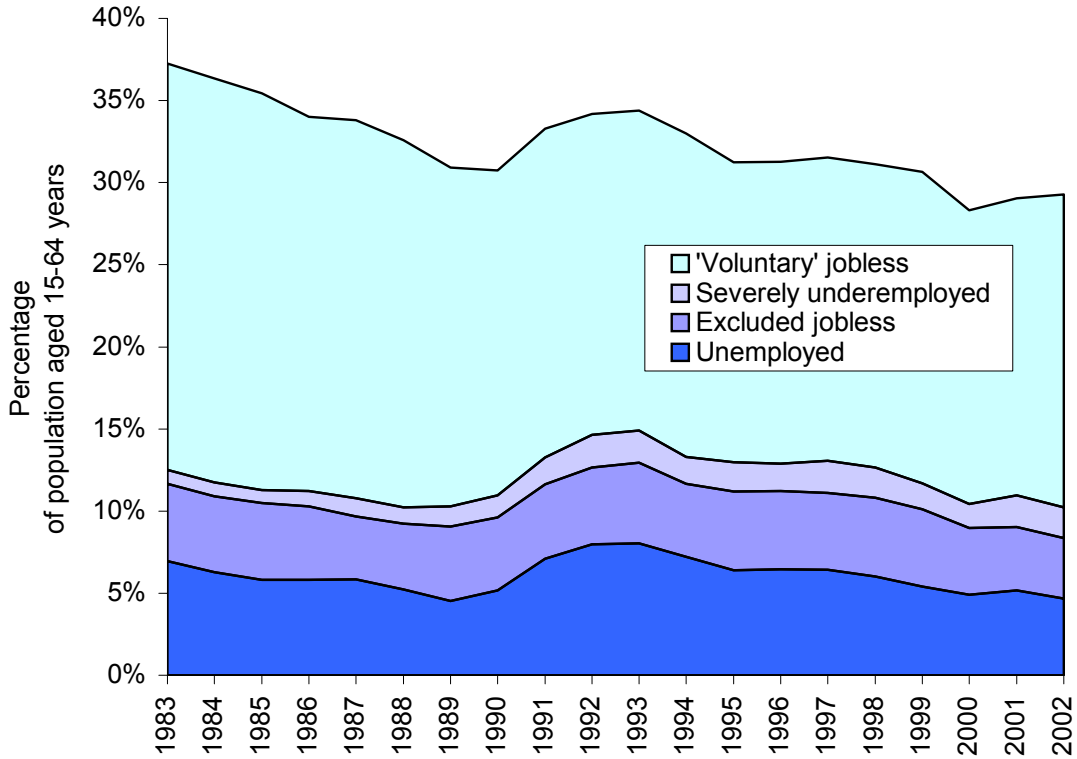
The trend towards men experiencing increasing levels of hidden unemployment reflects the changes to the labour market that were outlined earlier. Predominantly, it is traditionally male occupations that have seen a disappearance in jobs, and it is in traditionally female occupations that jobs growth has occurred. Many men in traditional jobs were made redundant during the 1990s and have been unable to gain work since.[38] These people are likely to have become discouraged job seekers and have entered the category of people experiencing hidden unemployment.

Joblessness and the workforce age population

It is useful to look at levels of job deprivation as a proportion of the workforce age population, not just as a proportion of the labour force as calculated above. This method of looking at unemployment, severe underemployment and excluded joblessness, may enable us to observe trends in participation that are not reflected in the labour force data. For example, growth in the number of people actually participating in paid work will only be apparent when looking at joblessness within the entire workforce age population rather than simply looking at who is already in the labour force, or marginally attached to the labour force. Looking at the whole population may also reflect labour market slack, that is where there is potential for more people within the population to be working.

[38] Watson et al, p60.

Figure 6: Jobless rates by population 1983-2002



Sources: ABS *Labour Force* Catalogue No. 6203.0, ABS *Persons Not in the Labour Force* Catalogue No. 6220.0, ABS *Underemployed Workers* Catalogue No. 6265.0, ABS *Australian Demographic Statistics* Catalogue No. 3101.0.

Notes:

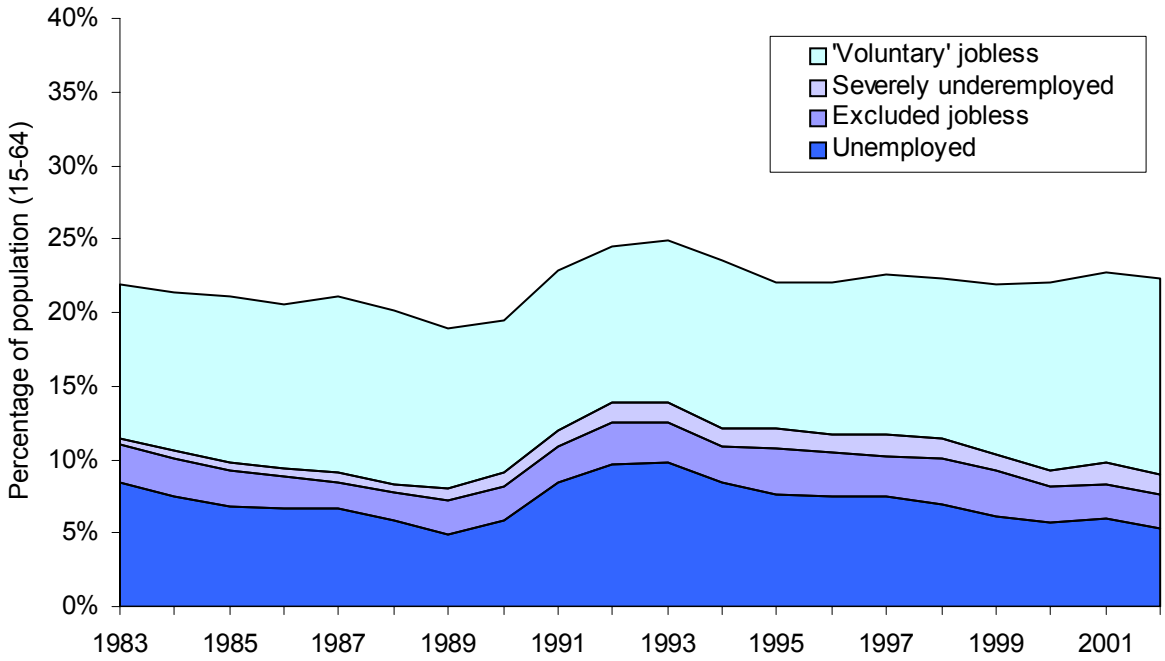
Unemployed refers to standard ABS count of unemployed.

Excluded jobless refers to people who are available for work but have not been looking, or people who have been looking for work but are not available to start immediately. It excludes people who are on holiday, have no need to work, whose main activity is childcare and do not want to work, and whose main activity is education.

Underemployed refers to people with less than 16 hours work per week and who want to work more hours.

