



RESEARCH NOTE

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Unemployment and 'Hidden' Unemployment

Introduction

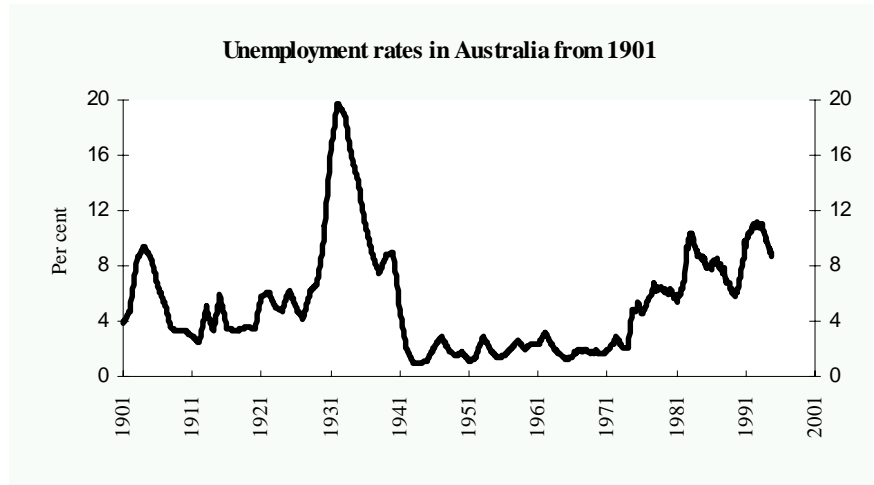
There are around 1.5 million personsⁱ in Australia who are either unemployed or counted among the 'hidden' unemployed. The term 'hidden' unemployment can mean many things to many people but here it is used to refer to persons not included in the official unemployment statistics who nonetheless are willing and able to add to the total stock of hours being worked. Specifically these are persons already in a job but working less hours than they would prefer (i.e. the underemployed) and discouraged job-seekers.

This Research Note provides a composite measure of Australia's underutilised labour capacity and shows how it has increased significantly over the past 20 years.

Unemployment

Since 1974 Australia's unemployment rate has risen episodically to ever higher levels - successive peaks in the unemployment rate have got progressively higher from 5.4 per cent in November 1975 to 6.7 per cent in February 1978 to 10.4 per cent in September 1983 to 11.2 per cent in December 1992. The latest (March 1995) unemployment rate is 8.7 per cent, or 773,000 unemployed personsⁱⁱ. Although this number is 185,000 fewer than the record number of unemployed which followed the last recession (958,000 in December 1992), it is still considerably above the pre-recession low of 485,000 in November 1989.

The movement in Australia's unemployment rate over the last 20 years contrasts sharply with that for the period 1942 to 1974



when Australia enjoyed virtually full employment. During this time Australia's unemployment rate averaged less than 2 per cent.

In *Working Nation* the Government suggested that a 5 per cent unemployment rate by the year 2000 is attainable. On past form it would appear unlikely that Australia's unemployment rate will even fall to its pre-recession level of 5.8 per cent before it starts to rise again. As Table 1 shows, in each of the last three recessions, Australia's unemployment rate has taken off from a higher base than was the case for the previous recession.

Underemployment

The underemployed are defined

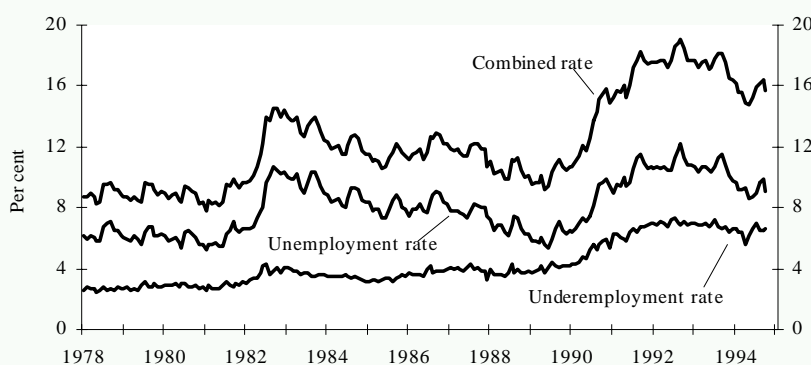
by the Australian Bureau of Statistics as part-time workers who preferred to work more hours plus full-time workers who worked less than 35 hours in the reference week for economic reasons, i.e. stood down, on short-time or insufficient work. The underemployment rate expresses the number of underemployed as a proportion of the labour force.

