

STATE of SOUTH AUSTRALIA

Trends and Issues 2006 Update

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Introduction

Sustained economic growth in South Australia over the past two years has generated strong employment growth. A particularly welcome feature of this growth has been a significant increase in full-time jobs. By mid 2006 the official unemployment rate fell to a record low of 4.7 percent. Labour underutilisation remains evident however with around 27 percent of part-time workers indicating that they would prefer to work more hours. At the same time skill shortages have emerged with some employers finding it more difficult to recruit and retain workers in a tighter labour market.

The proposed expansion of mining operations at Roxby Downs will provide a significant boost to mining industry employment over the next five years. Similarly defence industry manufacturing employment is set to expand with the awarding of the Air Warfare Destroyer contract to South Australia. On the other hand the wider manufacturing sector is under pressure from intense competition from China and India. Job losses at Electrolux and growing concern about the future of car manufacturing in South Australia are symptoms of this. The drought threatens to significantly reduce agricultural output and employment over the next 12 months. The Department of Primary Industries expects crop volumes to be around 37 percent lower in 2006-07 than they were last year (Budget Paper No 3, 2006-07:8.3). State public sector employment is set to grow more slowly as a result of a cap on public sector employment announced in the 2006-07 State Budget.

Overall economic growth is expected to be more subdued over the next few years. The State Budget forecasts slower economic and employment growth before a return to more buoyant conditions. Gross State Product is forecast to decline from 3 percent per annum to around 2.5 percent while employment growth is forecast to slow from 1.7 percent per annum to 1.0 percent in 2007-08. There are many uncertainties

however, including the severity of the drought and the impact of rising interest rates and fears of a slowdown in the United States economy.

Update of Key trends

Employment has grown very strongly in South Australia over the last two years. However, the annual growth rate in South Australia (2.43 percent) is still lower than that nationally (2.58%), though the gap in the annual growth rate between South Australia and Australia has substantially narrowed to 0.15 percentage points (Tables 1 and 2). Nationally, nearly 492,000 jobs were created between 2004 and 2006. Nationally, employment is 5.2% higher than it was two years ago, while South Australia's employment has increased by 4.9%, or 34,500 new jobs.

Unlike the 1990s, employment growth over the last two years has been predominantly in full-time employment. In South Australia, full-time employment has been growing at twice the rate of part-time employment. As a result, the proportion of full-time employment to total employment has increased to 69% in 2006. Nationally, growth of full-time employment is only slightly higher than that of part-time employment.

Female employment has experienced faster growth than male employment in both Australia and South Australia over the last two years and the main driver of female employment growth has been full-time employment. In South Australia female full time employment has grown by around 6% annually, which is substantially higher than that nationally.

Unlike female employment growth, the main driver for male employment growth has been part-time employment.

Table 1: Employment growth, South Australia, 2004-2006 ('000s)

	MALES			FEMALES			PERSONS		
	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total
2004	332.9	61.1	393.9	152.4	164.5	316.9	485.3	225.6	710.8
2006	342.6	66.0	408.6	170.8	166.0	336.7	513.3	232.0	745.3
Annual Growth Rate (%)	1.46	4.01	1.87	6.04	0.46	3.12	2.88	1.42	2.43

Source: ABS, figures for February of each year.

Table 2: Employment growth Australia, 2004-2006 ('000s)

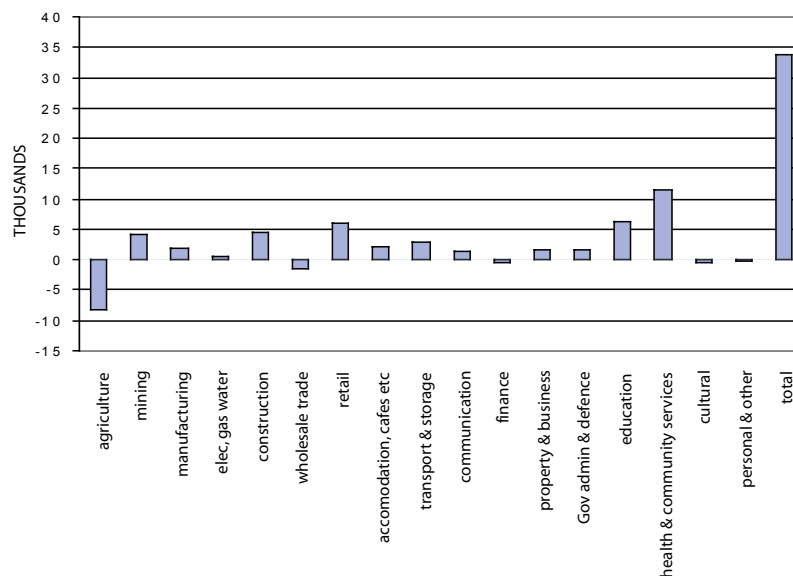
	MALES			FEMALES			PERSONS		
	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total
2004	4562.9	760.7	5323.6	2321.6	1894.8	4216.4	6884.5	2655.5	9540.0
2006	4745.2	795.3	5540.5	2498.1	1993.9	4492.0	7243.3	2789.2	10032.5
Annual Growth Rate (%)	2.00	2.27	2.04	3.80	2.62	3.27	2.61	2.52	2.58

Source: ABS, figures for February of each year.

