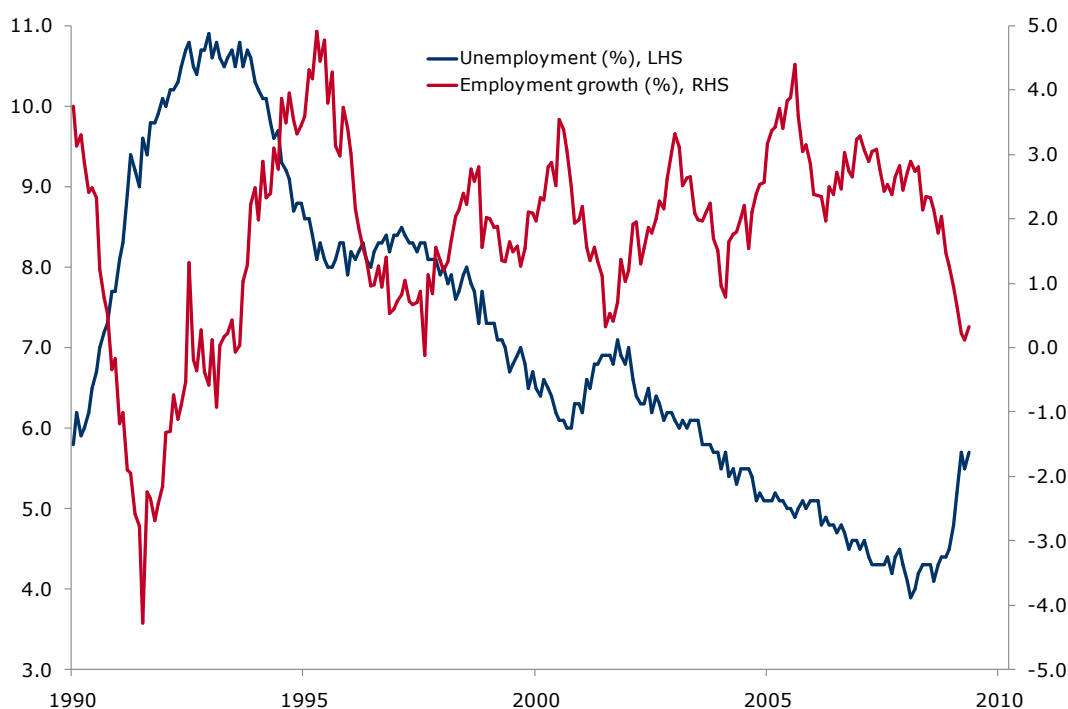


# Investment markets research – Economic note

11 June 2009

## Changing Australian labour market

The Australian labour market weakened in May, but only marginally, after a surprising improvement in April. The unemployment rate returned to 5.7%, the same rate observed in March, having fallen to 5.5% in April (revised from an original 5.4%), while total employment fell by just 1,700. Importantly, annual employment growth rose slightly from 0.1% in April to 0.3% in May, suggesting the labour market cycle may be nearing a bottom. The rise in both unemployment and annual employment is seen below.



Source: Australian Bureau of Statistics

The story of Australia's labour market deterioration is in the detail - in particular, a further rise in the participation rate, stronger employment amongst women and a shift from full time to part time work.

The participation rate rose from 65.4% to 65.5%, just 0.1% below its record level, and well above levels observed in previous slowdowns where participation has tended to fall. This is a strong positive for the economy, suggesting job searchers are not becoming discouraged. The rising participation rate is also likely to reflect a combination of older workers remaining in the labour force longer, due to falling superannuation wealth, and a shift into the labour force of women.

The gender shift in employment has been large. While male employment has fallen over the last year by 0.7% to 5.85m, female employment has risen 1.5% to 4.94m. One explanation of this shift is the higher proportion of males in those sectors most exposed to the global financial crisis such as manufacturing, financial services and mining. Conversely, the Australian Bureau of Statistics shows the skills of females are more likely to be in sectors related to household spending.

Finally, the data shows a shift from full-time to part-time employment. Again this reflects a change in the gender composition of the labour force, with females more likely to work part-time (56% of females work part-time compared to 20% of males). But it also suggests that employers may be limiting work hours rather than eliminating roles entirely.

The current weakness in the labour market is likely to persist through the remainder of 2009. The strong pace of job losses observed in Q1 09 may have abated, but the trend towards a higher participation rate, higher part-time employment and weaker job creation suggests the unemployment rate will continue to edge higher, although perhaps

not as high as the government's Budget-time 8.5% forecast. The risk of steeper job losses is likely to hinge on the stability of the global environment and the level of weakness in business investment.

On a State-by-State basis, the highest unemployment rate in May was in NSW, at 6.4% (up from 6.1% the previous month). This is then followed by Victoria at 5.7% (down from 5.9%), SA at 5.4% (down from 5.9%), Queensland at 5.3% (up from 4.9%) and WA at 4.9% (down from 5.0%).

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