



Great Expectations  
Understanding changing employment conditions

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## **Executive Summary**

Australia is waking up to a changing employment market.

It is becoming harder to get a full-time job, more of us are trying the gig-economy and it is becoming harder for young people to find the jobs they want to start their career.

Trends that once seemed distant, if laughable, are now reality.

This report takes an in-depth look at changes to employment and incomes, considering what they mean for households, government and the economy overall. There are an array of charts within to help describe the shifts Australia is experiencing through this cycle, and where relevant there is consideration of predictions and projections from others.

These shifts are causing real pain for many and the idea of stable employment for life is fast becoming a thing of the past.

Workplaces based on opportunities and progression are being tested, and the greatest burden is being borne by millennials.

Individuals must grow into this economy and find ways to prosper and achieve a respectable quality of life.

Government must protect its tax base.

And business, with a social license under pressure, must be acutely aware of the socio-economic environment they are existing in and, at times, curating.

We still want full-time work, and we think we can get it. The evidence tells us otherwise.

## Key Outtakes

- The bounce back of full-time jobs is currently unforeseeable
  - This shift to part-time work is a burden being borne by young people
- Full-time job creation has stagnated since its peak in 2007/08
  - It has been a decade of decline in full-time opportunities, for some segments
- Full-time work is the overwhelming preference for the labour market
  - This is the hungriest we have ever been for full-time work and the hardest it has ever been to get a full-time job
- The most employable group of 15-24 year olds is now women working part-time, over taking men working full-time which has been steadily declining for a decade
- Full-time job creation has declined by almost 60 per cent since 2010 when compared to 2000-09
- Full-time jobs for young people have declined by 1900 jobs per month since 2010
  - In the same period, an average of 1100 part-times were created each month
  - They are looking for more hours and are unsatisfied with their current opportunities
- For every underemployed man aged 25-34 there are four women who are underemployed
  - Women in this age group are twice as likely to be looking for work than men
- Men are failing to successfully compete with women for work
- Since 2010:
  - Victoria, Queensland, South Australia and Tasmania have unemployed people looking for full-time work above the national average
  - Victoria and the Australian Capital Territory have unemployed people looking for part-time work only above the national average
- The majority of young people are unlikely to work full-time for a substantial part of their career
- Personal income taxes are not a sustainable revenue source for the Federal Budget

## Here's how employment is changing

*Employment growth is hiding declining full-time opportunities and overlooks the desires of the workforce.*

Trends in the labour market have been showing a shift to part-time work over the past decade. With the rise of the so-called gig economy, attachment to the workforce will become more precarious and workers are likely to become more transient.

As tables 1 and 2 show, the general trend of employment growth is a hallmark of the Australian economy. This is comparatively stable at the moment, though it is not as steep as it was in the previous decade.

