

Marcus L'Estrange

Committee Secretary
Senate Education, Employment and workplace Relations Committees
PO Box 6100
Parliament House
Canberra, ACT, 2600

Dear Sir / Madam

I write to make a submission, which is attached, to your committee. It relates to all aspects of your enquiry.

In essence what I am claiming is that because the real unemployment figure is 2 million *plus*, chasing at best 200,000 vacancies, the current Newstart payment is manifestly inadequate and inappropriate and should be increased to the current level of the DSP payment.

Yours sincerely.

Marcus L'Estrange

Unemployment figures: lies, damned lies and statistics

The claim in the official monthly labour force unemployment figures that we have reached a 30-year unemployment low of 4.9 per cent, or 500,000 unemployed, is *nonsensical*. There are *two* sets of official unemployment figures. Both tell different stories.

One set, "labour force", which currently shows an unemployment level of around 5 per cent, is based on a political definition of unemployment. The monthly "labour force" definition is biased toward counting a person as employed rather than unemployed and only a very obtuse person or a politician should believe this figure.

Former Victorian (ALP) Employment Minister, Steve Crabb (and himself an actuary), once said: "There are lies, damned lies and statistics. The monthly unemployment number is not only misleading; it causes real harm." He then asked why the Australian Bureau of Statistics (ABS) officials produced this "load of old cobbles".

The reality is that if, as the monthly figures claim, 500,000 (5 per cent) are unemployed, that doesn't mean that they are unemployed, as they, you or I understand the word.

No. It means that 500,000 or so people match the Australian *version* of the recommended International Labour Organization's definition of unemployment. The real monthly figures and the local version of the ILO definition of monthly unemployment have nothing to do with economic or actuarial reality.

ILO definitions

I am well aware that the ABS uses concepts and definitions recommended by the ILO, one of the specialised agencies of the United Nations. My point is that these ILO concepts and definitions of unemployment are, in essence, designed for *political* purposes and to

provide governments (here and overseas) with the most flattering figure. They have nothing to do with reality.

In this connection, it is important to appreciate that the ILO concepts and definitions are formulated neither by statisticians on the staff of the ILO (international civil servants), nor by statisticians on the staff of other international agencies such as the United Nations Secretariat, the WTO, the OECD, etc (also international civil servants), nor by independent expert professional statisticians such as academics, actuaries and accountants.

In fact, the recommended ILO concepts and definitions emanate from a group of statisticians, convened by the ILO, about every seven years. The group comprises national civil servants nominated by their respective governments (not by the ILO).

In the case of Australia, for instance, its representative on this ILO group for the time being has been the Commonwealth Government-appointed Australian Statistician — an Australian public servant. While the fact that this ILO group is composed of national civil servants does not mean that they are not expert statisticians, it does mean that they are not *independent*. They are, of course, beholden to their respective governments which can direct or influence them as they see fit.

All governments are anxious, for obvious reasons, to be able to boast the lowest possible rate of unemployment — not least of all for domestic consumption. In short, the governments involved in the ILO group have a vested political interest in using concepts and definitions, especially when issued under the prestigious imprimatur of the ILO, that disclose as low a rate of unemployment as possible; and the national civil servants of the ILO group all have riding instructions, or at least

guidelines, from their respective governments to achieve this end.

Sir Humphrey Appleby of *Yes, Minister* fame admirably summed it up in his diary: "The language of government: Restructure the base from which the statistics are derived without drawing public attention to the fact." Translation: "Fiddle the figures."

National definitions of unemployment do differ from the recommended ILO international standard definition. The national definitions used vary from one country to another as regards age limits, reference periods, criteria for seeking work or not seeking work, treatment of persons temporarily laid off and of persons seeking work for the first time.

Tricks

This, plus the tricks all governments get up to in cooking their monthly unemployment figures, makes comparisons between countries well nigh impossible and a fruitless exercise.

The *second* set of unemployment figures, "Persons not in the Labour Force" — also produced by the Commonwealth-appointed Australian Statistician and staff, and based on an actuarial or real survey — shows that we currently have a (real) two million, or 20 per cent, level of unemployment, chasing around 155,000 job vacancies, advertised and not advertised.

