

Labour Force – August 2011

ECONOMIC ALERT

8 September 2011

Labour market weakens

Unemployment rate rises to 5.3%, as employment declines

The Australian labour market softened further in August as employers became more cautious about employing full-time staff. The seasonally adjusted Australian unemployment rate rose to 5.3% in August from 5.1% in July. Meanwhile, seasonally adjusted employment contracted 0.1% in August. Full-time employment dropped by 0.2%, marking the second consecutive month of decline. On the other hand, part-time employment increased by 0.1% in the month, a sharp slowdown from the 0.7% rise recorded in July.

Policy implications

Heightened uncertainty in the global economic outlook, together with weakness in non-mining sectors of the Australian economy, has dent business confidence and caused businesses to cut down on the hiring of full-time workers. Even the employment of part-time workers has slowed considerably.

The further weakening of employment data in August suggests that the improvement in retail sales in July may not be sustainable. This, together with fragile consumer confidence, 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 7.0%, 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