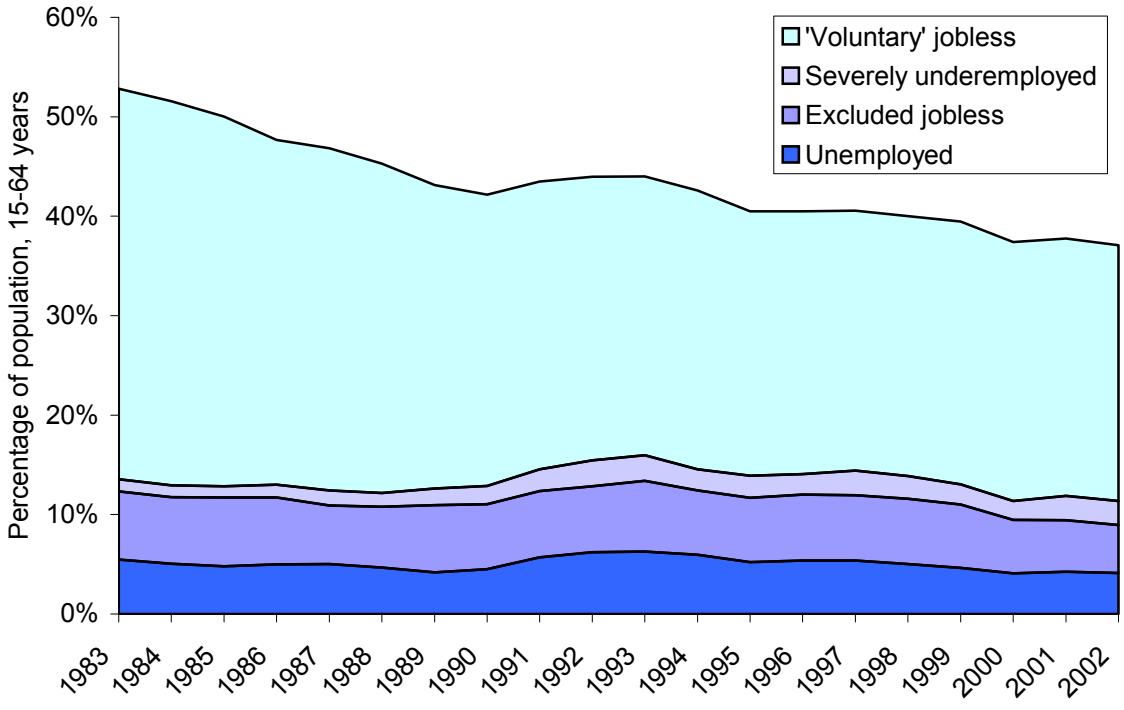
Voluntary jobless refers to the rest of the population who are not in the labour force.

Figure 7: Jobless rates by population: Males 1983-2002



Source and notes: as for figure 6

Figure 8: Jobless rates by population: Females 1983-2002



Source and notes: as for figure 6

Figure 6 above demonstrates that the trend in *voluntary* joblessness levels is significantly different from the trend for job deprived people (includes unemployed, excluded jobless and severely

underemployed people). There has been a steady and significant decrease in the voluntary jobless levels of the population from 24.7 per cent in 1983 to 19.5 per cent in 2002. However, the pattern in the proportion of people who are job deprived shows much greater fluctuation. There was an *unemployment plus* rate of 12.5 per cent in 1983, a peak of 14.9 per cent in 1993, and a decline to 10.2 per cent in 2002. Overall, the decline in the proportion of job deprived people has been much less than the decline in the proportion of people who were voluntarily jobless.

This more rapid decline in the rate of voluntary joblessness shows that many people who were previously not in the labour force have voluntarily entered employment, mostly reflecting the marked increase in participation by women in the workforce (see figure 8). However, there remains a significant proportion of the workforce age population, who are locked out of employment. People who are voluntarily jobless and people who are involuntarily jobless tend to be two separate groups of people rather than the same people flowing between the groups. This is supported by research showing the relatively smooth transition that people appear to make from being "not in the labour force", compared with people who are unemployed or marginally attached entering the labour force.[39] This suggests that there are indeed two distinct groups – those who can obtain a job when they want one and those who find it very difficult to find the employment they need and want.

Usually after a period of high unemployment, participation rates increase as people become more confident about finding work. However, this did not consistently happen during the 1990s.[40] While there was an initial post-recession rise in participation rates, from 1993 participation rates of the working age population have declined, suggesting that there were large numbers of unemployed people who had given up hope of finding a job (see figure 6).

Figures 7 and 8 suggest that it is the male population to whom this discouraged worker trend particularly applies. The overall jobless rate for men, at 22 per cent in 2002, has not returned to the pre-recession levels of 19 per cent in 1989-90. Meanwhile, there has been a steady decline in the jobless rate of women. In 1983, the female jobless rate was 53 per cent compared with 37 per cent in 2002.

These different trends in joblessness between men and women reflect the fact that more women are choosing to enter the labour force as well as the job growth that has occurred in female dominated industries and in part-time work compared with the job losses that have occurred in male dominated industries. The falling participation of men is likely to mostly reflect older men who have accepted early retirement following redundancy. Recent research suggests, however, that men of prime age also had a net loss in workforce participation during the 1990s.[41]

Another interesting feature to note when looking at the disaggregation of joblessness is the rise in severe underemployment. While there has been a decline in levels of unemployment and excluded joblessness for both men and women, there has been a rise in the proportion of people who are working notably inadequate hours. In 1983, less than one per cent of people of the workforce age population were experiencing severe underemployment, whereas in 2002 it was around two per cent of people.

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[39] Gray, Heath and Hunter 2002 *An exploration of marginal attachment to the Australian labour market.* Research Discussion Paper, AIFS, RBA, ANU.

[40] Watson 2000, p1.

[41] Keating 2003, p27.

3. Other alternative measures of unemployment

Australia and other countries are increasingly recognising the problems associated with relying on the conventional unemployment rate as a comprehensive measure of unemployment. As noted in this paper, the standard unemployment rate is no longer such a good measure of exclusion from employment when there are increasing levels of non-standard employment and fluctuating participation rates. Many labour market researchers and policy makers have broadened their focus from unemployment to take more account of involuntary joblessness and marginal employment. Consequently, governments and academics have developed a variety of alternative unemployment measures in order to capture different aspects of hidden unemployment. The ABS itself notes that "despite the high profile of the unemployment rate, no single measure can fully capture the complexity of the labour market."[42] Each of the different measures that have been developed capture a different aspect of joblessness.

Centrelink unemployment data

The Department of Family and Community Services (FaCS) publishes monthly data on the number of people who are registered with Centrelink for unemployment payments (Newstart Allowance and Youth Allowance). This data is sometimes used instead of ABS unemployment statistics because it measures the number of people who rely on income support because they do not have a job.

Counter to most people's assumptions, many people who are registered as unemployed with Centrelink are not counted in the official unemployment statistics. This is because:

- people may continue to be registered with Centrelink for another 13 weeks after they get a job; and
- people who are working, but are underemployed and not earning much, may continue to receive Centrelink payments to top up their income.

Centrelink unemployment registration data is a more sensitive measure of people's economic disadvantage than the official ABS unemployment measure, which excludes people who work for as little as one hour a week.

Conversely, there are also people whom the ABS counts as unemployed but who are not registered with Centrelink as unemployed. Many people who are looking for work are either not eligible for unemployment benefits, or are receiving a different type of income support. The FaCS unemployment data, referred to above, only includes people who are receiving Newstart Allowance or Youth Allowance (as a job seeker) and excludes all other people who are unemployed but who may be receiving another form of income support, such as the Disability Support Pension. It also excludes people who are not receiving any form of income support, such as recently arrived migrants who are serving a waiting period.

Another option for quantifying the number of jobless people would be to count *all income support recipients* – not just those registered as unemployed – but all people who are aged under 65 who are receiving a Centrelink payment, including people receiving Parenting Payment and the Disability Support Pension. This would be a good measure of all people who are without work and who are unable to support themselves. However, the problem with this approach is that it would also include people who do not have the capacity to work. For example, people may have illnesses or caring responsibilities that prohibit them from working at a particular time.

