

Marcus L'Estrange



12/9/2019

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

Dear Sir / Madam

I write to make a submission to your inquiry. They are, as follows, according to your terms of reference (b) & (r).

My responses are below.

Terms of Reference

(b) the labour market, unemployment and under-employment in Australia, including the structural causes of long-term unemployment and long-term reliance on Newstart;

(r) any related matter

My main response: Overwhelmingly, a clear lack of jobs and purchasing power of many Australians. If you use the monthly ABS 'Labour Force' figures we have one vacancy for every six unemployed. If you use an alternative or real measure of unemployment you have one vacancy for every 16 unemployed, depending on the alternative measure used. See attachment 1. The making of decisions, using false and misleading unemployment figures, has led to the current disaster mentioned by Robert Gottlieb.

'Tackling the spin surrounding the unemployment rate':

"Business Spectator" Robert Gottlieb, 28/4/2015

"The dramatic understatement of Australia's (monthly) unemployment and underemployment is causing major distortions in the Australian economy and in the policy making of Australian politicians".

The real measures of unemployment are:

(1) The Roy Morgan method:

(2) The former ABS "Persons not in the labour force survey" method and

(3) The reasoning used by Adam Creighton, Economics Editor of 'The Australian', in his article "

On balance, I favour the former ABS "Persons not in the labour force", (U1 - U6) unemployment survey.

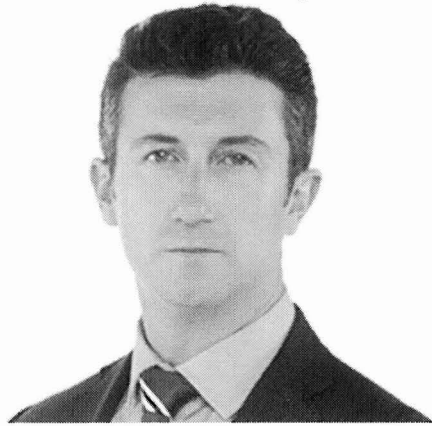
I worked for 25 years in the old Commonwealth Employment Service.

I am happy to attend committee hearings and to provide other material if you wish and I await your early response.

Yours sincerely,

Marcus L'Estrange

Be honest about unemployment — it's above



15 per cent

ADAM

CREIGHTON Follow @Adam_Creighton

- MAY 22, 2017

Imagine if a group of rogue statisticians, hellbent on issuing numbers that reflect reality, seized control of the Australian Bureau of Statistics. Their first decision would be to release an unemployment rate above 15 per cent — almost triple the official figure.

The official national jobless rate fell to 5.7 per cent last week, prompting perfunctory cheers. But the reality is that more than 2.26 million Australians of working age can't find work, far more than the 732,000 suggested in April's figures.

The definition of unemployment certainly doesn't satisfy the "pub test". It actually includes only a minority of people without work who want it. Indeed, anyone working more than one hour a week is considered employed even if they are working for free or in kind.



• AVIATION

By contrast, to be unemployed you need to have applied for a job in the past four weeks and be ready to start work in the week the survey was conducted — that is, now.

The sum of these two, respectively, generously and tightly defined categories determine the official “labour force”, which was 12.83 million people in April.

I can hear you asking: doesn't Australia have a population of 24.5 million; what on earth is everyone else doing? We either have a lot of idle rich or something is wrong with the figures.

Well, 6.9 million people aged over 15 were classified in April as “not in the labour force”.

But more than a fifth of these people were out of work and wanted a job. Between 1993 and 2013 the ABS published an annual survey of those “not in the labour force”. It consistently found about 22 per cent of them were unemployed but didn't meet the official definition — either they couldn't start work immediately or hadn't applied for a job recently enough.

“In September 2013, there were 1,004,000 people with marginal attachment to the labour force, a significant increase from 918,100 in 2012, representing approximately 16 per cent of people not in the labour force,” the ABS said. That, sadly, was the last time that survey was conducted.

Anyway, if we add 22 per cent of April's neglected jobseekers to the labour force, we end up with a 15.6 per cent unemployment rate.

But wait, there's more. The share of people officially in jobs who want to work more hours but can't — called “underemployed” — is now 9.2 per cent (1.1 million workers), the highest share on record, having tripled since the late 1970s. Adding these people in also gives an “unemployment rate” of more than 23 per cent.

These 3.37 million people have recourse to the 170,000 job advertisements online or in newspapers this month, according to ANZ's monthly estimate. That's quite a lot of “slack”.