While total employment grew significantly over the last few years there has been great variation by industry sector as Figure 1 shows. While the highest growth in percentage terms has been in mining, the industry sectors to generate the largest

number of jobs have been community services (11,600), education (6,200), retail (6,100), construction (4,400) while mining generated around 4000 jobs over the three years to August 2006.

Figure 1: Employment growth by Industry, South Australia, 2004-2006 (000s)



The unemployment rate has continued to decline over the last two years in both Australia and South Australia. Though the average unemployment rate in South Australia was still higher than in the nation in 2004 (Table 3), it declined to equal the national level in 2005, which is one of the targets in South Australia's Strategic Plan. In 2006, the average unemployment rate over the first seven months was only slightly higher (0.1 percentage point) than that for the nation (see Table 3).

The unemployment rate shown in Figures 2, 3 and 4 indicates that the male unemployment rate in South Australia has stayed higher than that nationally, while the female unemployment rate has declined to below the national rate since July 2005. The dramatic decline in the female unemployment rate has contributed to the achievement of the unemployment target in South Australia.

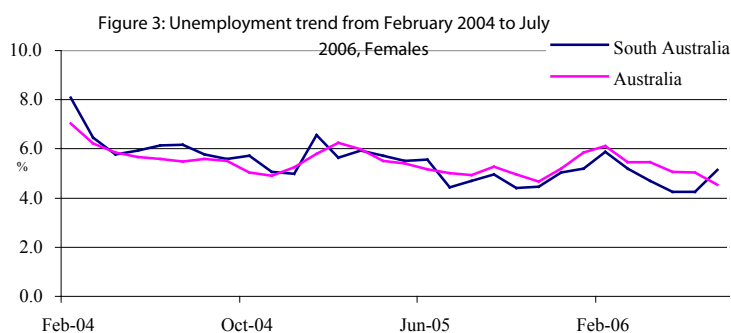
Table 3: Average annual unemployment rate 2004-2006 (%)

	SOUTH AUSTRALIA			AUSTRALIA		
	Males	Females	Total	Males	Females	Total
2004	6.3	5.8	6.1	5.4	5.7	5.5
2005	5.4	4.7	5.1	4.9	5.3	5.1
2006	6.2	5.7	6.0	5.8	6.1	5.9

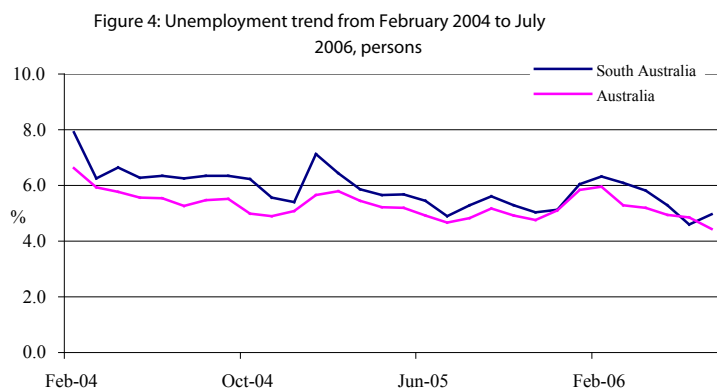
Source: calculated by authors based on monthly ABS labour survey data



Source: ABS, Monthly labour survey



Source: ABS, Monthly labour survey



Source: ABS, Monthly labour survey

The labour force participation rate in South Australia has remained below the national rate. The gap between South

Australia and Australia is 2.1 percentage points in 2006, which is 0.1 percentage points larger than in 2004.

Table 4: Labour force participation 2004-2006 (%)

	SOUTH AUSTRALIA			AUSTRALIA		
	Males	Females	Total	Males	Females	Total
2004	69.7	54.1	61.7	72.1	55.6	63.7
2005	69.8	54.7	62.1	72.1	57.0	64.4
2006	69.9	55.6	62.6	72.5	57.2	64.7

Source: ABS, figures for February of each year

Despite strong employment growth it is evident that a significant proportion of part-time employees would prefer to work more hours. Table 5 indicates that around one third of male and one quarter of female part-time employees in South

Australia would prefer to work more hours. The proportion of males who would prefer to work more hours has declined dramatically over the last few years in both South Australia and Australia.

