BEYOND THE UNEMPLOYMENT RATE:
TOWARDS A MORE COMPREHENSIVE METHOD FOR MEASURING
LABOUR UNDERUTILISATION

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ABSTRACT

The official labour force statistics that are used in Australia have serious limitations. While appropriate for characterising the employment and unemployment situations of a labour market dominated by standard employment relations, however, they may now be inappropriate as standard employment relations no longer dominate the Australian labour market. Over the past 25 years, significant restructuring of both the economy and the labour market has occurred resulting in slower growth of full-time employment, a substantial increase in part-time work, a continued decline in the male labour force participation rate and a continued increase in the female participation rate. As a result, two serious problems emerged in the Australian labour market in the wake of the recession of the early-1990s, a substantial increase in both hidden unemployment and visible underemployment, which were not reflected in the official Australian measures of labour underutilisation, that is the seasonally adjusted unemployment rate and the trend unemployment rate.

Up until the late-1980s, hidden unemployment and visible underemployment were not important sources of labour underutilisation in Australia, but they now contribute significantly to the level of labour underutilisation. Herein lies the problem that is the crux of this thesis. The growth in hidden unemployment and visible underemployment means that the official measures of labour underutilisation for Australia, the seasonally adjusted unemployment rate and the trend unemployment rate, no longer provide accurate estimates of labour underutilisation. In fact, they essentially only measure cyclical unemployment and frictional unemployment, which are the core forms of unemployment and joblessness associated with standard employment relations. Consequently, they no longer provide an
appropriate basis for the development of employment, economic and social policy in Australia. New indicators are needed that yield better measures of labour underutilisation and hence provide a better basis for public policy.

This thesis develops three new labour market indicators that are then used to re-examine the experience of the South Australian labour market over the period 1989 to 2005. The first section of the thesis provides a critical review of the official Australian Bureau of Statistics labour force indicators, and a range of alternative labour force indicators that have been developed since the 1990s. This discussion leads to the development of three new labour force indicators with the particular characteristic of providing broad accessibility for labour market analysts and policy makers including those who generally are not literate in econometric techniques. The second section uses these labour force indicators to re-examine, and re-interpret, the experience of the South Australian labour market over the period 1989 to 2005. The third section draws conclusions from this analysis, arguing in particular that the actual level of labour underutilisation in South Australia is about treble the level that is obtained from either the seasonally adjusted unemployment rate or the trend unemployment rate. Some key policy implications of this finding are then discussed.
DECLARATION

This work contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text.

I give consent to this copy of my thesis, when deposited in the University Library, being available for loan and photocopying.

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The industry partner, a union, was concerned that the real extent of labour underutilisation in South Australia during the 1990s was much higher than the official unemployment rate suggested because relevant information about visible underemployment and hidden unemployment is not collected as part of the Labour Force Survey, neither during the monthly survey or the quarterly supplementary survey. Hence, these forms of labour underutilisation are underestimated. So, at an early stage in the planning of this thesis, that is, during the preparation of the relevant ARC Linkage grant application, it was decided
that this thesis would focus entirely on the quantitative aspects of labour market restructuring. Hence, there has been little engagement in this thesis with that body of literature that explores the qualitative dimension of labour market restructuring. This focus on the quantitative, rather than the qualitative, dimension of the issues explored in this thesis, to a large degree, reflects the needs of the industry partner of this project.
Publications in refereed journals


Refereed conference presentations


Unrefereed conference presentations


**Reports and book chapters**

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