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The SA Labour Market Through the 1990s

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Editor's Note

Welcome to the fifth issue of *Economic Issues*, a series published by the South Australian Centre for Economic Studies as part of the Centre's Corporate Membership Program. The scope of *Economic Issues* is intended to be broad, limited only to topical, applied economic issues of relevance to South Australia and Australia. Within this scope, the intention is to focus on key economic issues — public policy issues, economic trends, economic events — and present an authoritative, expert analysis which contributes to both public understanding and public debate. Papers will be published on a continuing basis, as topics present themselves and as resources allow.

Anthony Kosturjak is a Research Economist at the SA Centre for Economic Studies, which he joined in January of 1999 after completing an economics degree at the University of Adelaide. Since commencing at the Centre, Anthony has worked on projects in a range of areas, including regional development issues, economic and financial analysis of public infrastructure proposals, benefit cost analysis, input-output analysis, program evaluation and regulated infrastructure issues. He is also the regular author of a macroeconomic chapter in the Centre's Briefing Report. In his Honours dissertation he considered the economic impacts on consumers and the music industry of permitting parallel imports of sound recordings.

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Michael O'Neil
Director
SA Centre for Economic Studies
February 2003

The SA Labour Market Through the 1990s

Overview

This Issues Paper summarises major trends in the South Australian labour market over the 1990s in order to assess the performance of the labour market over the decade, in light of the 1990 recession and the collapse of the State Bank – two events which had a substantial impact on the labour market during the early part of the decade.

One of the defining characteristics of the South Australian labour market during the 1990s was a poor performance in generating new jobs and a persistently higher level of unemployment. For instance, between 1990 and 2000 total employment in South Australia rose by only 3.2 per cent, compared with a rise of 15.1 per cent for Australia. Employment in both South Australia and Australia fell following the 1990 recession and recovered thereafter, however the recovery for South Australia took significantly longer than for Australia. The effect of weak employment growth was a persistently higher rate of unemployment for South Australia with the state having an average unemployment rate of 9.3 per cent for the decade compared with an average rate of 8.3 per cent for Australia.

The poor performance of South Australia in terms of employment growth and high unemployment must be largely explained by the weakness of the state economy over the decade. Factors that contributed to the relatively poorer performance of the state economy include, *inter alia*:

- The impact of the State Bank collapse on government spending and general economic conditions which compounded the initial impact of the recession, causing an even deeper recession for South Australia;
- The negative impacts of ongoing structural change impacted on the state economy relatively more heavily due to our historical dependence on those industries which have suffered decline, particularly manufacturing, often associated with the loss of headquartered companies;
- The state had weaker linkages with the international economy in terms of trade and investment linkages earlier in the decade, and although trade ratios were considerably stronger by the end of the decade, investment linkages were still poor; and
- Economies of scale effects, whereby the relatively smaller size of the South Australian economy/market has encouraged businesses to relocate to interstate markets or avoid locating in South Australia.

While the weakness of employment growth was perhaps the most significant trend for the decade, there were also some interesting changes in terms of the composition of employment in South Australia. Employment growth over the decade favoured female employment and part-time employment, with aggregate full-time employment and male employment both falling between 1990 and 2000. Male part-time employment rose very strongly through the decade, however the rise was insufficient to offset the substantial fall in male full-time employment. These shifts in the composition of employment are largely explained by structural change in the economy away from industries which have high levels of full-time employment and/or male employment, towards services industries, which are composed of higher levels of part-time and casual employment, and/or female employment. Service industries which experienced strong employment growth for the decade include property and business services, accommodation cafes and restaurants, and retail trade.

While reducing unemployment among younger age groups remains a significant challenge for government, the ageing of the population had an impact in terms of a change in the composition of unemployment with growth in the aggregate number of unemployed persons being concentrated in the middle age group (i.e., 35-54 years). Such growth is also explained by a rise in male unemployment due to the structural changes in the economy as described above. The ageing of the population was also evident in an ageing of the workforce. This trend together with the growing ranks of middle aged unemployed suggests that governments will need to give increased attention to developing lifelong learning strategies for existing workers and retraining for older unemployed workers to ensure better employment outcomes.