[42] ABS 2002, *Measure of Labour Underutilisation*, Catalogue no. 6296.0, p7

The labour force survey data and income support data only have a partial overlap in the people they are counting (see figure 9 below). ABS data counts all people who are unemployed and looking for work regardless of their financial position and excludes people with as little as one hour of work. Income support data captures those people who have an economic need for employment, but excludes those not receiving an unemployment benefit.

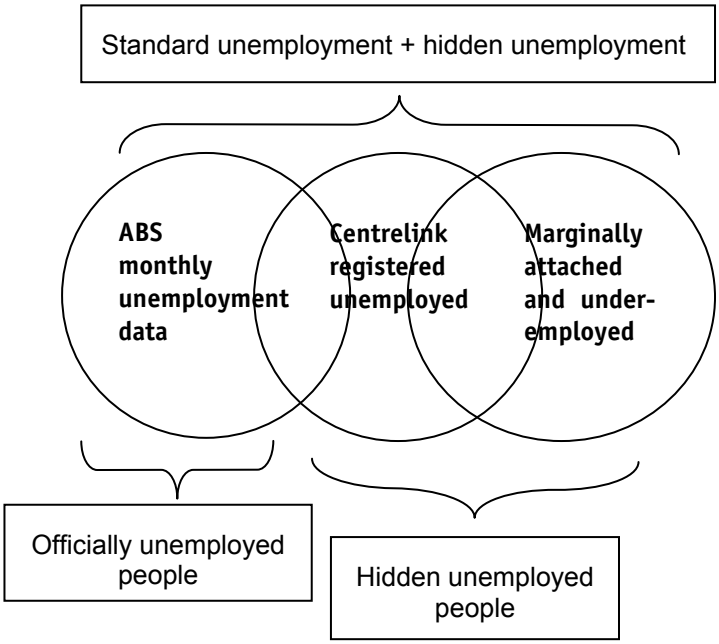
Differences in who is considered unemployed depending on which data is used highlights the inadequacies of both measures, and points to the need for more comprehensive and contemporary unemployment measures.

In March 2003:

- according to the ABS, there were 656,800 people who were unemployed in Australia.
- there were 652,600 people who were registered as unemployed with Centrelink.

These are very similar rates of unemployment but they are counting only some of the same people. This indicates that a more comprehensive measure of unemployment that is inclusive of both groups of people would be considerably higher.

Figure 9: Overlap of ABS unemployment data and Centrelink data



Measures of unemployment as labour underutislisation

In the information paper, *Measures of Labour Underutilisation*, the ABS determines a more comprehensive measure of unemployment by looking at an *extended labour force underutilisation rate*. This is extrapolated by compiling three types of labour underutilisation: standard unemployment, underemployment, and a subset of marginal attachment. Through this method, the ABS has determined a labour underutilisation rate of 11.4 per cent in 2002.[43] This compares with the finding in this paper of an adjusted unemployment rate of 12.9 per cent in 2002.

[43] ABS *Australian Labour Market Statistics*, Catalogue No. 6105.0, April 2003, p65.

The difference in the ABS extended labour force underutilisation rate compared with the ACOSS Unemployment Plus Rate is explained by the different subsets of underemployment and marginal attachment that were used in deriving these different rates. The underemployed grouping that the ABS uses is broader than the ACOSS proposed measure, as it includes all people who are working less than thirty hours per week but would prefer to work more hours. The measure ACOSS proposes limits the inclusion of underemployment to those with less than 16 hours of work per week who would prefer to work more hours.

The marginally attached subset that the ABS uses includes those who were actively looking for work but who were not available to start within the reference week although they were available to start within four weeks, and discouraged job seekers who are available for work but have ceased looking for work. This is a similar group to the *excluded jobless* category used in our hidden unemployment measure. However, our grouping also includes people who are unable to work because of structural barriers, such as the unavailability of childcare.[44] Essentially, the ABS has given greater weighting to underemployment and we have given greater weighting to marginal attachment. In this way, the ABS focus is on *labour market underutilisation* while the ACOSS focus is on *employment disadvantage* through hidden unemployment.

Table 1: ABS and ACOSS supplementary unemployment measures, 2002

	ABS unem-ployment	Underem-ployment	Marginal attachment	Total	Rate (percent of adjusted labour force)
ABS extended labour force underutilisation rate	628,000	574,000	122,000	1,324,000	13%
ACOSS Unemploy-ment Plus rate	628,000	246,000	471,000	1,345,000	13%

Source: ABS Australian Labour Market Statistics, Catalogue No 6105.

Notes: See paragraphs above for an explanation of the different rates of underemployment and marginal attachment.

Wooden (1996) has also looked at unemployment and hidden unemployment from a perspective of labour underutilisation.[45] His methodology is quite different from the ABS in that instead of focusing on the number of people who are experiencing underemployment, he determines the actual number of hours that are being underutilised. In this he includes hours lost due to people working full-time but not at full capacity. Wooden identified two separate groups of underemployed: the invisible underemployed, and the visible underemployed. Invisible underemployment estimates the number of hours of lost labour through people who are employed full-time but whose labour is underutilised. Visible underemployment includes people with less than 35 hours of work, unlike our estimation that only includes people with less than 16 hours of work. Wooden concludes the amount of labour underutilisation in Australia to be approximately double the official unemployment rate.[46] This may be a good measure of the economic impact of hidden unemployment, but has less relevance from the social impact perspective of individual disadvantage we are concerned with in this paper.

[44] This was derived from unpublished ABS data distinguishing whether people were not working because suitable child care was unavailable, or if they were not working because they preferred to care for their children.

[45] Wooden 1996.

[46] Wooden 1996.

Mitchell (2001) uses a model to estimate hidden unemployment level based on determining the number of discouraged workers – that is the number of people entering the labour force at times of economic promise compared with the lower participation rate at times of high unemployment. Mitchell deduces the number of hidden unemployed by estimating what the full participation rate should be and then measuring the gap between the actual participation rate and the estimated full participation rate. Using this methodology an estimated adjusted unemployment rate is calculated to be 9.6 per cent in August 2001, when the official unemployment rate was 6.8 per cent.[47] This is considerably less than our unemployment plus hidden unemployment rate of 13.7 per cent at that time. This difference can be partly explained by Mitchell not including underemployment. The rest of the difference may be due to Mitchell's calculation of the full participation rate compared with our method, which counts the actual number of people marginally attached to the labour force using ABS data. Mitchell is determining an unemployment level based on identifying the number of discouraged workers and adding this to the number of unemployed people. The ACOSS measure in this paper is focused more broadly on the number of people experiencing *job deprivation*.

International approaches to measuring joblessness

Other countries are also publishing regular supplementary labour force statistics, which include data on underemployment and marginal attachment to the labour force. The Organisation for Economic Co-operation and Development (OECD) has noted that the standard measure of unemployment is widely understood to be limited, but what needs to be determined is which supplementary material is most required.[48] Canada, Ireland and the United States all have supplementary measures of unemployment that include discouraged and underemployed workers.[49]

Those European countries that have been most successful in reducing unemployment and long-term unemployment are setting targets for *participation in employment*, expressed as the proportion of various groups within the population who are employed, rather than relying on the standard unemployment measure.[50] The reason for this change of emphasis is twofold. Firstly, there is an emerging concern that an inadequate supply of labour will limit economic growth and the efficiency of the labour market. This concern is triggered by the ageing of the population, which means that labour supply is likely to decline in most OECD countries over the next 20 years. Secondly, there is concern about the social impact and budgetary cost for governments of high levels of prolonged joblessness. Full employment now means full participation as well as lack of unemployment.