Those people with skills in demand will do well under WorkChoices' Australian Workplace Agreements (AWAs); but the other 1.9 million unemployed, if they get a job — and a huge number already in the workforce don't have these skills — will often have to put up with master-servant type AWAs. The OECD reports that Australia is the third lowest spender in the developed world on training unemployed people (*Melbourne Age*, June 26, 2006).

Many things are wrong with the monthly, or headline, "labour force" figures. Some examples are that advanced countries such as Germany and Singapore only count a person as employed if he or she works 15 hours or more. In Australia, you are counted as being employed if you work for as lit-

tle as an hour.

Currently 400,000 Australians work between 1-14 hours a week. They are counted as being "employed", but in many other countries would be counted as unemployed. The person who works an hour a week in Australia has the same status in the employment statistics as one who works 40 hours! Consequently, unemployment comparisons between countries are largely illusory.

Paradoxically, the Department of Employment and Workplace Relations (DEWR) regards Aboriginals who work 15 hours per week plus on a Community Development Employment Program (an indigenous variation of work-for-the-dole) as "employed".

Mockery

Secondly, there are 1.75 million unemployed Australians on one of the five or six different "dole" or unemployment benefits, one of these being the disability support pension (DSP). This alone makes a mockery of the monthly figure. Moreover, since March 1996, every dole recipient who has found a job, or given up looking for one, has been offset by an extra person becoming eligible for the disability support pension or the single parenting payment.

The latter two types of recipient are not tallied as unemployed because they are not technically looking for work. However, they are jobless and, from July 1, 2006, many will now have to find work and/or go onto a lower welfare payment called the Newstart allowance.

That alone will make the Newstart payments blow out and will make the monthly unemployment figures even more ridiculous than they are today — if such a thing were possible.

But wait. Like the perennial steak knives offer, there's more! Around 800,000 Australians recently told Census-takers that they wanted a job but couldn't take one during the survey week, or in the three weeks immediately after the survey week (owing to such things as lack of child care or short-term medical problems). As a result they were not counted as unemployed.

As with the difference between

the so called "elective" surgery lists and the so-called "emergency" surgery list, we have descended into smoke-and-mirrors territory in trying to work out the difference between being unemployed and actually being counted as unemployed, according to the bogus monthly or "headline" figure.

The Commonwealth Statistician from the ABS, Mr Dennis Trewin, is quoted as saying that "the official measure of unemployment does not reflect the true jobless rate". Why then would people disagree with him rather than listen to what he has to say?

In commenting on the last Australian Industrial Relations Commission (AIRC) national wage case, economic commentator Mr Des Moore had this to say on the real unemployment figures:

"This approach (on wages) pushes the unemployed and the under-utilised to one side in preference to those already in employment. Yet Australian Bureau of Statistics data shows

there are more than one million unemployed or under-utilised, and another 800,000 who say they would like work if it was available. About *two million* mostly unskilled would like jobs but have had little chance of getting them under the commission's regime." (*The Australian*, June 13, 2005).

He reiterated these figures a *few years* days later in Melbourne's *Business Age* (June 28, 2006).

Again, why should people believe in the official monthly labour force figures when it is akin to subscribing to the Flat Earth Society?

Fudged unemployment figures are no basis either for cracking open the champagne or for influencing economic policy, be it planning, justifying AWAs or framing immigration and visa targets.

— Marcus L'Estrange is a former Victorian high school teacher and former employee of the Commonwealth Employment Service (CES).

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BOOKS

Marcus L'Estrange

Lost diamonds

THE DIAMOND DAKOTA MYSTERY

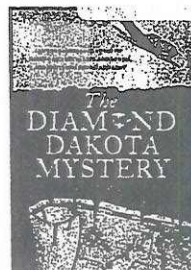
by Juliet Wills

(Sydney: Allen and Unwin Australia)

Paperback: 240 pages

Rec. price: \$26.95

Reviewed by
Michael E. Daniel



In March 1942, in Java, Captain Ivan Smirnoff was about to take off in a plane loaded with refugees who were fleeing the Dutch East Indies in the wake of the Japanese invasion.

At the last minute, Smirnoff (a naturalised Dutch citizen, originally from Russia) was handed a sealed package and ordered to deliver it to agents of the Commonwealth Bank in Sydney.