**Total Employed, January 1980-December 2016**

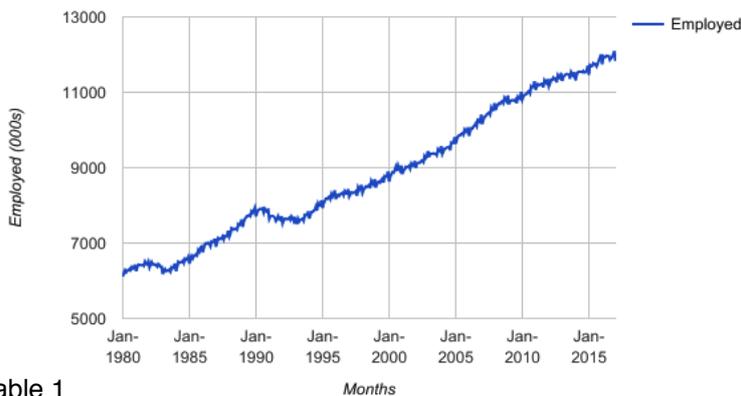


Table 1

**Total Employed, January 2010-December 2016**

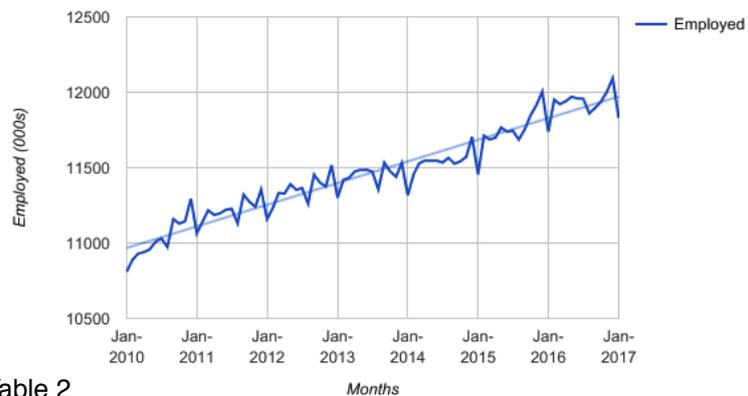


Table 2

The Australian economy needs to create around 15,000 jobs each month to keep up with population growth, as you will see the workforce wants the majority of these being full-time.

Total employed growth is heavily reliant on part-time jobs being created. From January 2014-December 2016, there was an average monthly increase in full-time jobs of 200 where for part-time jobs it was 2700.

Since 2010, the average number of part-time jobs being created each month is 5800 and the average number of full-time jobs is 3900. When compared to 2000-2009, this represents a decline of 59.6 per cent in full-time job growth.

**Full-Time and Part-Time Employed, January 2000-December 2016**

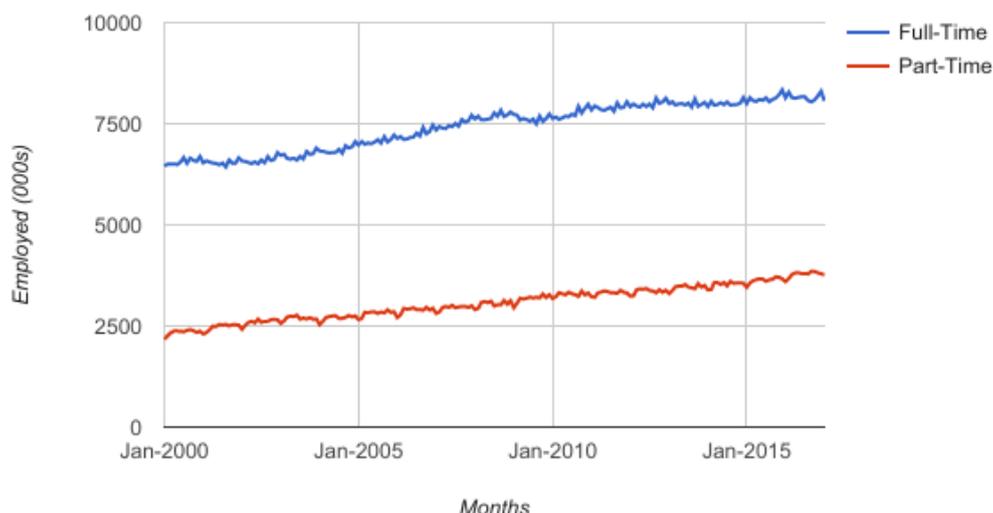


Table 3

This slowing of full-time job growth, or decline in some months, is in line with international trends and the hangover effect of the global financial crisis.

At this juncture, this is a shift being borne, primarily, by young Australians (15-24).

Table 4 shows that at the beginning of 2000, of the younger end of the labour market, men working full-time dominated the workforce by more than 150,000 jobs. Now we see women working part-time, in this segment, being the most employed group by more than 50,000 jobs.

Like the rest of the labour market, the 2007-08 year was the peak of full-time work and since then that type of work has steadily declined, especially for young men.