From our perspective, this measure of participation is of particular interest as higher participation and higher employment also mean a reduced level of economic and social exclusion. However, participation rates do fail to capture people who are severely underemployed. Furthermore, while the ABS publishes monthly labour force participation rates, these are based on the whole of the population aged over 15 years of age. As the socially accepted retirement age is arguably still 65, and people over this age are eligible for the age pension or superannuation, this ABS participation rate is not such a useful measure of economic exclusion as a participation rate that only includes people who are 15 to 64 years of age.

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[47] Mitchell 2001, p33.
[48] OECD 1995, p44.
[49] ABS *Measure of Labour Underutilisation*, Catalogue no. 6296.0, 2002, pp37-39.
[50] See for example the "National Action Plans for Unemployment" prepared for the Commission of European Communities by the Danish, Norwegian, and Finnish Governments in 1999.

4. Groups at risk of joblessness

This chapter examines the joblessness levels of particular groups within Australia. Certain groups of people within our community have especially high rates of joblessness that are not always reflected in the official unemployment figures.

Labour force participation rates have been shown to be most variable for teenagers and women. Those least likely to experience changes in participation rates are men aged 25 to 54.[51] Groups with the most variable participation rates are likely to have the highest levels of hidden unemployment.

The following provides an analysis of particular groups within the community who are vulnerable to high rates of job deprivation through standard unemployment, excluded joblessness and other types of joblessness. However, this analysis does *not* encompass underemployment. The unavailability of necessary underemployment data means that only excluded jobless people and officially unemployed people are considered in this analysis.

The figure below depicts the job deprivation rate of particular groups within Australia. It shows a proposed unemployment rate that encompasses unemployed people plus excluded jobless people.[52] If severely underemployed people were also included, it would add at least another 2 per cent to the rate of joblessness for most of the groups pictured here. Young people and Indigenous people would be especially affected as they have high rates of underemployment.

Figure 10: Unemployment and excluded jobless rates by characteristic, 1999

Source: ABS Catalogue Nos 3101, 4102, 4199, 6101, 6203, 6220 (including unpublished data), 6265, AIHW 2002.
Note: Does not include underemployed people as this data is not available. Data for people with disabilities is from 1998 and only includes people with a severe or profound core activity restriction. Data for Indigenous people is from 1994. CDEP participants are not included as jobless in this graph (see Figure 16). Excluded jobless definition is broader for Indigenous people and is not directly comparable.

[51] Mitchell 2001, pp33-36.

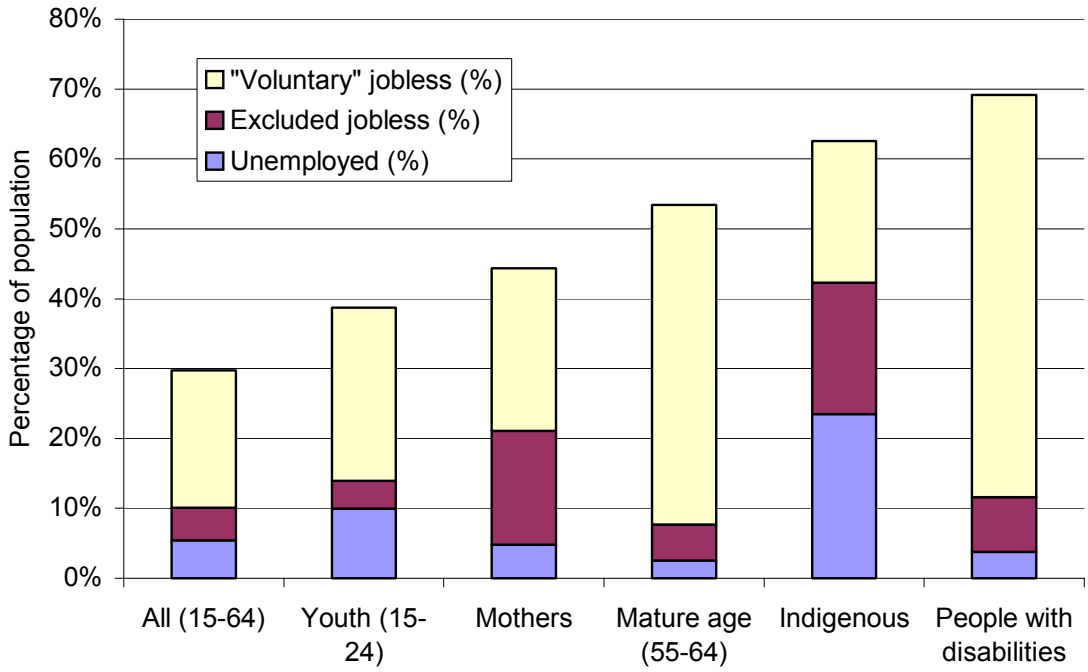
[52] Same group as referred to earlier – a subset of people who are marginally attached to the labour force, including people who are available for work and wanting to work within next four weeks and who do not have a reason for not working.

In the figure above, the gaps between the unemployment rates and the unemployment plus excluded joblessness rates depict the level of hidden unemployment (without severe underemployment). This shows that people with disabilities, mothers and mature aged people all have very high rates of job deprivation in proportion to their levels of standard unemployment. In each of these cases, the unemployment plus excluded joblessness rate is more than double the official unemployment rate.

Indigenous people are experiencing by far the highest levels of unemployment and have an unemployment plus excluded joblessness rate of over 50 per cent. However, for Indigenous people, official unemployment is more predominant than excluded joblessness (especially when considering that a broader definition of excluded jobless is used for Indigenous people).

Another way of looking at joblessness is to measure it as a proportion of the general population (see figure below). This indicates the overall joblessness levels within a community and may indicate trends not apparent through other measures.

Figure 11: Joblessness in population groups, 1999



Source: ABS Catalogue Nos 3101, 4102, 4199, 6101, 6203, 6220 (including unpublished data), 6265, AIHW 2002.

Note: Data for people with disabilities is from 1998. Data for Indigenous people is from 1994. The Indigenous unemployment data does not include people working in CDEP. The Indigenous *excluded jobless* category is broader than for the other groups, and is not directly comparable.

The figure above shows that the overall working age population has a jobless rate of 30 per cent. This compares starkly with the jobless levels of mature aged people, people with disabilities, and Indigenous Australians – all of whom have joblessness levels of over 50 per cent of their population.

Both mature age people and people with disabilities have very high levels of 'voluntary' joblessness. This is not revealed in the earlier figure that only looks at those who are either within the labour force or marginally attached. Compared with the rest of the population, mature age people and people with disabilities are either voluntarily not participating in employment or else they are so discouraged from participating in the labour force that they are not even showing up as

excluded jobless. If the reasons for 'voluntary' joblessness are identified and addressed there would be the potential for raising the employment participation rates of these groups.

Joblessness and unemployment within each of the selected groups are discussed in more detail below.

Young people

Over the past 20 years, full-time employment opportunities for young people without post-compulsory qualifications have declined sharply, and a much higher proportion of young people have extended their formal education beyond compulsory schooling. This is consistent with a long-term shift within the labour market in favour of more highly skilled employment. These trends have left young people who do not perform well at school, and especially those from blue-collar backgrounds, vulnerable to employment disadvantage[53].