Smirnoff's aircraft was shot down just north of Broome by Japa-

survive in Australia's inhospitable northwest, the mysterious package was forgotten.

In this engaging work, award-winning Perth journalist Juliet Wills recounts the story behind the package.

Unknown to Smirnoff, whose mind was otherwise occupied, the package contained a fortune in diamonds. When the survivors were rescued, the package was left behind, its contents to be discovered by scavengers.

Eventually, many of the diamonds were gradually recovered, yet the fate of the rest of the package remains a mystery.

The Diamond Dakota Mystery also describes the fate of Broome in the wake of the Japanese invasion.

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Letters

The Australian Financial Review
Tuesday 10 January 2012 • www.afr.com

Black omits full picture on jobless

Your "Howard battlers are back, vying for jobs" (Features, January 5) is structurally unsound and its conclusions are wrong because it is based on the monthly Australian Bureau of Statistics "Labour Force" figures on employment/unemployment, which are themselves based on a political definition of unemployment, not an actuarial one.

Clearly John Black has forgotten Prime Minister Julia Gillard's public comments of last February 1: "Friends, we look with particular care and concern on the large number of working-age Australians, possibly as many as two million, who stand outside the full-time labour force, above and beyond those registered as unemployed. Around 800,000 are in part-time jobs but want to work more. Another 800,000 are outside the labour market, including discouraged job seekers. And there are many thousands of individuals on the Disability Support Pension who may have some capacity to work."

Clearly Black should have used the ABS survey, "Persons not in the labour force", as Gillard did, as the basis for his article, not the nonsensical "Labour Force" survey.

Black has the usual dig at Disability Support Payment recipients, mentions Wayne Swan a lot but not the Treasurer's comment when he was a shadow minister for family services: "The notion that recipients of a disability pension are there for economic reasons is simple vilification."

Oh well, we should never let a few facts get in the way of a "good" survey or story.

Dodgy figures lead to dodgy analysis and dodgy policies.

Marcus L'Estrange

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SENATOR PENNY WONG

Labor Senator for South Australia

8 March 2007

Mr. Marcus L'Estrange

Marcus
Dear Mr. L'Estrange,

Thank you for your correspondence concerning the misinformation surrounding the level of unemployment in Australia. My apologies for not having been able to respond to your concerns earlier.

As you know, Australia's official unemployment rate currently at 4.6 percent means around 494,500 Australians are looking for work. To count as employed, you need to be working a minimum of one hour per week.

In collecting this information, the Australian Bureau of Statistics adopts internationally recognised measurements for employment, that is, all persons engaged in one or more hours of work during a reference period, as well as some persons temporarily absent from work. A more detailed explanation of the method used by the ABS to compile statistics on unemployment is available on their website at www.abs.gov.au in the area of labour force statistics.

Whilst Labor is always pleased to see the official rate of unemployment drop, and to see more people gaining work, we recognise a great many people do not show up in those figures. For example, one in five part time workers - some 600,000 people - want more work than they can get.

There are also many people who are not in the labour force at all. Around 1.2 million Australians would like to work but for various reasons are not looking. Many of them are discouraged or do not have the skills employers are looking for.

When you add these two factors to the nearly 500,000 officially unemployed, we know that there are around 2.3 million Australians who are officially unemployed or want more work than they can get. This is a point that I, and a number of Labor members have made on a number of occasions.

There are other key problems that are not revealed by the official unemployment figures. Very long term welfare dependency has increased dramatically under the Howard Government.

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Political definition of unemployment

Published: 08 Feb 2010

Many of the people gaining work now are new entrants to the labour market, rather than these very long term welfare dependents. In addition, much unemployment is concentrated in regional areas. Teenage unemployment in many of these regions is chronic.

Labor believes that a coherent approach to employment and workforce participation must take account of all these factors, to ensure that people don't miss out on the prosperity that can come from employment.

Labor believes that Australia's growing underemployment problem means that a vast amount of potential is wasted, because a great many Australians, who would like to contribute to a more productive economy, are hampered through a lack of opportunities.