Other trends in terms of unemployment evident over the decade include a rise in the relative and aggregate number of long-term unemployed and the average duration of unemployment. These outcomes were induced by the recession and generally maintained for much of the decade by the continuing weakness of the state economy.

With respect to the regional dimensions of the performance of the South Australian labour market over the decade, employment growth was generally stronger for the metropolitan area than the non-metropolitan area. However, the unemployment rate for the non-metropolitan area of the state was significantly lower for much of the decade. Many regional areas initially struggled with the increased competitive pressures released on the economy during the decade by factors such as, *inter alia*, the rationalisation of government services and enterprises, greater volatility in commodity prices, globalisation, and ongoing technological change.

1. Introduction

The beginning of the last decade of the 20th Century was characterised by a recession in both the South Australian and Australian economies, commencing in 1990. Economic conditions in South Australia deteriorated further with the collapse of the State Bank in 1992, which required a bail out by the State government (and a contribution by the Commonwealth) and a subsequent contraction in public sector spending. These two events had detrimental impacts on economic and employment growth during the early 1990s. Now that a decade has passed, it is instructive to look back and reflect on how the South Australian labour market has performed over the 1990s in light of these set backs.

*... recession and collapse
of the State Bank ...*

The recession of the early 1990s and the collapse of the State Bank, are not the only factors that have defined the recent performance of the South Australian and indeed, the Australian labour markets, though they are probably the most significant. Globalisation, national competition policy, microeconomic reform, an increasing pace of technological change and other factors have all increased competitive pressures across the economy over the last decade, generating changes in investment patterns between industries and regions, causing more inefficient firms and industries to decline.¹ In the long term, such structural change promises to improve the competitiveness of the Australian and South Australian economies, making them more resilient to external shocks (as demonstrated by the robustness of the economy during the 1997 Asian financial crisis), and improving economic growth and therefore, employment growth prospects. However, over the short term, the nature of structural change, whereby particular forms of economic activity contract while others expand and resources (i.e., labour, capital) shift between these activities or to unemployment, has ensured that unemployment has remained high during this re-structuring phase.²

1.1 Structure of the paper

Our analysis concentrates on the period from 1990 to 2000. In most cases we have assessed the performance of the South Australian labour market against that of the national labour market.

The structure of the paper is as follows. The following section briefly reviews South Australia's overall economic and trade performance over the 1990's in order to set the scene for the review of labour market performance. This review commences with an examination of how the overall labour force changed over the decade together with an analysis of the major factors driving these changes. Section 3 then examines trends in employment over the decade, including by age, industry and occupation. Section 4 analyses trends in unemployment and the composition of unemployment, including by gender, age and duration. Section 5 examines trends in participation rates while Section 6 briefly reviews the regional dimension of employment and unemployment. The final section provides concluding comments.