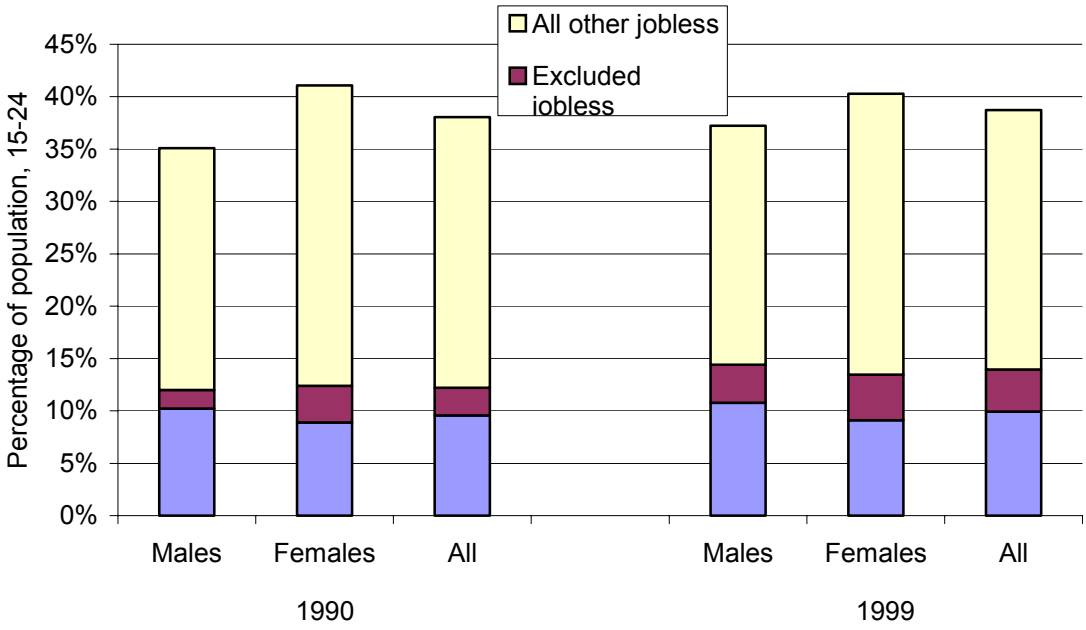
The majority of people aged under eighteen are engaged in education or training. Therefore it tends to be more vulnerable young people who are in the labour force and, of these, a large proportion are unemployed. Teenagers who are neither in full-time education nor in full-time employment are considered to be most at risk of failing to ever make a successful transition to full-time employment. In May 2003, 14.9 per cent of 15 to 19 year olds were in the situation of not being in either full-time employment or full-time education.[54] The concern for teenagers who are not studying and not in full-time work, is their future potential labour market disadvantage as well as their current experience of unemployment and underemployment.

For young people in the next age bracket (20 to 24 years), 23 per cent were not in full-time education or employment in May 2003. Part of this is attributable to an expected higher proportion of women (7.3 per cent) not being in the labour force, many of whom may be undertaking positive roles such as caring for children. However, there is also a high proportion of non-students in part-time employment. This is associated with a marked decline in full-time jobs for people in this age group. In the last eight years there has been a decline of 15.2 per cent in the number of full-time jobs undertaken by young adults aged 20 to 24 years who are not studying.[55]

It is increasingly difficult for young people to progress from education to secure full-time employment. Often people must first enter a maze of casual, temporary, and insecure employment in which their skills and skill formation needs can be ignored. Many become trapped in this kind of employment. This reflects the erosion of traditional systems of entry level employment, especially in the public sector and large private enterprises.

[53] See Dusseldorp Skills Forum (1999,2000)
[54] Dusseldorp Skills Forum 2003, p7.
[55] Dusseldorp Skills Forum 2003, pp.19-20.

Figure 12: Joblessness among young people, aged 15-24



Source: ABS Labour Force (6203), Persons not in the Labour Force, including unpublished data (6220)

- In May 2003, the youth unemployment rate was 12.3%, compared with an overall unemployment rate of 6.1% for all people. In 1999, the youth unemployment rate was 14%, compared with 7.2% for all people. In both years, the youth unemployment rate was about double the overall rate of unemployment.
- In addition to those young people who were unemployed, another 4% were *excluded jobless* in 1999.[56] This rose sharply from 2.6% in 1990, although is in fact lower than for the general population (see Figure 11).
- The proportion of young people who were unemployed plus excluded jobless was 12.2% in 1990 and up to 14% in 1999.
- A further 26% of young people in 1990, and 25% in 1999, were "voluntarily jobless". The vast majority (approximately 90%) of this group was attending an educational institution.

Mature age people

Employment rates for males aged 50 to 65 years fell dramatically over the 1970s, and have continued to fall over the last twenty years. A major reason for this is the decline in low-skilled blue-collar employment due to industry restructuring[57]. This decline in employment opportunities is not linked to substantially higher unemployment rates for this group, although their incidence of *long-term* unemployment is high. Rather, the majority of jobless mature age males have left the

[56] Note that we have excluded from this figure those young people in full-time education.

[57] One reason for this is the high level of physical disability, and low level of formal education, among much of the cohort of blue-collar workers who reached mature age (50-65 years) between the 1970s and the 1990s. Many of these workers were migrants encouraged to work in Australia in the 1960s and early 1970s when there was a shortage of low-skilled labour. Little priority was given to upgrading their literacy, education, and occupational skill levels as the economy restructured around them

labour force altogether. Those who are *excluded* jobless are mainly discouraged workers. Those who are *voluntarily* jobless have usually either retired early, or left the labour force due to a disability.[58]

Some mature age people have chosen to retire early, especially professionals who have a reasonable income through investments and superannuation. However, data shows that most mature age men, especially blue collar workers, have retired involuntarily. Most women retire for family reasons but involuntary retirement is also common.[59] When mature age people do lose their jobs they generally find it very difficult to find another job. They often face age discrimination as they are regarded by employers, and often themselves, as being "too old".[60] Male blue collar workers, in particular, also often have a lack of experience and training in the jobs that are available. Many mature age people have withdrawn from the labour force altogether because they do not expect to be able to get a job. However, they also may well want to work if they were able to obtain a suitable job.