Whatever the official statistics say, the workforces of the developed world have been slowly crumbling for decades, a phenomenon papered over by public schemes that keep people out of the jobless statistics. Think of the plethora of “education and training” programs, including “work for the dole”, trotted out year after year by governments to keep the growing army of people on welfare occupied.

I haven't even touched on another issue yet: What about people outside the official labour force who aren't seeking work but should be?

More than 880,000 people were receiving jobseeker benefits from the federal government in March (Newstart or Youth allowance), yet fewer than 60 per cent of them were required to look for a job because of various exemptions. About 55 per cent of 770,000 disability support pensioners claim psychological problems or muscle and joint pain; a portion of these might not be genuine.

Our band of rogue statisticians will face a major political hurdle. Politicians don't want the methodology changed. In a burst of candour in 2007, senator Penny Wong, then in opposition, said the job stats didn't reflect reality, suggesting about 2.3 million Australians were actually unemployed. But as a minister in 2012, under questioning from Coalition senators, she wouldn't restate her claim. You can bet those same Coalition senators, now in government, would not want to talk about the true jobless rate either.

Being honest about it is terrible public relations for governments and proponents of "free market" economies. (Indeed, they are more accurately termed corporatist, but that's another story). US President Donald Trump at least has had the courage to slam the US unemployment rate (4.4 per cent), which is calculated the same way as ours. He is yet to do anything about it.

The ABS does use internationally agreed definitions on unemployment but these are hardly handed down from the mount. They came out of intergovernmental committees after WWII, which naturally had an incentive to present their economies in the best possible light. Before the war unemployment was calculated differently. For example, during the 1930s depression in Australia "relief workers" — those in jobs funded by government programs — were included as unemployed, whereas today's make-work army is not.

Internationally comparability is its only virtue. In every country unemployment is dramatically higher than official figures suggest.

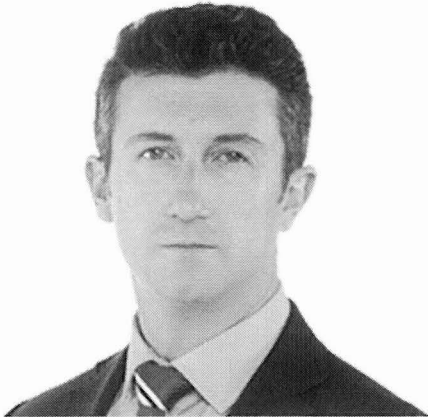
Another sobering statistic from last week: private sector wages rose 1.8 per cent over the year to March, the slowest pace on record. The reality of high unemployment has weighed on workers' bargaining power. Technological changes could sap them more.

More than 720,000 Australians are either retail managers or sales assistants, according to official data analysed by PwC, two of the four most common jobs. The arrival of online retail giant Amazon poses a significant threat to this pool. Sure, some people can retrain but there are only so many dog walkers and massage therapists a society can absorb.

To be sure, unemployment can be a mark of economic progress. Stone-age societies had zero unemployment — anyone not fit to work would die and children worked as soon as they could. Nazi Germany and the decrepit, centrally planned Soviet Union achieved full employment, too.

But governments should be honest with their citizens about our progress, however politically unpopular it might be, rather than suggesting everything is purring along nicely. At the very least, the ABS should produce a real unemployment rate alongside the internationally consistent one.

ADAM CREIGHTON



ECONOMICS EDITOR

Adam Creighton is an award-winning journalist with a special interest in tax and financial policy. He was a Journalist in Residence at the University of Chicago's Booth School of Business in 2019. He's written ... [Read more](#)

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Part B

Some key statements, collated by Marcus L'Estrange, 1/7/2018

(1) Former Commonwealth Statistician Dennis Trewin is quoted by Tim Colebatch (Fairfax media) as saying that “the official (monthly) measure of unemployment **does not reflect the true jobless rate**”. Surely this raised the point of why use the monthly ABS ‘Labour Force’ survey and why do the media comment on it.

(2) Senator Wong said in 2007 that: and did not retract in The Senate, 18/9/2012, when asked.

“Whilst Labor is always pleased to see the official rate of unemployment drop, and to see more people gaining work, we recognize a great many people do not show up in those figures. For example, one in five part-time workers – some 600,000 people (now 1 million) – 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 (now 800,000), 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.”

