

The Loneliest Man In The World

8 June 2012

The job figures are in, and to everyone's surprise they're pretty good. Pats on the back all round, except in Joe Hockey's office, writes Ian McAuley.

"Imagine if Elizabethan England had produced a good playwright"; "Imagine how enriched we would be if Germans had ever written good music"; "Imagine how well our country would do if we had a good Government".

You can't please all of the people all of the time, and Joe Hockey's response to Wednesday's GDP figures was one of those times. Against all the gloomy expectations, the economy showed 4.3 per cent growth over the year to March — presumably a cause for celebration, unless you're in the Liberal party.

Then yesterday came the labour force figures for May, which showed a seasonally adjusted growth in employment of 39,000 persons, a rise of 46,000 full-time jobs and a fall of 7000 part-time jobs.

There was a small rise in the unemployment rate because there was a strong increase in workforce participation, particularly among women. This outcome contrasted with a generally expected modest fall in employment. Also, it put paid to the notion that the national economy had somehow turned down in April and May, the two months following the GDP figures.

And there was Tuesday's decision by the Reserve Bank to cut interest rates, as reported by Ben Eltham. Some may see this as a monetary stimulus in a poorly performing economy, but it is more an acknowledgement that for now, inflation is low. It simply keeps the real (after inflation) short-term interest rate at around 2 per cent, a level it has tended to hold since 2000, apart from some deviations around the time of the 2008 crisis.

These are what Paul Keating would call "a lovely set of numbers". But of course aggregate figures do not reveal what is happening at an industry or regional level.

There are variations with unemployment rates ranging from a low of 3.9 per cent in Western Australia up to 6.2 per cent in Tasmania. We might have expected the old industrialised states, New South Wales and Victoria, to do poorly, but their unemployment rates are near the national mean, and they have enjoyed healthy employment growth. State-by-state employment performance is shown in the table below.

	Employment '000 original			Percent change	Unemployment rate
	April	May	Change		
NSW	3 596.4	3 619.3	22.9	0.6%	5.0%
Victoria	2 887.2	2 902.8	15.6	0.5%	5.5%
Queensland	2 343.8	2 339.6	-4.2	-0.2%	5.8%
SA	815.3	818.3	3.0	0.4%	5.1%
WA	1 280.1	1 290.7	10.6	0.8%	3.9%
Tasmania	232.4	236.4	4.0	1.7%	6.2%
NT	121.1	121.8	0.7	0.6%	4.6%
ACT	209.2	208.5	-0.7	-0.3%	4.2%
Total	11 485.5	11 537.4	51.9	0.5%	5.2%

Source: ABS 6202.0 April and May 2012, Table 1.4. Seasonally adjusted data, the usual measure of employment, is not available on a state basis. Figures for Tasmania, ACT and NT subject to sampling error.

There is a notion that the mining sector is responsible for this outcome, and, indeed, much of the engineering work associated with mining would be in the old industrialised states, but there are signs in the national accounts of more widespread economic activity, because consumers seem to be loosening their purse strings.

The household saving rate has fallen a little over the last few quarters, and national accounts data on household consumption reveals strong growth over the year to March in expenditure on alcohol, cars, restaurants, cafes, travel and recreation.

This is hardly the behaviour of people who feel nervous and insecure. Consumer spending on clothing and footwear, however, has fallen. This may be a result of a switch in expenditure, lower prices or competitive discounting. Whatever the cause, it helps explain the difficulties faced by the big retailers.

So what is the pessimism all about? Is it that the doomsayers just cannot bear to see so many people enjoying themselves? Is it that some people cannot accept that a Labor Government might be succeeding in economic management?

Even Wayne Swan responded to the national accounts data with barely suppressed surprise. Is it that whatever the source of our discontent, we are apt to blame the government, as Laura Tingle suggests in the latest Quarterly Essay?

One possible explanation is that people are becoming less secure in their employment. Indeed, the ACTU has produced a major report on the growth of insecure work as more people become employed on a casual or contract basis.

Between 1992 and 2010 there has been a growth, from 17 per cent to 20 per cent, in forms of employment without paid leave entitlements, a reasonably strong indicator of a lack of security.

But almost all this growth occurred between 1992 and 1998, and the proportion of people in insecure work has held steady since. Also, there is no evidence of less stability in employment. In its regular labour force bulletins the ABS produces figures on employment flows month-to-month, and these reveal no tendency to greater churn into and out of employment and the labour force.

Out of every 1000 people who were employed in April this year, 968 were still employed in May, 24 had left the labour force, and eight had become unemployed. These figures are hardly different from those revealed in May 2002. If anything, they reveal slightly greater stability.

In addition the ABS, on a less regular basis, surveys workers to ascertain their expectations. They ask if people expect to be with their current employer (for the self-employed "in their current business") in 12 months time.

In April this year, the expectation was 91 per cent. When the survey started in 2003, it was 90 per cent. In the survey this April only 1 per cent of people expect that they will become unemployed because of sacking or redundancy, the same as in 2003.

It is possible that even if people are at no more risk of losing their jobs, the consequences of job loss have become more severe. One of the developments over the period of the Howard government was a strong growth in average housing debt, from about 60 per cent of disposable income in 1996 to nearly 140 per cent of disposable income in 2007.

Recent falls in house prices will undoubtedly be making many heavily indebted borrowers anxious. In this regard, it makes sense that the Reserve Bank has reduced interest rates even though the economy is reasonably strong. It is unlikely that the good economic figures caught the Reserve Bank by surprise. They would not have had access to the GDP or employment figures, but such agencies have reasonably good ways of checking the pulse of the economy.

Another possible explanation for anxiety is that job losses are occurring in firms and industries which have traditionally been considered "safe". In recent months there have been job losses in firms in traditionally insecure industries (Hastie Group, Kell & Rigby, Toyota), but there have also been announcements of job losses in the finance sector, media and rail companies (QR and State Rail Authority).

Perhaps the "white collar" workforce is coming to experience the workplace in the same way as the "blue collar" workforce and small businesses have traditionally experienced it. Journalists, in particular, may now have a heightened awareness of employment insecurity.

In sum, the Australian economy looks to be in strong shape in difficult times, reflecting good management. That is not to say it cannot deteriorate. Much hangs on the way the European crisis plays out, and whether the US can pull itself out of the doldrums.

We still have long-standing problems to do with inadequate investment in education and public infrastructure — the latter a consequence of the public debt phobia whipped up by the Howard government.

Neither of the big political parties mentions our mounting private foreign debt, because governments of both persuasions have let it grow. And we still have a volatile exchange rate, subject to the whims of commodity and currency speculators.

A question remains about Hockey's ideal "good government". Is it a reversion to John Howard's model, with a windfall of boomtime public revenue directed to middle-class welfare while economically essential government services are starved?

Is it "Workchoices" perhaps, which would see a poorer and more compliant labour force and even worse troubles for the retail sector?

Is it Abbott's model, which would have seen us adopt fiscal austerity in response to the 2008 crisis, and, through cutting public revenue, would see government reduced to the role of the medieval church, distributing alms to the worthy poor and to the worthy battlers? The nation deserves some economic coherence from the Coalition, but they could at least give credit where it's due in the meantime.