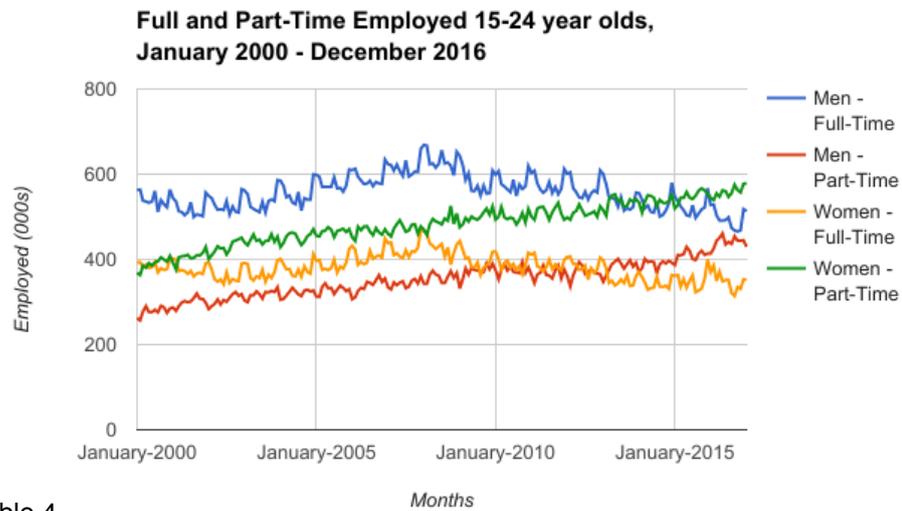


Table 4

Since 2010, full-time jobs for young people has decreased by 1900 per month, on average; compared to previous decades when there was an average of 400 created each month. For the same period, an average of 1100 part-time jobs have been created each month for young people.

The decline of full-time jobs is sporadic, yet it is important to note that this is not being replaced by part-time work at an equal rate.

Additionally, table 5 highlights the hunger of the younger segments of the labour market to work more. Their underemployment is, for the most part, out of want for more hours.

The rate of underemployment is mostly steady, however there has been a slight increase by women aged 15-34 and men aged 15-24.

Since 2014 there has been an increase in the underutilisation rate of 15-24 year olds by 0.9 per cent, or an increase of 16,851 who are unable to find reasonable work.

Underemployment, July 2014-January 2017

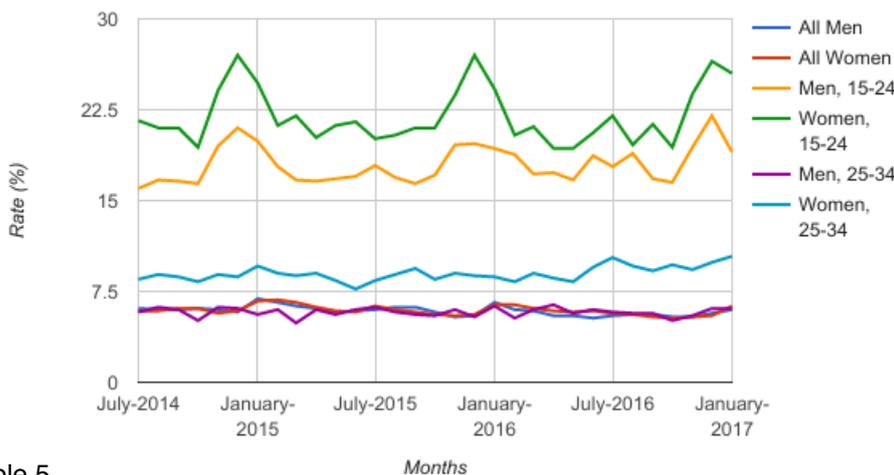


Table 5

The underemployment of people aged 25-34 is also rising, by 1200 people per month since 2014. For every man in this age group there are more than four women who are underemployed. There is an average monthly increase of 900 women in this age group who want more more work. Women in this age group are twice as likely to be unemployed compared to men.

Clearly, the shift to part-time work is happening and not slowing down. However, as table 6 shows, people are still primarily looking for full-time jobs even though they are less likely to exist.

