

Changes to the way we work: demographic trends in the Australian labourforce

Statement by Bernard Salt to Senate Committee on the Commission of Audit, Melbourne, 13 March 2014

Introduction

There is concern that Australia is losing its manufacturing base with recently announced closures and/or downsizings of the workforce at places like Holden, Ford, Toyota, Alcoa and Qantas.

But before we rush to make judgements about what all this might mean, perhaps it's worthwhile to look at the facts.

Recent slowdown in the rate of job growth

In January the Australian workforce numbered 12.185 million workers up 29,000 over 12 months. However this growth figure actually comprised a net gain of 100,000 part-time jobs and a net loss of 71,000 fulltime jobs.

Ten years earlier over the 12 months to January 2004 net job growth of 107,000 then comprised an extra 116,000 fulltime jobs and 9,000 fewer part-time jobs. It is fair to say that over the last decade the Australian workforce has shifted either by preference or by necessity to more part time work.

It is also fair to say that the situation with regard to job growth has deteriorated progressively over the last 12 months.

Australian Bureau of Statistics trend data shows that there was a diminishing level of job growth each month from February through to August 2013 and that from September onwards the job market contracted each month with growth in part-time jobs being offset by losses in fulltime jobs.

In January 2014 for example there were 8,050 part-time jobs added, 9,629 fulltime jobs lost, resulting in an overall net loss of 1,579 jobs across the workforce.

Job losses in the manufacturing sector and elsewhere

The latest employment data by industry published by the ABS relates to November last year. Over the previous 12 months net job losses in the manufacturing sector totalled 27,000. There were further losses of 34,000 jobs in the information, media & telecommunication sector and 33,000 jobs in the wholesale trade sector. Job growth over this period was recorded in the public administration sector (up 77,000), in the construction sector (up 35,000) and in the retail sector (up 28,000).

I suspect that there is an 'optics effect' with regard to some job losses. The closure of a manufacturing plant that has operated for five decades in a particular location and that produces a readily identifiable consumer product (such as a car) has a high level of resonance within the community and with the media.

There is no counter-balancing announcement of jobs being created for example in public administration, in construction and in retail. To say that Holden is closing its Elizabeth plant has a higher 'optics effect' than to say that hundreds of builders have hired supporting labour or that retailers are putting on extra staff or that a government department is expanding.

Regardless of the optics effect the fact is that Australian job growth has slowed over recent months and that many of the job losses have been in the manufacturing sector. The concern is the impact that such job losses might have on the local community.

The Newcastle example

In September 1999 BHP closed its steelmaking facility in Newcastle resulting in the direct loss of around 3,000 jobs. In the following month ABS data shows that unemployment in Newcastle and Lake Macquarie was 9.4 per cent at a time when the national rate was 6.4 per cent. In other words unemployment in Newcastle was three percentage points above the national average one month after the announced layoffs.

A year later and Newcastle's unemployment rate was 3.2 percentage points above the national average. Within five years the differential had narrowed to 0.6 percentage points. Fourteen years later in October 2013 and Newcastle's unemployment rate was 4.0 per cent or 1.6 percentage points below the national average at that time.

On these figures it looks like the loss of 3,000 BHP jobs caused a spike in Newcastle unemployment to a level that was well above the national average and that slowly over time the local economy and the local workforce adjusted to the new reality.

However the ABS data series also shows that in October 1998, a full year prior to the closure, Newcastle's unemployment rate was 10.7 per cent as compared with a national average of 6.9 per cent.

Newcastle was struggling with high levels of unemployment a year before the closure of the steel plant. The closure appears to have prompted a reinvention of the city to the extent that today Newcastle's unemployment rate is lower than the national average. This is not to suggest that the closure did not cause angst and concern in the community at the time but that any consequential 'unemployment bump' was not apparent through the ABS data series.

Australian unemployment hotspots by labourforce region

This brings me to the issue of unemployment hotspots. Peak levels of unemployment in Australia are not so much associated with areas of manufacturing as they are with the location of public housing estates and with remote concentrations of the indigenous community.