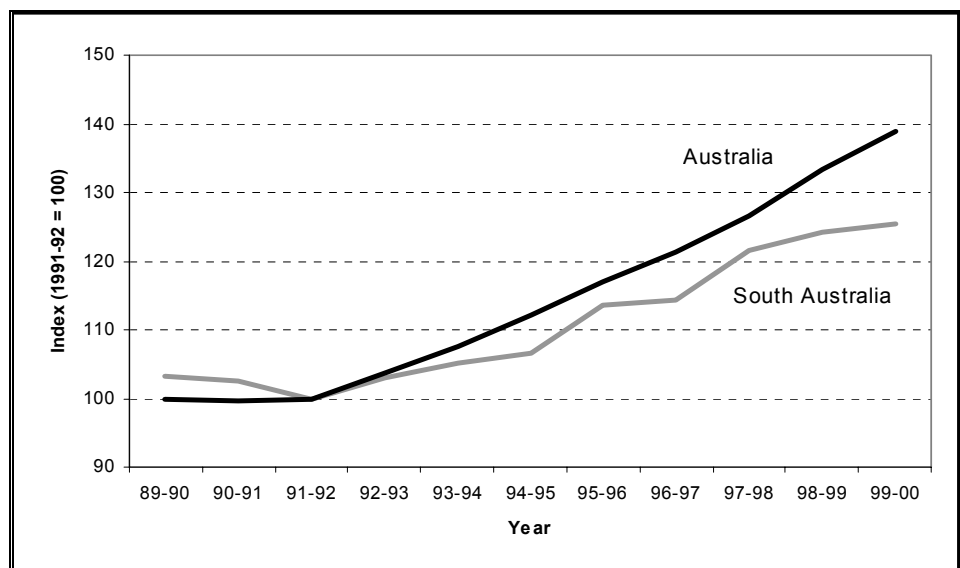
1.2 Economic Growth and Exports

Prior to examining the performance of the South Australian labour market, we provide a brief overview of growth in the South Australian economy through the 1990s. The pattern of economic growth is important because changes in the size of the aggregate economy have a direct impact on growth in employment.

... slower pattern of economic growth ...

Figure 1 illustrates an index of growth in gross state product (GSP) and gross domestic product (GDP) for South Australia and Australia respectively. South Australia has clearly exhibited a slower pattern of aggregate economic growth relative to Australia over the 1990s, with annual growth in the state's GSP from 1989-90 to 1999-00 averaging 2.0 per cent, compared with 3.4 per cent for Australia. This slower rate of economic growth has had a pronounced impact in terms of slower employment growth over the decade.

Figure 1
Index of Gross State Product/Gross Domestic Product
 South Australia and Australia – 1989-90 to 1999-00



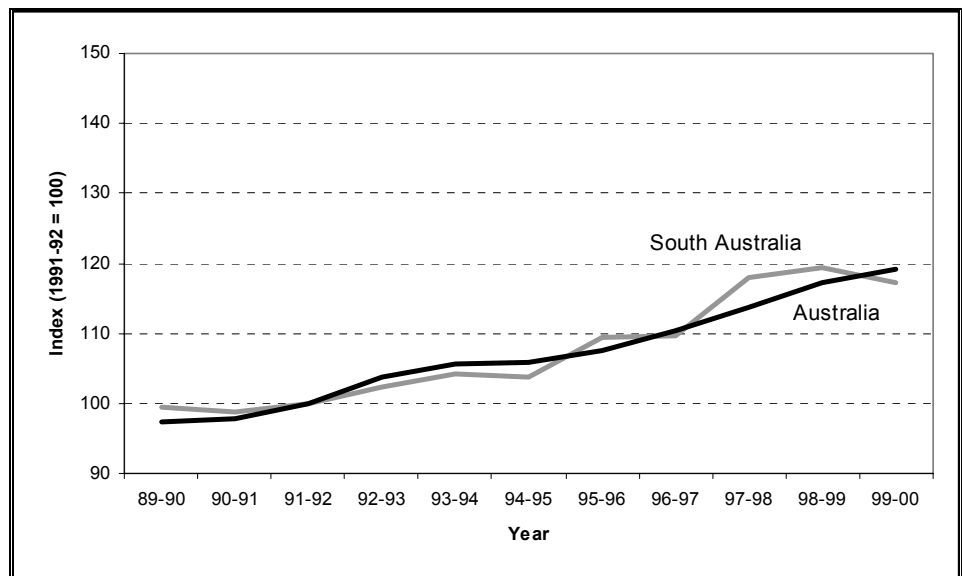
Source: ABS, AusStats, Australian National Accounts – State Accounts (Cat. No. 5220.0)

One reason for the slower rate of economic growth is evident in the early years of Figure 1, whereby it is clear that South Australia experienced a deeper recession than Australia. For instance, South Australian GSP fell by 3.1 per cent between 1989-90 and 1991-92, whereas Australian GDP managed to recover to be marginally higher in 1991-92 (0.2 per cent). That is to say, the recession hit South Australia harder and we took longer to recover from the slowdown. The more intense recession for South Australia must be explained by the collapse of the State Bank, which necessitated a bail out by the state government, thus generating a contraction in government spending, with further downstream impacts in terms of generating interstate emigration.

... good news of stronger
GSP growth per worker
...