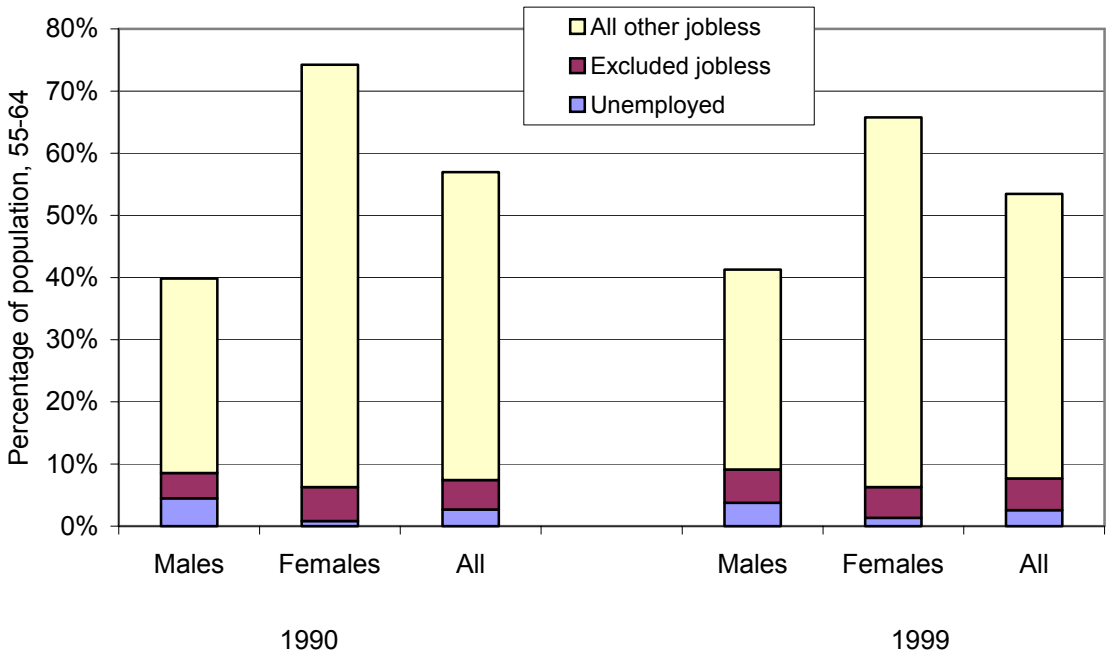
Mature age women have slowly increased their employment rates from a very low base. This reflects the steady progression from a cohort of mature age women who were discouraged altogether from labour force participation once they had children, towards one that has attempted to combine parenting and employment. However, this is a slow process, and those mature age women who have sought to return to employment in their forties and fifties have found it difficult. This is partly due to the factors described above (such as employer discrimination). It is also partly due to the erosion and out-dating of their vocational skills after many years of full-time parenting, or the need to care for elderly parents.

Employer attitudes, the superannuation system, and a dearth of retraining opportunities seem to have conspired against labour force participation by mature age workers and encouraged early retirement as the easy way out for a group whose re-employment opportunities are slim. However, there are signs that as long as employment growth continues, the trend towards early retirement will reverse. This pattern has also emerged in other OECD countries[61].

Emerging cohorts of mature age workers are healthier, have higher expectations of retirement living standards than their predecessors, and women have a stronger attachment to the labour force. Previous public policies that encouraged early retirement as a way to "make room" for younger workers are finally giving way to concerns about the erosion of labour supply, and the increased cost of supporting people in their retirement as the population ages. However, strengthening labour force participation and employment opportunities for mature age workers will require major structural changes – not the least a massive cultural change among both employers and mature age workers.

[58] VandenHeuval 1999
[59] Senate Select Committee on Superannuation 2002, p145.
[60] Sheen 2000
[61] Quinn 1999.

Figure 13: Joblessness among mature age persons, aged 55-64 years



Source: ABS "Labour Force" (6203), "Persons not in the Labour Force" (6220), Job search experience of unemployed persons" (6222)

- In 1999, the mature age unemployment rate was lower at 5.2% than for the general population at 7.2%. (see figure 10)
- However, hidden joblessness is slightly higher for mature age people than it is for all people. This results in a higher unemployment plus excluded joblessness rate of 14.2% for mature aged people compared with 12.7% for all people (see figure 10).
- The most significant aspect of the mature aged population is the proportion who were voluntarily jobless, bearing in mind the difficulties in drawing this distinction for this group. In 1999, it was 46%, more than double the rate of 20% for all people of workforce age.
- Levels of voluntary joblessness are particularly high for mature age women, although they have fallen significantly since 1990.
- Levels of excluded joblessness and 'voluntary' joblessness have risen slightly for mature age men, while official unemployment has fallen slightly since 1990.

Mothers

Workforce participation levels among mothers have increased strongly over the past 20 years and their overall levels of job deprivation have consequently fallen. Nevertheless, mothers had an unemployment plus excluded joblessness rate that was double the rate of the overall population.

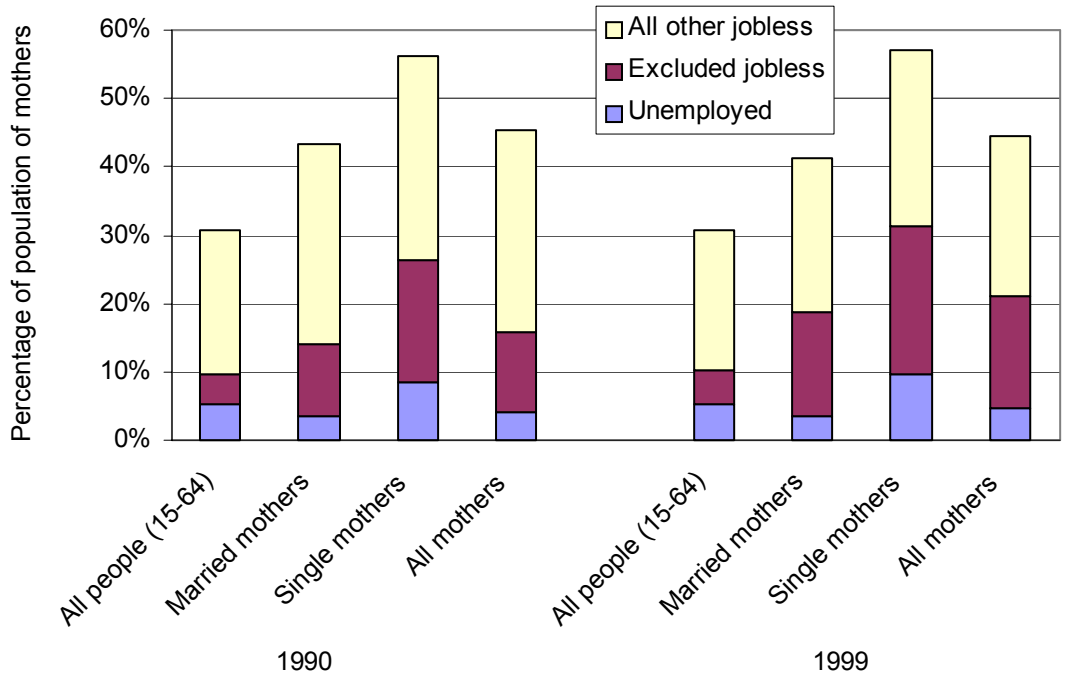
Large numbers of mothers (183,000 in 1999) want paid employment but are not actively seeking it due to parenting responsibilities. The strength of their attachment to the labour force is very hard to gauge from published ABS data, because this data indicates that *child care* is the main reason why most mothers want employment but are not actively seeking it. This is confusing as it combines those mothers who indicated that they preferred to care for their children with those

who have difficulties obtaining appropriate child care. We used unpublished ABS data to distinguish between these two groups, and found that 55% of mothers with "child care" barriers to employment indicated that they preferred to care for their children themselves[62]. We excluded this group from our "excluded jobless" statistics on the grounds that their labour force attachment is too weak. This still left 84,000 mothers who wanted a paid job but didn't seek one in 1999 due to a lack of available and affordable child care.

There are particularly high levels of job deprivation among lone mothers. The reasons for this include greater difficulty in combining employment and caring responsibilities, lower than average education levels, and longer periods out of the paid workforce while caring for children.

Although more mothers are participating in the paid labour force, an increasing number are having difficulty securing employment. Those facing the greatest difficulty are generally those with low education and limited previous workforce experience, as well as those who have left the paid workforce for very long periods. These women are particularly at risk of joblessness once they reach their forties.

