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World of Labor
Evidence-based policy making

The labor market in Australia, 2000–2016

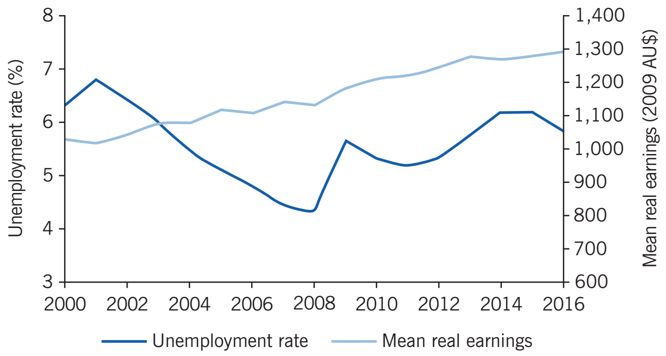
Sustained economic growth led to reduced unemployment and real earnings growth, but prosperity has not been equally shared

Keywords: unemployment, real earnings, Australia

ELEVATOR PITCH

Since 1991, the Australian economy has experienced sustained economic growth. Aided by the commodities boom and strong public finances, the Australian economy negotiated the global financial crisis without falling into recession. Over this period there were important structural changes, with increasing labor force participation among the elderly and the continuing convergence of employment and unemployment patterns for men and women. However, some recent negative trends include a rise in unemployment, especially long-term unemployment, a deteriorating youth labor market, and a stagnant gender earnings gap.

Aggregate unemployment rate and real weekly earnings



Source: Australian Bureau of Statistics. Average Weekly Earnings: Australia, 2000–2016. Catalogue No. 6302.0. Online at: http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6302.0May%202017

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KEY FINDINGS

Pros

- Australia has not experienced a recession since 1991, leading to strong growth in employment and lower unemployment rates.
- Labor force participation of men and women aged 55–64 has increased.
- Real average earnings of full-time workers have increased.
- Following rising income inequality from the late 1970s to 1990, inequality has remained relatively stable since 2000.

Cons

- Despite sustained economic growth, long-term unemployment has increased over the past decade, returning to the relatively high levels of the early 2000s.
- Teenage workers face limited labor market opportunities.
- The long-term growth in real weekly earnings has been modest.
- There has been remarkably little improvement in the gender earnings differential since 2000.

AUTHOR'S MAIN MESSAGE

The Australian labor market has performed remarkably well over the 2000–2016 period. With the benefits of the commodities boom, unemployment declined, while participation rates and real average earnings grew. Despite the generally positive outlook, rising long-term unemployment, limited youth labor market prospects, excessive income growth among the top earners, and stagnant gender earnings differentials are all causes for concern. Policymakers could attempt to address these issues via taxation and transfer policies to moderate growth at the very top of the income distribution while promoting it toward the bottom of the income distribution.

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