(3) On the 1st February 2011, in a rare burst of honesty which must have horrified her Mandarin Class, the then PM, Ms. Gillard, said publicly: (AFR, 1/2/2011)

‘Possibly up to 2 million working-age Australians “stand outside the full-time labour force, above and beyond those registered as unemployed (*)”. These included about 800,000 (now 1 million) in part-time jobs who wanted to work more; 800,000 outside the labour market, including discouraged job seekers; and “many thousands of individuals on the disability support pension who may have some capacity to work”. * There is no register of the unemployed.

(4) At the John Cain Foundation forum on “The State, Markets and Civil Society”, 21/3/2015, Mr. John Langmore, Professorial Fellow at the University of Melbourne and former Federal ALP MP, claimed that the monthly unemployment figures are a charade.

(5) In ‘News Weekly’ (17/11/2001), a Melbourne based current affairs magazine, I wrote that John Howard, then Shadow Industrial Relations Minister, once said to me in 1993, at a Radio 3AW Melbourne Breakfast at The Hilton Hotel Melbourne. **“Marcus, I know the real unemployment figure is 20 percent, but I cannot afford to be honest. If I was honest, people would become more depressed, spend less, thus creating even more unemployment.”**

(6) Sir Humphrey Appleby also admirably summed it up in his ‘Secret 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”.

(7) Senator Amanda Vanstone, when she was the Federal Employment Minister, noted that: “The National Institute of Labour Studies commissioned by the Department of Employment, Training and Youth Affairs (DEETYA) found that “the level of disguised unemployment had risen to historic highs, pushing the true jobless rate to between 15% - 22%”.

*‘Tackling the spin surrounding the unemployment rate’:
“Business Spectator” Robert Gottliebsen, 28/4/2015*

“The dramatic understatement of Australia’s (monthly) unemployment and underemployment is causing major distortions in the Australian economy and in the policy making of Australian politicians.

The nineteen main (but not only) problems with the monthly ABS 'Labour Force' employment / unemployment monthly survey are: 1/09/2018

ATTACHMENT 1

Preamble and summary

The current unemployment measure, first established in the 1960's, has failed to catch up to the severe structural changes in our labour market.

Fact is, the unemployment rate was developed in an era when full-time male breadwinners served as the basis of the labour market. This makes the reality that politicians and the media still lean on it so wholly and heavily quite staggering.

Over the last few decades, the labour market has radically transformed and casualised: underemployment has ballooned as a critical labour category, as well as what the ABS calls "hidden unemployment". Yet, proper understanding and recognition of these groups is missing from public debate and policy-making, because it is not explicitly captured by the official (and somewhat anachronistic) unemployment rate.

As a general rule, the more you broaden the ABS measures — to include groups of people who just didn't exist in the "full employment" era (e.g. casual and discouraged workers) — the more disturbing a picture you get of the labour market in Australia.

Indeed, politicians can cherry-pick and spin unemployment figures to tell virtually any story they like. At the same time, the media are generally ill-informed and time-poor, often reporting on what's put in front of them with little time and/or inclination to dig deeper into the figures.

To me, politicians are horrified of the masses finding out the real unemployment figures as they would show that most things we've done in unemployment since the 1980s have been largely a massive waste of time, money and effort. That's why they continue with Labour Market Programs which are largely 'bread and circus' nonsense. ***The line about 'bread and circuses' is true enough but in Australia, it increasingly seems to be all circus and not bread.***

On misleading jobs data: Crikey, 23/8/2017

Marcus L'Estrange writes: Re. "On misleading jobs data" (Tuesday).

A top comment, particularly regarding the lack of checking of official data by journalists. In a 2016 report, "Making Sense of Statistics", commissioned by the BBC Trust, the report noted that the BBC relies heavily on Government statistics and often quotes them without due scrutiny.

BBC Management responded by saying that news staff will receive "online training in the use of statistics for journalism" and agreed to hold a review into statistical coverage every six months. Will the ABC and others follow the BBC's example, or will it continue to follow the medias approach to 'The Flat Earth Society' so many years ago?

British PM Thatcher, during her long reign, changed the UK interpretation of the ILO unemployment definition 14 times and yes, you've guessed it. Unemployment went down 13 out of the 14 times.

Above all the International Labour Organization (ILO) definition of unemployment is far too vague to be of much value. It is the interpretation of the ILO definition that causes massive distortions. (The figures listed below are generally about two years old).