While South Australia's aggregate economic performance over the 1990s was poor relative to Australia, the true underlying performance of the state economy is masked by the demographic characteristics of the State's population. This is demonstrated by Figure 2, which shows an index of growth in GSP and GDP per worker for South Australia and Australia respectively. Growth in GSP on a per worker basis for South Australia has matched, and in some years actually surpassed, that of growth in Australian GDP per worker over the 1990s. This is important because GSP/GDP per worker is arguably a better indicator of individual wellbeing than growth in aggregate production. The poorer performance of the South Australian economy on an aggregate basis is due, in part, to a slower rate of population growth – explained by a lower fertility rate, interstate emigration flows and a poor record of attracting migrants – and a relatively older population age structure, whereby a relatively smaller share of the population is of working age.

Figure 2
Index of Gross State Product/Gross Domestic Product per Worker
South Australia and Australia – 1989-90 to 1999-00



Source: ABS, AusStats, Australian National Accounts – State Accounts (Cat. No. 5220.0) and Labour Force, Australia (Cat. No. 6202.0).

... continual improvement
in our trade performance
...

Another potential reason for the relatively weaker growth of the South Australian economy is that it is less outward orientated than the national economy, in terms of international trade and foreign direct investment. A very positive outcome in this respect is that the State's outward orientation has improved markedly over the decade on the back of a strong rise in merchandise exports. For example, total international trade in goods and services (i.e., imports and exports) as a share of GSP in real terms was 31.2 per cent in 1992-93 compared to 33.3 per cent for Australia.³ This gap widened through to the mid 1990s, but then rose rapidly, such that total international trade as a share of South Australian GSP (42.5 per cent) was actually higher than for Australia (42.2 per cent) in 1999-00. While data for foreign direct investment at the state level is sparse, it is likely that South Australia has continued to attract a smaller

share of foreign direct investment relative to the other states and the nation as a whole.

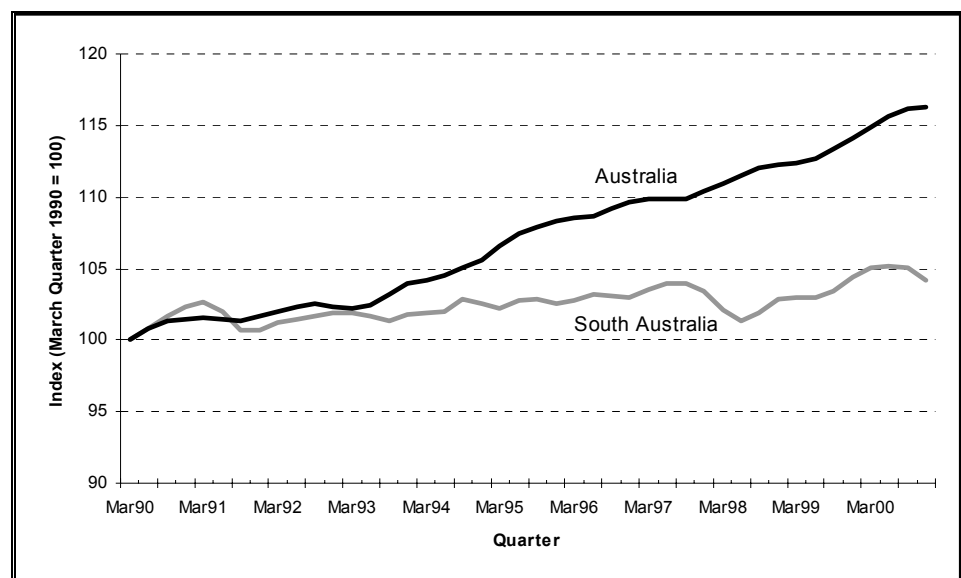
2. Overview of The South Australian Labour Market

It is not necessarily correct to view the South Australian labour market as being distinctly separate from other labour markets. The local labour market is closely interlinked with the national labour market as demonstrated by high levels of interstate migration, particularly for young university graduates. Nevertheless, because there are significant barriers and costs associated with moving interstate for employment, and the performance of the South Australian labour market ultimately reflects local factors, most particularly the state of the local economy, it is meaningful to examine trends in the South Australian labour market.

