

On their watch... 50,000 full-time jobs have been lost this year alone. Over one million Australians are underemployed. – Opposition Leader Bill Shorten, [speech](#) to Queensland Labor Business Breakfast, June 8, 2016.

As he launched Labor’s economic plan in Brisbane, Opposition Leader Bill Shorten said that under the Coalition government, 50,000 full-time jobs have been lost this year and over one million Australians are underemployed.

Is that right?

## Checking the source

When asked for sources to support Shorten’s statement, a Labor spokesperson told The Conversation that the source for 50,000 figure is from the Australian Bureau of Statistics' (ABS) [Labour Force](#) data set. That data showed that between December 2015 and April 2016, full-time employment declined by 49,800 (seasonally adjusted).

For the statement that “over one million Australians are underemployed”, the spokesman directed The Conversation to Table 22 of the same [data set](#) , which showed the number of underemployed persons totalled 1.06 million.

You can read the Labor spokesman’s full response [here](#) .

## Have 50,000 full-time jobs have been lost this year alone?

As shown by the response above, recent Australian Bureau of Statistics (ABS) labour force figures do show that there has been a decline in the number of Australians employed full-time since the start of the year. However, the size of the decrease depends on which numbers are selected. And Shorten’s speech selectively zeroed in on a period that showed a big decline.

The ABS collect [labour force statistics](#) on a monthly basis, but adjustments are made to these estimates to take into account seasonality and previous trends.

Many economists would argue that the better figures to use to judge the underlying behaviour of the labour market are *trend estimates*. These estimates smooth out volatility in the seasonally adjusted estimates and are [preferred by the ABS](#) .

This chart below shows both the seasonally adjusted and trend estimates data for full-time employees in Australia over the year from April 2015 to April 2016.

### **Number of full-time employees – April 2015 to April 2016**

As you can see above, Shorten was right to say that between December 2015 and April 2016, there was a fall of just under 50,000 full-time employees (using the seasonally adjusted data, shown in red).

But looking at the trend estimates, shown in yellow, you can see that there was a smaller decrease of around 12,900 in the number of people employed full-time between December 2015 and April 2016.

There is also more to the story than that.

### **Overall, full time employment has risen ‘on the Coalition’s watch’**

To say that “50,000 full-time jobs have been lost this year *alone*” may suggest to some that the decline is the continuation of a longer term trend. This wouldn’t be correct.

The 50,000 figure is the decrease in full-time employment between December 2015 and April 2016. But if you change the parameters slightly, a different picture emerges.

For example, there has been a net *increase* in full-time employment between April 2015 and

April 2016 of around 83,800 using seasonally adjusted figures, or 89,100 using trend estimates.

Extend back to September 2013 when the Coalition government came to power, and we see that full-time employment up to April 2016 has increased by 166,700 on seasonally adjusted figures or 200,500 on a trend measure.

## **Number of full-time employees – September 2013 to April 2016**

The change in the number of people employed full-time is a net figure that captures the difference between the number of people moving into full-time employment, and the number leaving full-time employment. And those who leave full-time work may move either into part-time work, unemployment, or withdraw from the labour force altogether.

Between December 2015 and April 2016, the number of people employed part-time grew by 75,800 using seasonally adjusted figures, or 47,600 using the trend measure.

An alternative labour force indicator that captures the combined effects of changes in the full-time and part-time workforce is the total monthly hours worked in all jobs.

This indicator shows both the number of people working and how much they work. We have seen a decline of 14.5 million hours per month since December 2015 on this measure. This represents a fall of just under 1% - albeit after an earlier period of growth.

A government's influence over the labour market is constrained by what is happening in the wider global economy. Taking credit for positive jobs growth or alternatively, laying blame when the labour market pulls back, is valid only to a certain degree. Employment over time can increase because of growth in the economy and the population, rather than through specific government action.

## **Are more than one million Australians underemployed?**

Shorten's statement that underemployment currently stands at more than one million Australians is correct. According to ABS trend estimates, the total number of underemployed

people is currently 1,063,800, around 58% of whom are women.

Underemployment is problematic as it represents lost economic potential, with people currently in part-time employment who would actually like to work more hours but are unable to do so.