**Types of work men are looking for**

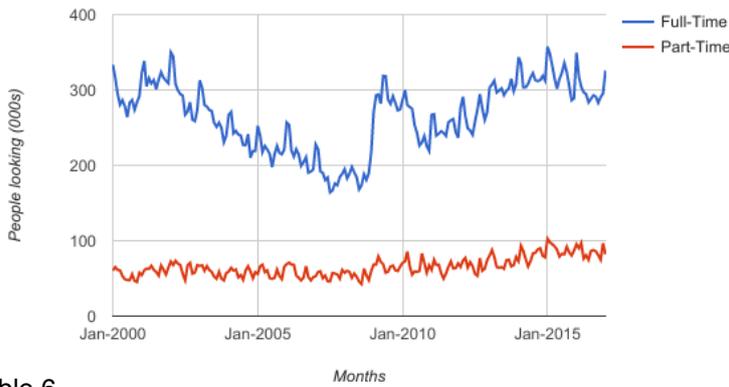


Table 6

**Types of work women are looking for**

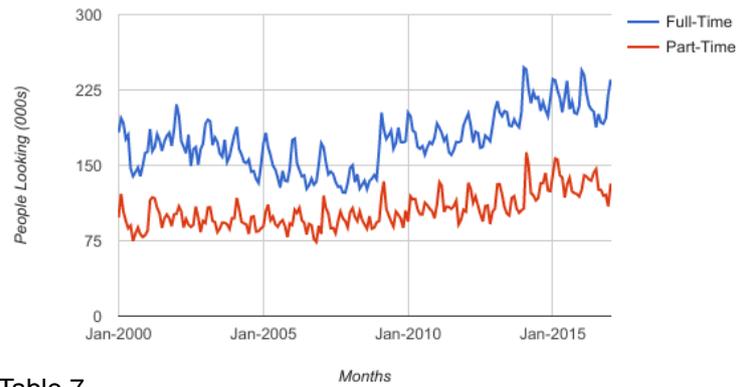


Table 7

If Australia needs thousands of full-time jobs to be created to maintain current employment levels, then why is unemployment stable at low rates?

Looking at the early-1990s recession there is a similar replication happening now. Older workers during that part of the cycle were unlikely to return to employment, their jobs were effectively wiped out.

However, the bounce back in full-time work is, currently, unforeseeable. The trend of declining full-time work is too strong and business has continually flagged it is preferring contractors and freelance staff over hiring new permanent employees.

All of this points to a complex participation rate. While the overall participation rate has been relatively steady since 1980, the only meaningful growth has been in the overall women's participation rate.

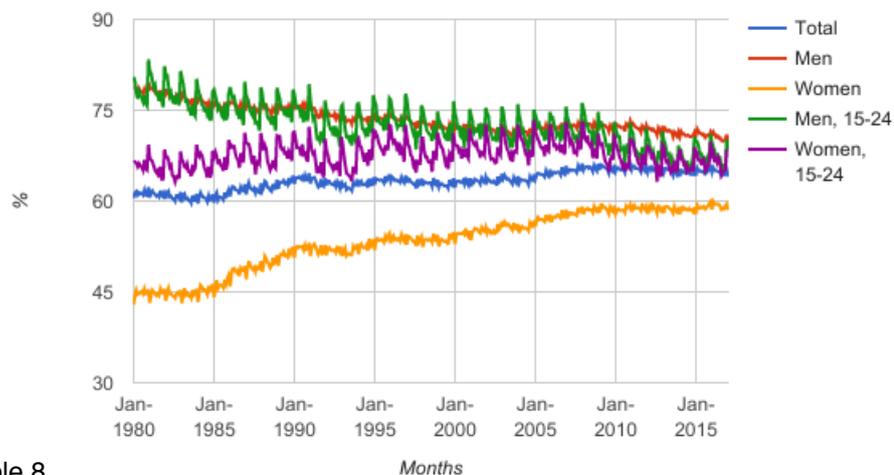
There has been a steady decline in the male participation rate, and a clear falling off of young men in the workforce.

Young women have had marginal growth.

Effectively, as women have entered the workforce men have tapped out entirely. This has been at double their replacement rate, suggesting that men have been unable to grow and confidently compete in the modern economy and trying to rely on old-economy skills.