We commence by examining the general size and composition of the South Australia labour market, and how this has changed over time. Australian Bureau of Statistics (ABS) data reveals that in 2000, the South Australian labour force – the number of employed and unemployed persons over the age of 15 – was composed of approximately 734,000 persons, of which 678,000 (92.4 per cent) were employed and 56,000 (7.6 per cent) were unemployed.⁴ This compares with a labour force of 709,000 people in 1990, composed of 657,000 (92.7 per cent) employed and 52,000 (7.3 per cent) unemployed persons.

This comparison reveals that the South Australian labour force grew only slowly over the decade to 2000. This is clearly demonstrated by Figure 3, which shows an index of growth in the size of the South Australian labour force relative to the Australian labour force.

Figure 3
Index of Labour Force Growth
South Australia and Australia – 1990 to 2000, Trend Series, Quarterly Average



Source: ABS, AusStats, Labour Force, Australia (Cat. No. 6202.0).

... slower growth in the labour force and a declining share of the national labour force ...

Over the decade to 2000, the South Australian labour force increased by 3.5 per cent compared to 14.7 for the national labour force. The South Australian labour force actually declined in the latter part of the recession and again in 1997-98, growing only modestly during the intervening period, whereas the Australian labour force grew slowly through the recession, but then rose solidly through the remainder of the decade from 1993 onwards. As a result, the South Australian labour force declined as a proportion of the national labour force, from 8.4 per cent in 1990 to 7.6 per cent in 2000. This decline in the relative size of the labour force has been an ongoing process over an extended period of time.

The fall in the size of the labour force which occurred through 1997-98 is peculiar since economic growth was particularly strong in that financial year, with GSP growing by 6.3 per cent. Growth of this magnitude would be expected to generate a solid rise in employment and therefore, encourage greater participation in the labour force. However, employment and participation rates fell sharply (see Figures 6 and 12), such that the size of the labour force fell by around 19,000 persons between the June quarter 1997 and June quarter 1998.

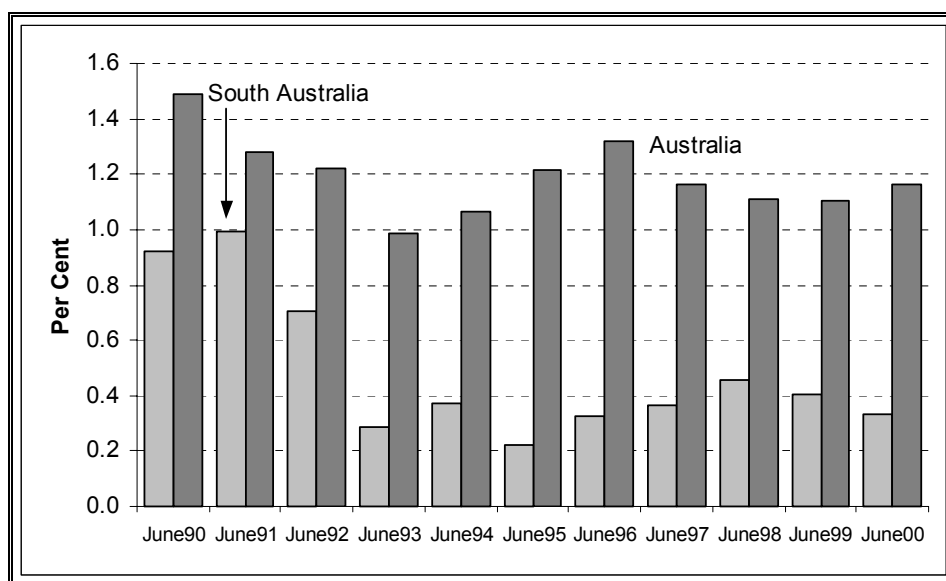
There seems to be no adequate explanation for this sudden fall. Whilst it is tempting to think that the fall may be due to the impact of the Asian financial crisis of 1997, no other state experienced a dramatic decline in employment around this period. Another possible explanation is that total international exports of goods and services did fall modestly in 1997-98 (by 8.4 per cent in real terms), and this adversely affected employment. However, the reduction is of an insufficient magnitude to be a major cause. Perhaps a more likely explanation is that the fall represents a statistical aberration in the *Labour Force Survey* series due to sampling variability rather than an accurate reflection of the labour market. This explanation was raised and discussed in the 1998-99 South Australian Budget Papers and the Centre's Economic Briefing Reports at the time.⁵ The implication is that the decline and subsequent rebound in the labour force and employment between 1997 and 1999 was exaggerated so that the actual fall in the labour force was shallower than depicted in Figure 3. Nevertheless, despite these concerns, it remains a fact that the South Australia labour force grew more slowly than the national labour force over the 1990s.