According to [recent research](#):

underemployment is associated with job insecurity, increased casualisation and lower savings, and from a macroeconomic standpoint, underemployment is a signal of inefficiency in the use of skilled labour.

Examining the rate of underemployment, which compares the number of people that are underemployed to the total number of people in the labour force, is a useful assessment of the current state of underemployment in Australia.

## **Underemployment rate - 1996 to 2016**

Underemployment is higher now than it has been in the last 20 years, higher even than during the Global Financial Crisis. Underemployment is particularly problematic for women, with more than 10% of women working part-time saying that they would like to work more hours.

## **Verdict**

Shorten's statement is correct – but he has cherry-picked the data.

His claim that 50,000 full-time jobs have been lost this year is correct if one looks at the ABS seasonally adjusted labour force figures between December 2015 and April 2016. But trend estimates are a better data source and they show a lower fall across the same period.

Overall, full-time employment “on the Coalition government’s watch” has grown by 166,700 on

seasonally adjusted figures or 200,500 on a trend measure.

Whichever party is in power, job figures are usually more heavily influenced by global factors than by specific government action.

Shorten's statement that there are over one million Australians underemployed in Australia is correct. The underemployment rate is the highest that it has been in the last 20 years.

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## Review

The author has done a good job on this FactCheck and points out the difficulties in comparing monthly Labour Force Survey statistics.

The Australian economy creates and destroys hundreds of thousands of jobs every year. The creation and destruction of jobs result from changes in consumer tastes and technological progress. It also results from the successes and failures of entrepreneurs in responding to the opportunities and challenges of shifting consumer tastes and technological change. The volume of job creation and job destruction helps explain why, during most years, the typical person who loses a job is unemployed for a relatively brief period of time.

When the Australian Bureau of Statistics announces each month the increases or decreases in the number of persons employed and unemployed, these are net figures. That is, the change in the number of persons employed is equal to the total number of jobs created minus the number of jobs eliminated. In [April 2016, the trend estimate of unemployment](#) was 726,600 people or 5.7% of the labour force.

The shortcomings of the unemployment rate as an estimate of excess supply of labour are well known to labour economists but not widely understood by the community as a whole – or even among those regarded as informed commentators.

For instance, in the Labour Force Survey (from which the unemployment estimates are derived) it is only necessary to have worked for one hour in the survey week to be classified as “employed”. In order to be classified as “unemployed”, respondents must pass a number of tests regarding their readiness for work and their efforts to actively seek work.

“Underemployed” means people who are employed part-time but who would like to and are ready to work more hours, including full-time. It also includes those who normally work full-time but at the time of the survey, because of economic circumstances, are working part-time.

In April 2016 an estimated 1.063 million people, or 8.4% of the labour force, were underemployed.

The sum of the unemployed rate and the underemployed rate is the *underutilisation* rate, which in April 2016 was 14.2%, or about 1.8 million people.

So the extent of the unemployment problem is somewhere between about 700 thousand and 1.8 million people.

This might be interpreted as strengthening Bill Shorten’s argument but the degree of labour market underutilisation is not a new phenomenon. It has been of this order of magnitude for decades under governments of both persuasions.

A combination of external shocks, globalisation, structural and technical change has significantly changed the nature of demand for labour. Meanwhile, inflexibilities in the labour market have prevented adjustment to these demand changes. The month by month fluctuations in the labour market are of little significance compared to these large scale structural problems in the Australian labour market. – **Phil Lewis**

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*Alan Duncan is the Director of the Bankwest Curtin Economics Centre. The Bankwest Curtin Economics Centre is an independent economic and social research organisation located within Curtin Business School at Curtin University. The Centre was established in 2012 with support from Bankwest (a division of Commonwealth Bank of Australia) and Curtin University. The views in this article are those of the authors and do not represent the views of Curtin University and/or Bankwest or any of their affiliates.*

*Rebecca Cassells is Principal Research Fellow at the Bankwest Curtin Economics Centre. The Bankwest Curtin Economics Centre is an independent economic and social research organisation located within Curtin Business School at Curtin University. The Centre was established in 2012 with support from Bankwest (a division of Commonwealth Bank of Australia) and Curtin University. The views in this article are those of the authors and do not represent the views of Curtin University and/or Bankwest or any of their affiliates.*

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