Government measures to equip Australians to participate in workforce will be needed as well as a shift in attitudes in relation to more mature workers and people with disabilities. However, little can be achieved in solving Australia's labour market problems until the Howard Government is willing to acknowledge that these problems exist.

Labor will continue to advocate strongly for far greater investment in Australian workers to ensure the economy can grow and benefit from the currently untapped resources in our community. As Shadow Minister I am developing Labor's policies aimed at achieving a more inclusive workforce that offers opportunities and security.

Late last year, I released a comprehensive discussion paper which outlined Australia's labour force participation challenges. The attached media release provides more information. Please contact my office if you would like a copy of the discussion paper.

Thank you again for your correspondence detailing your considerable thoughts on this vital issue. Your concerns are shared by Federal Labor and that we are strongly committed to solving all of Australia's employment problems.

Sincerely,

PENNY WONG

Political definition of unemployment: published: 08 Feb 2010

David Lurie's letter, "Under-employment must be addressed" (February 4), has missed the whole point of Australia's employment- unemployment and under- employment figures.

Those headline figures in the monthly 'Labour Force' series result from a political, not actuarial, definition of unemployment, and are foisted upon a very reluctant ABS by both sides of the Parliament.

Until the media stops letting both Labor and the Coalition off the hook and insist that they only use the annual ABS series: "*Persons not in the labour force*" figures that show we have a real unemployment figure of at least 20% or 2 million unemployed plus 700,000 - plus underemployed, chasing about 100,000 vacancies, precisely nothing will be done by both sides about underemployment let alone unemployment.

After all, as the media has let both parties get away with counting a person who works only one hour or more during the Australian Bureau of Statistics survey week as being *employed* why should they care about unemployment / underemployment?

Marcus L'Estrange

No ABS conspiracy on unemployment

Marcus L'Estrange (Letters, 10/4/10 February 8) rightly notes that care needs to be exercised in understanding the labour force figures compiled by the Australian Bureau of Statistics, as is the case with all data.

L'Estrange asserts that there is a conspiracy between the major political parties that forces the ABS to adopt a definition of unemployment that reduces the published numbers.

There are usually many problems with conspiracy theories. In this case, the key ones seem to be that the ABS is an independent body and that it adopts International Labour Organisation definitions. It also publishes much more detailed figures than the headline ones to which L'Estrange takes exception.

Would it be better if the ABS broke with international standards and produced figures that could not be compared across countries?

Michael Walsh

The Australian Financial Review
www.afr.com • Monday 15 February 2010

Letters

Unemployment figures fall short on reality

I didn't say or imply, Michael Walsh, that the Australian Bureau of Statistics is involved in a conspiracy (Letters, February 10). My view is that there is a conspiracy between both sides of parliament to come up with a political definition of unemployment, not an actuarial one.

That's why the Australian Bureau of Statistics, very reluctantly, conducts the monthly Labour Force survey. As public servants they simply don't have a choice. They are certainly not independent.

Privately, many members of the ABS I have spoken to over the years laugh at the accuracy of the monthly Labour Force figures. That's why

they produce the Persons Not in the Labour Force survey and also the Householders Survey in order to publish reality, not fiction.

The former commonwealth statistician Dennis Trewin is quoted as saying that "the official measure of unemployment does not reflect the true jobless rate".

Why, then, would people disagree with him, rather than listen to what he has to say?

I am well aware that the ABS uses concepts and definitions recommended (but not directed) by the International Labour Organisation, one of the specialised agencies of the United Nations. My

point is that these ILO concepts and definitions of unemployment are, in essence, designed for political purposes and to provide governments (here and overseas) with the most flattering figure. They have nothing to do with reality.

Finally, how does Walsh "explain away" the fact there are 1.75 million Australians on one of the six different dole payments and a claimed unemployment number of 600,000? The Americans are even worse than us in cooking the books. Just look up www.shadowstatistics.com

Marcus L'Estrange

Letters

Gillard's bread and circus palaver on unemployed

Laura Tingle's and Mathew Dunckley's coverage of the Prime Minister's aim of getting the 2 million unemployed into jobs has overlooked several points ("PM's challenge: 2m back to work", February 2).