- * (1) You only must work one hour (vs. 15 in Germany/Singapore, 12 in Holland) during the survey period to be counted as being employed. One hour in the workforce has the same status as 40 hours plus! You could be

/i.

on the dole, selling *'The Big Issue'* and still be regarded as being employed. This should be changed to 15 hours plus if the unemployed person wants 15 hours or more.

(2) If you have worked *without* pay in a family business during the reference or survey week you are counted as being *employed*.

(3) If you haven't applied for a (non) existent job during the four weeks up to the end of the survey period or reference week you are not counted as being unemployed. Many unemployed people lodge their applications with potential employers and then wait for a call. Why should they have to re-apply for the same job every month? This drives many employers mad. Many are also very discouraged in applying for (non-existent) jobs. They have had so many knockbacks. This should be changed to once every three months whilst there is a massive shortage of jobs. Finally, of course many jobs are simply not advertised.

(4) Were employees who had a job but were not at work and were either:

- On paid leave;
- On leave without pay for less than four weeks up to the end of the reference week;
- Stood down without pay because of bad weather or plant breakdown at their place of employment for less than four weeks up to the end of the reference week;
- On strike or locked out;
- On workers' compensation and *expected* to be returning to their job; or
- Receiving wages or salary while undertaking full time study; or
- Were employers, own-account (self-employed) workers or contributing family workers who had a job, business or farm but were not at work. *All these categories of people are counted as being employed*. Some or parts of the above four categories have merit, some don't. It's a matter for the Parliament to debate and decide.

(5) If you cannot take up a job in the week after the survey due to say a short-term health problem or on short term training such as unemployed youth or a lack of child care, then even though you are on the dole, you are *not* counted as being unemployed. In September 2012, there were 918,000 people with marginal attachment to the labor force, representing approximately 15% of people not in the labor force.

Persons not in the labor force are marginally attached to the labor force if they:

* wanted to work and were actively looking for work but were not available to start work in the reference week (84,300); or

* wanted to work and were not actively and immediately looking for work but were available to **start work within four weeks (currently 918,000)**. **I believe that this group should be added to the monthly unemployment figure.**

(6) Youth Allowance recipients (300,000 plus), who are on the Newstart Allowance or the dole are *not* counted as unemployed by the ABS as they do not count those attending an educational institution either full time or part time as part of the available workforce. From my experience as a former Commonwealth Employment Service (CES) worker and as a secondary school teacher many of these students are undertaking 'studies' of subject matter they should have learnt at school but *didn't* because of their poor behavior, automatic promotion and attendance record. See attached – available from Marcus.

(7) Unemployed people on Labor Market Programs (e.g. the Community Development Employment Program - CDEP) are generally not counted as being unemployed. Ironically the Federal Department of Employment only counts a participant in the CDEP if they work more than 15 hours during their survey period.

(8) The ABS / ILO definition of employment / unemployment hasn't changed much at all since the 1950's but the world of work has dramatically changed since then. Yes, I am aware that there have been a *small, at the edges*, number of changes since then, but they were relatively minor.

(9) The Labor Force survey (LFS) definition implies that unemployment is the fault of the individual, not the economic order. The survey also does not use the word unemployment or discouraged unemployment in Australia.

(10) ABS / ILO unemployment statistics are not reconcilable with unemployment benefit recipient figures. In the UK it is thought that the LFS underestimates the number of claimants by around 20% but the figure would be more if you consider the numbers who were transferred from the dole to sickness or Incapacity Benefit to reduce the unemployment figure. In Australia the equivalent is to transfer those on the dole into 'non-jobseekers' if they are engaged in education and training for longer than three months.

(11) The survey does not make any attempt to identify the factors that lead to unemployment or the duration of unemployment. It simply addresses only those who are unemployed on the day the survey is conducted it doesn't tell us much about labor market activity during the month.

In this context, the ABS definition is biased towards counting a person as employed rather than as unemployed. It also gives the same status to people who work one hour and those who work forty hours plus! Unemployment is simply how a government wants to measure it. It has little or nothing to with reality. This is why Labor or The Coalition does not want to change the definition. They are both horrified of 'we the people' finding out the magnitude of the problem and their silly 'bread and circus' attempts to hide the problem.

(12) The problem of involuntary overtime during the month is not considered by the LFS. Similarly, it doesn't tell us how many were forced to work fewer hours than they wanted. Finally, the LFS doesn't tell us how many hours people would prefer to work or not work.