Why has the South Australian labour force grown more slowly than the national labour force? A fundamental reason is that South Australia has a slower rate of population growth than Australia, which naturally limits growth in the working age population. Another important factor was the deeper recession that was experienced in South Australia exacerbated by the collapse of the State Bank; the more limited job opportunities and bleaker economic outlook relative to other States encouraged net interstate emigration. Poor economic conditions over time may have also contributed to a discouraged worker effect, as people withdrew from the labour force after remaining unemployed for lengthy periods. This effect has been more important among males, whereby structural change has involved the decline of traditionally lower-skilled male dominated

industries (e.g., manufacturing); often these workers have struggled to find alternative employment and have decided to exit the workforce.

South Australia's rate of population growth is illustrated in Figure 4 from June 1990 to June 2000. Figure 4 clearly highlights that South Australia has experienced a slower rate of annual population growth than Australia. The slower rate of population growth is such that South Australia's share of the total population has fallen from 8.4 per cent in 1990 to 7.8 per cent in 2000.

Figure 4
Annual Percentage Growth in Total Population
 South Australia and Australia – 1990 to 2000, Annual Average



Source: ABS, AusStats, Population by Age by Sex, (Cat. No. 3201.0).

... gradually declining share of national population ...

This experience is not confined to the most recent decade under study. In fact, a declining share of the national population is a long term trend. In 1881 South Australia's share of the national population was 12.3 per cent and thereafter, continually declined to be 8.9 per cent by the mid 1950s. Industrial development of the State's manufacturing base, accompanied by a large influx of overseas migrants in the 1950s and 1960s saw the population increase to represent 9.4 per cent of the national population. Thereafter, it once again resumed the path of decline as a share of the national population, principally because other States grew more rapidly. The high point of employment in manufacturing was in 1966.

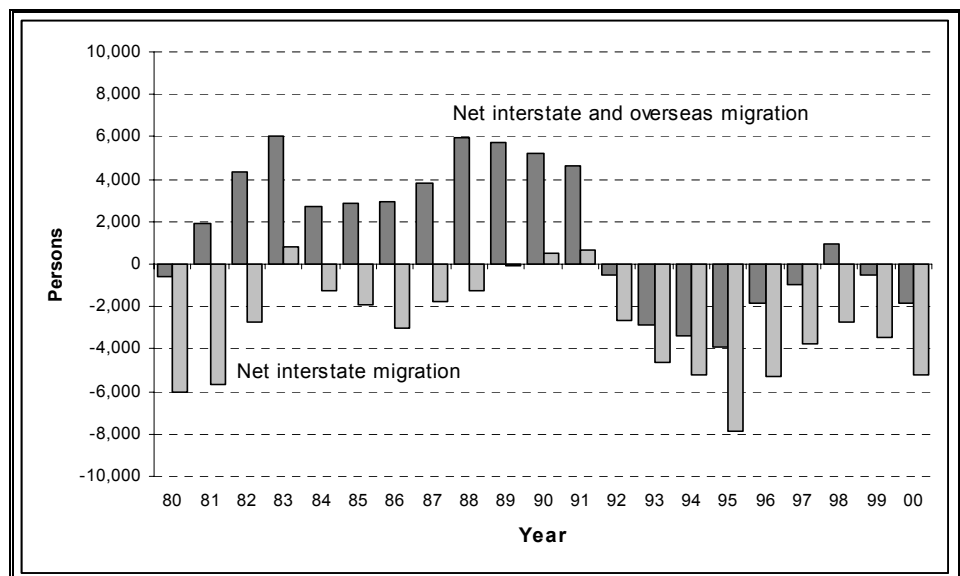
Less rapid population growth is due in part to the older age structure of the population, whereby there are relatively fewer females of fertile ages and the rate of natural increase – i.e., growth due to the difference between births and deaths – is lower relative to other States and Territories. For example, South Australia had an annual average rate of natural increase of around 0.52 per cent over the decade to 2000 in comparison with a rate of 0.73 per cent for Australia. In fact, over this period, the rate of natural increase was slower than for any other State or Territory.

