

Labour Force – September 2011

ECONOMIC ALERT

13 October 2011

Employment growth remains subdued

The seasonally adjusted Australian unemployment rate fell slightly to 5.2% in September from 5.3% in August. Meanwhile, seasonally adjusted employment expanded 0.2% in the month, led by a 0.3% rise in part-time employment. Full-time employment increased by a mere 0.1%.

The subdued employment data suggests that employers remain cautious about the business outlook and are hesitant in taking on full-time staff. Compared to a year ago, full-time employment growth in September only increased 0.6%, the weakest growth recorded since February 2010. The annual growth rate in overall employment reached 1.1% in September, a level not seen since November 2009.

Policy implications

Heightened uncertainty in the global economic outlook, together with weakness in non-mining sectors of the Australian economy, has dented business confidence and caused businesses to curtail the hiring of full-time workers. In addition, the employment of part-time workers has slowed.

The soft employment data in September suggests that the stronger-than-expected improvement in retail sales in August may be tentative, rather than being indicative of the start of a sustained rebound. This, together with fragile consumer confidence and a weaker global economy, could take the pressure off the Reserve Bank of Australia to lift interest rates in the near term, offering some temporary relief to Australian businesses, especially those in the manufacturing, retail and tourism sectors.

Another reason for the RBA not to raise interest rates in the near term is the fact that the underemployment rate in the economy remains high, indicating that there remains some slackness in the labour market. The seasonally adjusted Australian underemployment rate for the August quarter of 2011 stood at 7%, with the existing level of underemployed persons remaining 170,500 above the pre-global financial crisis level.

Chart: Employment Growth and Unemployment Rate in Australia