From 1978 (the earliest period for which underemployment data are available) to 1982, the underemployment rate in Australia averaged between 2.5 and 3 per cent. It jumped to 4 per cent at the time of the 1982-83 recession and for most of the eight years that followed it stayed above 3.5 per

Table 1. Unemployment Rates Before and During Recession

	Pre-recession low	Recession high
1974 recession	2.1% (Feb 74)	5.4% (Nov 75)
1977 recession	4.5% (May 76)	6.7% (Feb 78)
1982-83 recession	5.4% (Jun 81)	10.4% (Sep 83)
1990-91 recession	5.8% (Nov 89)	11.2% (Dec 92)

Unemployment and Underemployment Rates, 1978 to 1995



cent. Following the 1990-91 recession, the underemployment rate jumped again to around 7 per cent and has remained above 5.5 per cent for all of the subsequent period. The latest (March 1995) figures put the number of underemployed at 591,000 or 6.6 per cent of the labour force.

Historically, the major contribution to total underemployment has been those persons working part-time who would prefer to work more hours. Because of their greater representation in the part-time labour force, the vast majority of underemployed part-time workers are female. In contrast, the majority of underemployed full-time workers are male.

The combined unemployment/underemployment rate for Australia has increased dramatically from around 10 per cent in 1978 to 14 per cent in 1983 to 19 per cent at the beginning of 1993. Currently there are almost 1.4 million Australians either unemployed or underemployed; a combined rate of 15.7 per cent.

Discouraged Jobseekers

Discouraged jobseekers are defined by the ABS as persons not in the labour force who nevertheless wanted to work and were available for work but were not actively looking for work for reasons considered to indicate discouragement (e.g. considered to be too young or too old by employers, no jobs available in locality, etc.). Over the period

that such data have been available, the number of discouraged jobseekers has increased from 83,000 in September 1985 to 147,000 in September 1993, falling to 107,000 in September 1994.

Table 2 below adds together the unemployed, underemployed and discouraged jobseekers to provide a composite measure of underutilised labour capacity. Measured in these terms, underutilised labour capacity increased by 85 per cent from around 900,000 in September 1985 to about 1.7m in September 1993. The level of underutilised capacity has since fallen somewhat, but at 1.4m persons in September 1994 is still at a very high level. Expressed as a proportion of all persons either working or wanting to work (i.e. employed plus unemployed plus discouraged jobseekers), underutilised labour capacity in September 1994 was 16 per cent.

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Table 2. Underutilised Labour Capacity

	Unemployed	Underemployed	Discouraged jobseeker	Total	% of adjusted labour force*
	('000)	('000)	('000)	('000)	
Sep-85	589.2	231.1	83.0	903.3	12.1
Sep-86	633.1	278.9	83.6	995.6	12.8
Mar-87	702.9	303.1	94.4	1100.4	13.9
Sep-88	554.6	289.9	83.8	928.3	11.4
Sep-89	499.8	345.3	76.1	921.2	10.9
Sep-90	625.0	404.1	100.9	1130.0	13.1
Sep-91	860.0	512.4	138.2	1510.6	17.3
Sep-92	917.2	602.7	145.6	1665.5	19.0
Sep-93	931.7	607.6	147.4	1686.7	19.0
Sep-94	830.8	501.3	106.5	1438.6	15.9

* i.e. The labour force (employed plus unemployed) plus discouraged jobseekers.

ⁱ The source of all figures in this Research Note is the Australian Bureau of Statistics Labour Force Survey. The figure of 1.5 million persons was arrived at by summing together the number of unemployed (816,000) and underemployed (591,000) at March 1995 and the number of discouraged jobseekers (107,000) at September 1994 (the latest available data).

ⁱⁱ The figure of 773,000 unemployed persons is a seasonally adjusted figure. It therefore differs from the figure of 816,000 unemployed persons referred to in ⁱ above which is not seasonally adjusted.