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Executive Search & Board Advisory

## **ARE OUR LEADERS REALLY DEALING WITH THE CHALLENGE OF UNEMPLOYMENT?**

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An issue of particular concern in Australia is whether our leaders are truly dealing with the challenge of unemployment. To determine this, a discovery into what unemployment actually is, is necessary.

According to the International Labour Organisation, unemployed people are those that are without work, are presently available for work, and are intentionally seeking work. The term 'without work' is utilised to differentiate people unemployed and people employed. Someone who is deemed as 'unemployed' must not have undertaken any work at all during the reference period. In Australia, the unemployment rate measures the number of people that are actively seeking a job as a percentage of the total labour force.

The Australian Bureau of Statistics states that as of February 2018, the unemployment rate is currently at 5.6%, a slight increase from 5.5% in the previous month. The rate has decreased 0.3% from the previous year, in which the rate was 5.9% in February 2017. To put things into perspective, between 1978 and 2018, the highest the unemployment rate has been is 11.20% in December 1992, with the lowest being 4% in February 2008.

When comparing Australia's unemployment rate with that of other countries, Australia sits quite poorly. Over the last three months, 45 of the richest 60 countries in the world had

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stable or improved unemployment rates. Only 15 of these countries, including Australia experienced a worsened rate. Of the 25 members of the Organisation for Economic Cooperation and Development (OECD), the unemployment rate either was unchanged or improved. Ten saw their unemployment rate deteriorate. Of these countries, just eight have an unemployment rate over 5%. They are Spain, Sweden, Poland, Estonia, Finland, Austria, Sweden and Australia.

However, the unemployment rate can be misleading, as according to the unemployment guidelines, even if a person works one hour per week, they are not counted as unemployed, they are classified as a part-time worker. In addition to this, for someone to be deemed as unemployed, they must be actively looking for work. The test to prove they have been vigorously trying to seek work is quite strict, including registering with an employment agency, applying for jobs, undertaking interviews or establishing an enterprise. It is not enough to read newspaper advertisements or peruse through recruitment/employment websites.

Based on these guidelines, an individual who is not employed, but is not adequately seeking work to the above standards is not included in official unemployment statistics. This means that thousands, if not hundreds of thousands of Australians who either want work or would like more work, are omitted from unemployment numbers. This suggests that the numbers are not a true reflection of the labour market and look better than what they actually are. If we were to consider individuals that are not included in the guidelines, the unemployment rate would certainly be much higher.

Unemployment has a number of detrimental effects on the individual, society and the country, with the impacts being felt for decades. High unemployment rates negatively affect businesses and the health of the economy. It is quite obvious that those who are unemployed have less money to spend, meaning they are likely to buy fewer goods and services. In terms of the economy, just a 1% increase in unemployment decreases the gross domestic product (GDP) by 2%. Other impacts include poor standard of living, increased crime, loss of skills in the labour market, and higher costs for the government.

Unemployment should therefore be of great importance to our politicians however, it sometimes seems no political party is recognising the situation, or doing anything to fix it. According to numerous commentators, Australian policy makers have essentially given up on reducing unemployment. In 2003, the Federal Government stopped helping unemployed Australians find jobs and instead, handed the responsibility to private providers, including a scheme called Job Network. In the post-2015 version of the scheme, jobactive, the government pays \$7.3 billion across five years to assist around 750,000 people seeking jobs each year. However, it has been argued that the system has failed to deliver high-quality services for those using it. Results have shown that for disadvantaged people seeking jobs and struggling to overcome complex barriers, the outcomes were poor.

Are our leaders really dealing with the challenge of unemployment? It would seem that the answer again to such a question, is no. The Federal Government need to create policies which actually focus on jobseekers' livelihoods and goals. They need to get serious about reducing Australia's unemployment rate.

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