Table 8

**Participation Rate, January 1980-December 2016**



While this has been at double the replacement rate, it suggests that men have been unable to grow into the modern economy and relying on old-economy skills.

However, there is an underlying challenge here that there is a slowing of people leaving the labour force overall. While men are still leaving the labour market at a faster rate to women, this is at a slower rate than previous decades.

As the work desired becomes more difficult to find, it seems the overall labour market does not give up hope, they hang on. However, young men are noticeably disheartened.

People either need or want to work yet it is becoming more difficult for them to access both the types of jobs they want. There are more hangers-on.

Older workers are maintain their jobs, especially full-time, but are being tested in this economy. They are not leaving the labour market at a rate which gives reasonable opportunities to younger workers.

Younger workers are facing a perfect storm of work opportunities only being created in part-time employment and older workers hanging on to their jobs for longer.

At the same time, individuals have not shifted their mindset and still desire full-time jobs.

Naturally, this has flow on impacts to home ownership and social mobility, amongst others.

## **What this means and why it matters**

The labour market has long been a stable and predictable part of the economy. That is changing as we continue to establish a new economy.

Jobs are changing, and that comes with baggage.

### **For young people**

Young people are bearing the brunt of the changes in the way we work.

With full-time jobs being maintained by older workers without growing opportunities, young people are starting their careers in part-time jobs and contracted roles.

However, they are still lusting for full-time work and are suffering under the burden of underemployment. They are trying to maintain their quality of life, independently, but are finding that difficult.

We are being reminded that during recessions and changing employment climates, young people are disproportionately impacted.

At this juncture, it is foreseeable that the majority of young people are unlikely to work full-time for a substantial part of their career.

### **For men**

Fundamentally, traditional male skills aren't competitive in the emerging economy.

Men are leaving the labour market and struggling under current trends to achieve stability.

There is an absence of the flexibility required in this labour market by men; and they will increasingly struggle to access the work they desire.

### **For women**

Women are desperate - to work. They have the effort, interest and capacity to work but are unable to access work.

Women want keep working through their 30s, but opportunities for them to contribute are limited.

Employers have a preference to employ men and are overlooking the talent of women, who are not leaving the labour market and maintaining their desire to work.

If anything, the rise of women in the workforce is showing they are more competitive than male peers - when they are given the opportunity.

A changing labour market comes with hangovers that will impact the entire economy. Telling people to "go and get a job" just does not work in modern Australia.

While job creation is difficult to see, changing employment conditions and opportunities are becoming increasingly clear.

## **Future considerations**

Given the strong reliance on personal income taxes in each Federal Budget, declining wage growth and changing workforce conditions will have an eventual impact on the Federal Budget.

Due to the aforementioned job growth changes, it is foreseeable that plateauing wage growth is likely to extend for longer periods than in previous decades and any surges aren't likely to be as strong as in previous decades.

The 2016-17 Federal Budget expects 48.2 per cent of all government revenue to come from individual income tax, or \$201.3 billion. In the 2015-16 Budget this was 47.9 per cent, or \$194.3 billion; and in 2014-15 it was 46.9 per cent, or \$183.6 billion.

This trend is showing that there is a greater reliance on government services to be funded by individual income tax receipts, but as the evidence on job figures show there is a slowing of incomes and a decline in full-time job opportunities.

There will be an eventual decline in the income the Government derives from personal income taxes. Like the shifts in the labour market itself, this will start small, it probably already has started, and could have an impact of up to 20 per cent of this taxation revenues.

For example, young women typically aren't significant contributors to the tax base but are the most employed group. That is a much smaller contribution to taxation than full-time older male wages, which are the current largest contributors.

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This is part of an annual update of diversity in the workforce and organisational leadership in Australia, initiated by Conrad Liveris. These contributions are verifiable and are reviewed by experts prior to release.

The intention is to provide analysis on various workforce and economic topics on contemporary topics of national and industry interest. All efforts are designed to be impartial, independent, fair and not misleading.