For example according to ABS Labourforce data for January this nation's unemployment rate peaks at 11.4 per cent in Brisbane's Ipswich, and remains in double-digits in Sydney's Southwest (eg Campbelltown), in Brisbane's north (eg Caboolture), and in Tasmania's West and Northwest (eg Burnie). These figures compare with a national average unemployment rate of 6.4 per cent in that month.

The unemployment rate in January was above nine per cent in Melbourne's Northwest (eg Broadmeadows), in Adelaide's North (eg Elizabeth) and in Cairns. These areas of high unemployment are typically associated with the depressed manufacturing and tourism sectors, with concentrations of public housing and/or with diminished mineral resources.

On the other hand the unemployment rate is typically less than five per cent in Darwin, in Sydney's Eastern Suburbs (eg Woollahra), and in rural communities like the Victorian Wimmera and the WA Wheatbelt. I suspect that the unemployed in rural communities drift to the city or to the coast.

Unemployment hotspots by statistical local area

But these figures do not expose areas of real economic disadvantage in Australia. The Department of Education, Employment and Workplace Relations (DEEWR) publishes quarterly estimates of unemployment by statistical local area that is modelled from ABS labourforce data.

In September 2013 when the national unemployment rate sat at 5.7 per cent DEEWR suggests that unemployment was in excess of a quarter of the workforce in two remote communities: Ngaanyatjarra (27 per cent) and Anangu Pitjantjatjara (32 per cent).

However if you are in search of real employment disadvantage in Australia then you need to look beyond the manufacturing heartlands of Melbourne's north and west, beyond Geelong and beyond Adelaide's north and head 250 km inland from Rockhampton to the indigenous community of Woorabinda where 86 per cent of the 500-strong labourforce is unemployed.

I think that the Australian economy and workforce is going through a period of significant change. Work is transitioning from fulltime to part-time. Workplaces are shifting from large-scale manufacturing plants to smaller-scale nimbler establishments. And the type of work we are doing is changing.

**Jobs that are expanding and jobs that are contracting:
evidence from the censuses**

Between the 2006 and 2011 Censuses the job that expanded most was the job of aged or disabled carer, up 31,000 positions. Over the same timeframe the job of secretary contracted by 29,000 positions. Apparently management learnt how to type in these years; the role of personal assistant or PA jumped 8,000 as a consequence.

I think it is instructive that between the last two censuses the 13th fastest growing job in the Australian economy was the job of barista, up 13,000 positions. We might be losing sheet metal workers and secretaries but we are gaining baristas and PAs.

Lifestyle preferences, changed work practices, logistics innovation, new technology as well as globalisation have all had a profound impact on the Australian workforce over the last decade.

Population growth as a driver of job growth

One of the drivers of job growth over the next three years is likely to be employment associated with strong population growth. Jobs in building & construction and home building in particular, the delivery of infrastructure, the provision of finance and consumer goods retailing must all expand as this nation's population base grows.

The number of people added to the Australian continent in the 2009 Big-Australia year was close to 450,000. This number dropped in 2010 and 2011 but since 2012 there has been a turnaround and it is now sitting at around the 400,000-mark. Over the period between 1950 and 2005 this nation's net population growth averaged 220,000 per year underpinning a certain level of demand for housing, for home finance, for retail products and services and for associated labour and skills.

Strong levels of immigration combined with a high birth-rate will create a basis for job growth in the short- to medium term. But this will also prompt concerns about our ability to manage growth at such a pace and scale.

Whether population-related job growth is sufficient to offset job losses elsewhere and whether the workforce has the agility to

reconnect from contracting to expanding sectors remains to be seen. These are the employment and political challenges for the coming year.

Final comments

In the meantime if you are really interested in economic disadvantage in Australia then I suggest you give Melbourne's Broadmeadows, Adelaide's Elizabeth, Sydney's Campbelltown and Brisbane's Ipswich a miss and seek out the blunt reality of life in remote indigenous communities starting with Woorabinda.