There is no agency where the unemployed register as being unemployed. The only agency that came near was the old Commonwealth Employment Service where registration was voluntary and which was wound up in 1996. Yes, if people want to claim the dole they register at a Centrelink office, which replaced the old Department of Social Security.

We now have 1.75 million Australians on one of the six dole payments. This automatically makes the monthly "labour force" figure of 500,000 unemployed, or 5 per cent, as totally silly and irrelevant. It's based on a political definition of unemployment, not an actuarial one such as the Australian Bureau of Statistics' "Persons not in the labour force" survey, which shows a real unemployment figure of 2 million.

Second, the ABS vacancy survey says that we have 200,000 vacancies, advertised and not advertised.

Third, you can divide the figures anyway you want; you will still have 1.8 million unemployed. Yes, the situation should change in 2018 when the ageing of the workforce problems start to kick in, but until then we will continue to have mass, depression levels of unemployment.

Until then all the nonsense by Julia Gillard is just bread and circus nonsense designed to hide the real unemployment figures and a massive shortage of vacancies.

Marcus L'Estrange

The deadly effects of dodgy unemployment figures

The economy: Crikey 14/6/2012

Marcus L'Estrange writes: Re. "Kohler: Gillard can't sweet talk the economy" (yesterday, item 9). Alan Kohler has missed a **key** point why the government gets no credit for our strong economy.

No one in their right mind should take any notice of the monthly unemployment figures as they are based on a political definition of unemployment, not an actuarial one. The real figure is 2 million or 20% chasing about 200,000 vacancies.

The problem is that the ABS unemployment estimates are "paraded" by the federal government, the RBA, most journalists and the opposition when they are in government as indicative of their "good" economic policy; and this in turn leads to **policy errors** by the federal government, the RBA and others, which consequently **misleads** businesses and decision makers looking to invest in their future.

Additionally, a host of government day-to-day decisions, the number of 457 visas and Job Services Australia would be dramatically **reduced or abolished** if we used the real figures.

Unfortunately, decisions made on the basis of the ABS unemployment figures have **real** consequences for Australia and Australians. The RBA's determination to maintain Australian interest rates at well above the rates of comparable countries such as Canada -- the country most similar to Australia with regards to its strong resource sector, has interest rates of 1% and means real Australians and real Australian businesses **suffer** from the higher borrowing costs that restrict lending in Australia and reduce investment by Australian businesses that would otherwise provide employment to many more Australians.

Clearly there are many Australians who would like to find employment or be employed for more hours each week -- these people are **ignored** because each month the federal government purposely ignores the true level of unemployment -- and the federal opposition is inept by letting them "get away with it".

In fact, the federal government itself has the most to lose from relying on the unbelievable ABS unemployment estimates -- each time the government claims it should receive "credit" for its good economic management, **a majority of Australians don't believe what they say due to their own personal experiences.**

Marcus L'Estrange writes re item 20, Crikey, Monday, 9/7, Morning Market Report by

Marcus Padley claims that the US unemployment rate came in at 8.2 %, unchanged for the past three months. However Marcus doesn't explain which unemployment rate he is using: the official monthly unemployment rate, the full employment rate or the work force participation rate. The true unemployment picture is hidden by essentially splitting jobless Americans up and putting them inside one of the three different 'boxes' or rates.

Since 2009, 9 million unemployed Americans have been removed from the labour force simply by the government defining them as not being in the labor force anymore. When we piece through this statistical smoke and mirrors trick caused by the definition of unemployment being based on a political definition of unemployment rather than not an actuarial one, then the true unemployment rate in the US is 20% and rising.

In an extraordinary cynical act, the US government is effectively saying that because the job situation has been so bad for many millions of unemployed people they can no longer be considered to be potential participants in the workforce at all. Because there is no hope for them they no longer need to be counted. The decline in any participation rate is a key figure in determining the so called 'official' monthly unemployment rate. When you include the long term unemployed and discouraged unemployed the real unemployment figure rockets up.

For investment advisers such as Marcus the above is of crucial importance. In the US we have a real economy that isn't experiencing healthy growth but is instead staggering with imploding employment levels. Much of the stock market is based on expectations of future growth. Remove the growth and most of the current value of the markets goes with it, for when jobs implode so do stock markets but is Marcus aware all this?