(13) The International Labor Organization (ILO) definition of unemployment is a *political* definition of unemployment not an *actuarial* one and was largely foisted upon many countries by the U.S.

I understand the ABS use motherhood concepts and definitions recommended by the ILO, one of the specialized agencies of the United Nations. My point is that these ILO concepts and definitions of unemployment are designed for political purposes and to provide governments (here and overseas) with the most flattering figure. They have virtually 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 World Trade Organization, 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. The ILO meetings, since the 1950's are clearly dominated by the U.S. which is the author of the one-hour definition of employment. 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 on how to achieve this end. *The statisticians have been totally politicized.* Just ask Sir Humphrey of 'Yes, Minister' fame how this is done and the episode where Sir Humphrey explains how Chairs of Enquiries are appointed is an excellent start. *Sir Humphrey Appleby* also admirably summed it up in his '*Secret Diary*':

"The language of government: Restructure the base from which the statistics are derived without drawing public attention to the fact " Fiddle the figures".

(14) Of the 850,000 in receipt of Newstart / Youth Allowance in 2015, 432,000 were exempt from job-search requirements. This means they didn't have to look for work and are not be counted as being unemployed. Some of the reasons for being exempted were ill health, volunteering, working part-time, unemployed parents with three or more children, studying, being homeless. The number of non-jobseekers had doubled since 2009. The average time on the dole is 4 years, 4 months and two-thirds of dole recipients had been out of work for more than a year, as long-term unemployment surged 10%.

(15) U.S. Federal Reserve Board Chair, Janet Yellen, has said that 'she was now looking beyond traditional measures of unemployment for cues on the economy, labor market and rate hikes. '*Wall Street Journal*', 13/2/2014. The problem for the US Federal Reserve is that the monthly unemployment figures are not a reliable overall indicator of the labor market.

Why you cannot really compare countries unemployment figures.

(16) National definitions of unemployment do differ from the recommended ILO 'motherhood type' international standard definition. The frequency of surveys and national definitions or **interpretations** of ILO recommendations used vary from one country to another as regards to scope of surveys, the inclusion / exclusion of Armed Services in the labor forces, active / passive job search, waiting period to start new job, layoffs, current availability, students, unpaid family workers, age limits (15 / 16 years), retirement ages, reference periods and criteria for seeking work or not seeking work, treatment of persons temporarily laid off and of persons seeking work for the first time. In the case of Singapore and Germany they only count a person as being unemployed if they work 15 hours or more. In Holland, 12 hours. **Comparing other countries figures has little value.** Many European countries use the Eurostat method of calculating unemployment figures. Whilst Eurostat has similarities with the ILO method it also has differences, particularly when it comes to analyzing those marginally attached to the labor force. Not all countries use the ILO / LFS recommendations that Australia uses.

My whole point here is that the ILO definition is so vague and meaningless and therefore subject to manipulation that it doesn't even meet the definition of being a definition.

(17) Those who claim that all countries use much the same definition are not only *wrong* but ignore the fact that Prime Minister Thatcher changed the UK definition in parts 17 times and yes, you've guessed it. Unemployment dropped sixteen times out of seventeen. British PM John Major went even better. His government just transferred hundreds of thousands from the dole to sickness or Incapacity Benefit, who of course were not counted as being unemployed. Australia? Just one example should suffice: See enclosed. "No works test for 300,000 **"The Australian"**, 31/7/2013. Germany is renowned for having very large numbers of the unemployed on training programs who, of course, are not counted as being unemployed.

In summary, in addition to the one-hour rule, the ABS LFS survey is deficient in not covering four forms of unemployment which are not covered by the ILO definition of unemployment. A definition that is up to each country to interpret as they wish. They are:

- (1) definition of actively looking for work,
- (2) underemployed part-time workers,
- (3) jobless persons seeking a job but not immediately available for work (genuine reasons) within a month and,
- (4) Jobless persons available for work but not seeking it at all – discouraged unemployed.

These three groups do not meet all criteria of the ILO unemployment definition, i.e. being without the unemployment rate, these groups still represent a form of **unmet** demand for employment. For this reason, they constitute 'halos' around unemployment. Underemployment and potential additional labor force are indicators designed to supplement the unemployment rate to provide a more complete picture of the labor market.

(18) The ABS funding cuts, plus the seventeen points above, have put the national at risk with the LFS survey size or sample being reduced to an unacceptable level.

(19) No one seriously monitors the ABS because they're doing the right thing by governments and producing false and misleading unemployment figures.