Figure 14: Joblessness among mothers, 1990 and 1999



Source: ABS "Labour Force (6203), Persons not in the Labour Force, including unpublished data (6220)

The figure above compares the labour force status of married and sole mothers with that of all persons of workforce age.

- The proportion of mothers who were unemployed in 1999 was lower (4.8%) than the population of workforce age (5.4%).
- However, a high proportion of all mothers (16.3%) were excluded jobless in 1999, compared with just 4.7% for all people of workforce age. Moreover, the level of excluded joblessness for mothers has grown substantially from 11.6% in 1990.

[62] It would greatly assist research in this field if the ABS were to make this distinction in their published data.

- Lone mothers are relatively disadvantaged on both measures of unemployment and excluded joblessness. They have both a much higher unemployment rate (9.6%) and a much higher rate of excluded joblessness (21.6%).
- While married mothers experienced a slight decline in jobless levels from 1990 to 1999, lone mothers experience a slight increase in joblessness.

People with disabilities

Official unemployment data seriously underestimates job deprivation among people with disabilities[63]. The reason for this is that many people with disabilities want to work and are taking active steps to prepare themselves for work (such as rehabilitation or training) but they are not yet in a position to actively seek employment.

People with disabilities are a diverse group. Young people with disabilities are increasingly likely to want to undertake paid employment, and to be taking active steps towards that goal.[64] This applies especially to those with physical disabilities. On the other hand, about half of all people with disabilities of workforce age are of mature age (45-65 years), and this group is much less likely to want, or be able to undertake, paid employment.

Labour force participation rates are much higher for people with sensory restrictions than for people with major developmental disabilities. On the other hand, people with episodic psychiatric conditions are likely to move in and out of the labour force as their condition changes.

The majority of people with disabilities would be able to undertake paid employment if assistance were available to overcome employment related barriers. In other words, disability is a social construct. The level of participation in the paid workforce by people with disabilities is mostly determined by the society in which we live rather than the nature of a person's disability.

Concern has recently been expressed about the increasing number of people who are relying on the Disability Support Pension. To reduce the number of people receiving this pension, it is necessary to provide the support that people need to gain and keep employment. People often acquire a disability later in their working life which may prevent them from continuing to work in their previous occupation. These people will often require assistance to gain the skills to work in a new field.

On the face of it, the vast majority of people with disabilities have little or no attachment to the labour force. Of a total of 1,721,000 people with disabilities of workforce age in 1998, approximately half (705,000 people) were neither employed nor actively seeking employment. However, if we were able to establish what proportion of this group *want* employment, what steps they are taking to secure it, and what barriers stand in their way, a different picture may emerge. Unfortunately, ABS data, including the *Survey of disability, ageing and carers*, sheds little light on these questions. For example, in this survey (unlike the labour force survey) people with disabilities are not asked whether they want to work. Although they are asked the reasons they are not seeking employment, 60% of those who are neither employed nor seeking employment (426,000 people) simply indicate that this is due to their disability. This could either mean that they do not want a job because they are unable to work, or that they want a job but are not getting the assistance they need to secure a job.

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[63] By this term we mean people with disabilities who have a "core activity restriction", that is, who are significantly restricted in regard to self care, mobility or communication. This is based on definitions used by the ABS.

[64] Coopers & Lybrand 1997.

Figure 15: Joblessness among people with disabilities, 1998

Source: ABS *Labour Force* 6203; AIHW 2002, Unmet need for disability services: Effectiveness of funding and remaining shortfalls, AIHW,Canberra

Notes: Only includes people with disabilities who have a profound or severe core activity restriction.

The *excluded jobless* group was estimated based on the number of people who required special support to work and their own ill health/disability was why they were not looking for work, and the proportion of excluded jobless people who are not in the labour force in the general population (excluding those who indicated they were unable to work at all because of own ill health/disability).

Indigenous Australians

Unemployment and joblessness are much higher among Indigenous Australians than in the population as a whole. In February 2000, the Indigenous unemployment rate was 17.6 per cent compared with 7.2 per cent for the general population.

Moreover, official unemployment statistics seriously understate the true extent of the problem because approximately one fifth of the Indigenous labour force are excluded from unemployment data due to their participation in the Community Development Employment Project (CDEP).[65] Participants in CDEP forego their unemployment benefits to be employed in part-time community work. People will usually be paid about the same amount as Newstart Allowance as well as a small participation supplement of $10.40 per week. Around 35,000 people participated in CDEP in 2000. If CDEP participants were counted in the unemployment figures, the Indigenous unemployment rate in 2000 would have been 40.3 per cent.[66]

There is a high level of part-time work and underemployment amongst those who are employed. In 1996, only 60 per cent of Indigenous workers were employed full-time, compared with 72 per cent of non-Indigenous workers.[67] This compounds the employment disadvantage experienced by Indigenous people.

A further concern is the high incidence of long-term unemployment. Approximately half of all Indigenous people who are unemployed have been unemployed for over 12 months. Long-term

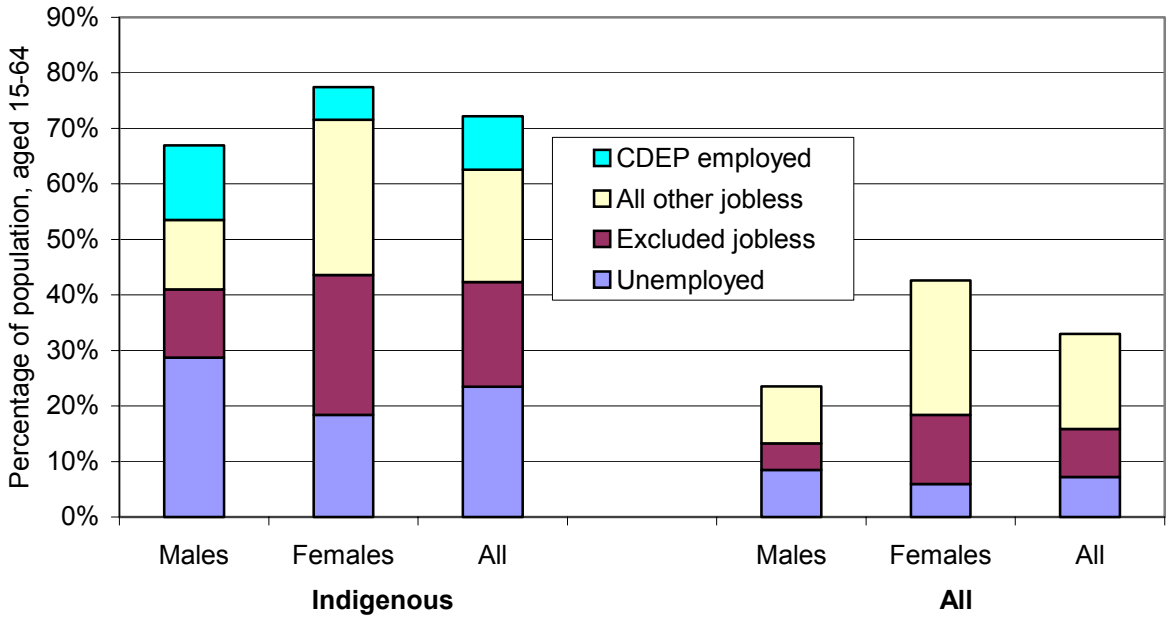
[65] Taylor and Hunter 1998.
[66] Australian Bureau of Statistics 2000, Catalogue No 6287.0
[67] Taylor and Hunter 1998, p6.

unemployment rates are consistently high in capital cities, regional and remote locations. Without CDEP employment, the incidence of long-term unemployment would be much higher, especially in remote areas.[68]

The reasons for high levels of joblessness among Indigenous people are wide-ranging but closely connected. Many live in remote localities where they have had little access to mainstream employment since wages for Indigenous workers in the cattle industry were raised to those of the general community in the 1960s. Discrimination in employment against Indigenous people is widespread. Further, average education and vocational skill levels amongst Indigenous people are very low. Underlying these immediate problems is a history of dispossession, paternalistic control by Governments, employers, and missions, and social disintegration resulting from the removal of people from their traditional lands, the undermining of culture, and the breaking up of families.