Table 5: Proportion of part-time employed persons who preferred to work more hours over total part-time employed persons, 2003-2006 (%)

	SOUTH AUSTRALIA			AUSTRALIA		
	Males	Females	Total	Males	Females	Total
2003	41.4	23.5	27.9	37.6	24.1	27.9
2004	34.2	26.0	28.2	32.8	24.0	26.5
2005	34.2	26.1	28.2	34.9	22.9	26.3
2006	32.3	24.2	26.5	32.0	22.8	25.4

Source: ABS, figures for February Quarter of each year

Strategic Plan Targets

South Australia's Strategic Plan contains three targets that relate to employment. The Progress Report 2006 - released in June 2006 by South Australia's Strategic Plan (SASP) Audit Committee - detailed progress on all the targets in the Plan, as well as recommendations in relation to changing a number of targets.

T1.1 Jobs – better the Australian average employment growth rate within 10 years.

Two years ago it seemed unrealistic to expect that South Australia would equal the Australian average employment growth rate. The SASP Audit Committee reported that this target was on track with South Australia's annual rate of total employment growth being slightly less than the national rate – 1.5% compared to 1.6%. In addition it stated that South Australia's annual rate of full time employment growth was slightly above the national rate at January 2006. While this is a very positive outcome it now appears that employment growth has peaked and that the target will prove illusive given more subdued economic growth prospects.

A useful advance on the employment growth target would be the presentation of full-time, part-time and casual employment growth rates for males and females. This would allow some assessment of the quality of jobs being generated.

T1.2 Unemployment – equal or better the Australian average within 5 years.

Historically, South Australia has found it difficult to achieve lower unemployment rates than the nation as a whole. For this reason this target seemed overly ambitious. Despite this it was achieved in mid 2005 and the unemployment rate has remained below the national rate. The Audit Committee has recommended that the target be changed to include ongoing maintenance of it as an objective. It also suggests that a new target on labour force participation be added. While these are sensible suggestions it would also be prudent to include an hours based unemployment and employment rate to overcome the shortcomings of using the official unemployment rate as a measure of labour utilisation. The official unemployment rate uses a definition of employment as one hour or more of paid work. Inclusion of data on the number and proportion of part-time workers who would prefer to work more hours would also be useful.

T1.3 Youth unemployment – equal or better the Australian average within 5 years:

The Audit Committee noted that there was Little/No/Negative movement in relation to this target: They stated that "two years after the June 2003 baseline, South Australia's youth unemployment rate has deteriorated (from 24.3% to 27.9%), while the Australian rate has improved (from 21.5% to 19.8%).

That is, South Australia's position was worse both in absolute terms and relative to the Australian average".

The Committee question the utility of the youth unemployment rate in isolation from other measures, suggesting the adoption of a 'youth work and learning ratio' which measures the proportion of young people 'satisfactorily engaged' in employment, education and training. This is a sensible advance.

Key Policy Issues

The State Government has been active in the area of employment policy development over the last two years, releasing. It released the 'Better Skills, Better Work, Better State' workforce development strategy in 2005 and the 'Skills for South Australia' policy statement as part of the 2006-07 State Budget. The former details a strategic framework for workforce development in the State. It is built around three major priorities which are:

- 1. A high skilled economy**
- 2. Quality employment**
- 3. Better workforce planning**

Broad strategies for achieving these objectives are detailed, providing a thoughtful framework for guiding action. The 'Skills for South Australia' policy outlines the State Governments financial commitment to the implementation of the workforce development strategy, including \$98m over four years for a range of initiatives. This is a useful foundation but more will need to be done over coming years by the Federal and State Government to address the need to boost workforce participation rates in the context of an ageing workforce. In this context there is a need to focus greater attention over the next year on the development of strategies for increasing the workforce participation rates of mature age employees and developing new pathways to work for those who are unemployed or underemployed.

More needs to be done to gear up the public and private sectors for the workforce challenges ahead. There is a pressing need to be able to quantify the challenge through a better understanding of retirement intentions and the factors that influence workforce participation such as personal finances, health and work/life balance.

While the prospects for employment growth in the mining and defence industries are good, South Australian manufacturing sector is under significant competitive pressure from low cost manufacturing centres in China and India. A sensible system of industry support including tariff protection must be

maintained if South Australia is to retain a critical mass of large scale manufacturing firms. In addition there is a need to re-position manufacturing industry in South Australia to respond strategically to the environmental and economic imperatives created by global warming.

References

**South Australia's Strategic Plan Audit Committee,
South Australia's Strategic Plan Progress Report 2006,
June 2006.**