One of the difficulties in analysing trends in Indigenous unemployment is the lack of available data. The figure below uses data from 1994, as it is the most comprehensive data set available relating to Indigenous employment and marginal attachment. However, where more recent data has been analysed, the indications are that there has been no real overall improvement in Indigenous mainstream employment.[69] Nearly all employment growth has been through an increase in CDEP places. Meanwhile, where there was growth in mainstream employment in the late 1990s, it has not continued and has failed to outpace growth in the workforce age population. CDEP has been extremely important for providing employment opportunities for Indigenous people, especially in rural and remote areas. However, it can mask very high levels of underemployment and a lack of employment opportunities that provide greater economic returns for workers. CDEP employment may help overcome social exclusion[70], but is limited in its capacity to assist with overcoming economic exclusion.

Figure 16: Joblessness among Indigenous Australians, 1994



Source: ABS/CAEPR National Aboriginal and Torres Strait Islander Survey 1994: Employment Outcomes for Indigenous Australians,

[68] ABS Catalogue No. 4199.0, p22.
[69] Hunter, Kinfu and Taylor 2003, p.3.
[70] Hunter 2002, p20.

Catalogue No.4199.0, Table 8.3; Hunter and Gray 1999, Further investigations into Indigenous labour supply: what discourages discouraged workers? CAEPR Working Paper No. 2/1999

The figure above compares the labour force status of Indigenous people of workforce age with that of all persons of workforce age in 1994[71].

- The proportion of Indigenous people of workforce age who were unemployed (23.5%) was more than three times that for the overall population (7.2%).
- The proportion of Indigenous people who were excluded jobless was 18.9%, double the figure of 8.6% for all people.
- Voluntary joblessness among workforce age Indigenous people was 20%, compared with 17% for all people of workforce age.
- The non-CDEP employment rate for the Indigenous workforce age population was 28%, compared with 67% for the general population.

This data shows that there is a smaller proportion of Indigenous people in employment, than people who are without employment in the broader population. This indicates the disturbingly high rates of job deprivation experienced by the Indigenous population.

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[71] Note that these data are calculated on a different basis to the data for other groups, since the study on which we rely, (Hunter & Gray 1999) does not have the same breakdown of marginal attachment. The estimates for *excluded jobless* include full-time students and mothers who prefer to care for their children themselves.

5. Conclusion

This paper has developed a measure of job deprivation, the Unemployment Plus Rate, that includes people who are hidden unemployed – people who are not officially unemployed but who would prefer to work, and people who are severely underemployed – as well people who are 'officially' unemployed. It is a conservative estimate of hidden unemployment as it excludes people who are marginally attached to the labour force but who appear to have a preference not to work, for example people whose main activity is attending an educational institution. It also excludes people who have more than 16 hours of work per week. This strict definition of hidden unemployment is used in order to distinguish people who are truly disadvantaged in the labour market and are likely to be experiencing similar levels of economic and social disadvantage as other unemployed people.

This measure of job deprivation has shown that over the last two decades hidden unemployment has gained in significance in proportion to standard unemployment, and that it is especially of increasing significance amongst men. Women have always had higher levels of hidden unemployment than men, but over the last 20 years they have been able to enter the labour force in greater numbers without it affecting the unemployment or hidden unemployment levels of women as a cohort. Meanwhile, our analysis shows that over the same period, men have had decreasing rates of labour force participation and increasing rates of hidden unemployment.

Superimposing these findings on to what we already know about the changes to the labour force and the changes to the distribution of jobs across regions and families shows that people who have previously always been in the labour force, such as prime-age men, are now experiencing growing levels of hidden unemployment. It is also likely that the rising proportion of people who are hidden unemployed is a key factor in the increased polarisation of families with work and families with no work.

Addressing hidden unemployment has particular implications for: comprehensive regular collection and publication of data (see Appendix 1); development of strategies that reduce hidden unemployment levels; and consideration of hidden unemployment and job deprivation levels in other policies affecting people who are unemployed and have low incomes, for example, access to health care and education. To do this, new published data is required at national, state and local levels.

In general, separating the social concerns arising from hidden unemployment from the economic concerns of a diminishing labour force is a somewhat artificial division. Ideally, policies that seek to address hidden unemployment from a perspective of social and economic disadvantage should be intertwined with policies directed at responding to an ageing population. Current discussions about maintaining or increasing the size of the labour force have focused on delaying retirement and increasing the opportunities for women with children to stay in the labour force. A declining labour force may also be seen as an opportunity to enable people who are job deprived to enter employment. With a fuller understanding of hidden unemployment, policies and programmes could be developed to enable this to occur.

It is only by developing a more comprehensive understanding of job deprivation that effective strategies can be developed and goals set. Through a greater knowledge of joblessness we will be better placed to tackle its consequent levels of disadvantage within the community and reverse the trend of growing polarisation within Australia.

Appendix 1: ABS data collection

An ongoing measurement of job deprivation, including hidden unemployment, would require specific data collection by the Australian Bureau of Statistics.

Requirements for proposed new ABS data collection include:

- Regular, preferably quarterly, detailed published ABS data on the rates of marginal attachment to the labour force, and rates of underemployment.
  - This would enable a close monitoring of the labour force that goes beyond the unemployment rate measure.
- A delineation of the extent and nature of the barrier that child care presents for people who are marginally attached to the labour force – that is, whether people's preference is to care for their children themselves rather than work or whether they would prefer to work if appropriate child care were available.
  - This would enable this group of people who are 'hidden unemployed' to be identified – those who have a personal preference to work but who are constrained by lack of access to child care facilities.
- Publication of underemployment characteristics data broken down by people working less than 16 hours per week.
  - Most data is now disaggregated according to extra hours that people want to work rather than hours that they are currently working. This makes it difficult to identify the true extent of job deprivation.
- Collection of data enabling hidden unemployment to be measured by duration, as it is duration of joblessness that signifies the degree of disadvantage:
  - Data estimating the duration of marginal attachment to the labour force and information on previous labour force activity.
  - Duration of underemployment data, broken down by current number of hours worked.
- Data on marginal attachment and underemployment by region.
  - As with unemployment, hidden unemployment levels are likely to vary substantially according to the region and needs monitoring and addressing at a regional level.
- Collection of data on potential labour force participation by people with disabilities through the *Disability, Ageing and Carers* survey.
  - This should include data on whether a person wants to work; including whether marginally attached to the labour force, current activities, future plans and current constraints. As a group, people with disabilities are at major disadvantage through lack of participation in employment. More comprehensive survey data is required to understand the barriers and areas of unmet need.

By obtaining the above data it is possible to develop a fuller understanding of hidden unemployment that identifies who is particularly vulnerable to high rates of job deprivation and areas where it is likely to be concentrated.

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