Another factor that has contributed to slower population growth is South Australia's poor performance in terms of attracting overseas migrants. Over the 1990s, approximately 4.5 per cent of overseas arrivals to Australia settled in South Australia. This is well below the State's average share of the Australian population for the decade (8.1 per cent), and compares unfavourably with the State's average share of overseas arrivals from 1980 to 1990 (5.8 per cent). In the five years from 1966 to 1970 South Australia's share of Australian net migration gain was 10.1 per cent or 64,800 persons; in the five years from 1991 to 1995 this had declined to 4.2 per cent or 17,400 persons. More limited employment opportunities is certainly one reason why the State was less successful in terms of attracting overseas arrivals during the 1990s. Another important reason is that a majority of migrants and refugees initially arrive in Sydney and Melbourne and often have strong family ties there, leading them to settle in these areas.

... period of strong outward interstate migration ...

The poor record of attracting overseas migrants coupled with slower population growth was compounded during the decade by stronger outward interstate migration. This is clearly illustrated in Figure 5, which shows annual net interstate and total migration (net interstate and overseas migration) for South Australia from 1980 to 2000. While there were years of net interstate emigration experienced during the 1980s, the levels of interstate emigration actually strengthened and became more consistent during the following decade, such that South Australia experienced total net emigration flows for most years of the decade. The State Bank impact is visible, especially the period 1993 to 1996.

Figure 5
Net Total and Interstate Migration
 South Australia – 1990 to 2000, Annual Average



Source: ABS, AusStats, Demography, Australian Historical Population Statistics (Cat. No. 3105.0), and Migration Australia (Cat. No. 3412.0) (various issues).

Stronger interstate emigration flows were explained by the poorer economic conditions that prevailed in South Australia and the greater job opportunities that were available interstate. We have already seen that aggregate economic growth for South Australia over the decade in terms of Gross State Product was slower than for Australia. This more lacklustre performance of the economy not only encouraged stronger migration out of the state and therefore slower labour force growth, but also generated weak growth in employment over the decade.

That there was net interstate migration out of South Australia during the 1990s is not necessarily an entirely bad thing. To the extent that people migrated due to a lack of job opportunities, then the reduction in the supply of labour will have helped to preserve relative wages in South Australia.⁶ Hence, the mobility of labour between regions helps preserve wage equality despite the existence of disparities in economic performance. Nevertheless, while net outward migration is not a problem *per se*, the factor that primarily induced the migration – the poor performance of the economy – represents a more significant problem that ultimately has a larger impact on the economic well-being of the population, especially in terms of generating jobs for those who are unemployed.

Table 1
Growth in Gross State/Domestic Product
Australia, State and Territories – 1990-91 to 1999-00, Chain Volume Measures

	Per cent change from previous year										CAAGR* 89-90 to 99-00
	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	
NSW	0.6	0.1	2.5	3.9	4.1	4.8	4.2	4.8	4.4	4.4	3.4
Vic.	-2.2	-2.3	4.3	3.6	3.8	4.7	2.9	5.0	7.4	3.8	3.1
Qld	0.0	3.5	7.1	3.7	5.7	3.8	4.9	4.1	6.6	5.8	4.5
SA	-0.6	-2.5	2.9	2.3	1.3	6.5	0.7	6.3	2.0	1.0	2.0
WA	1.9	4.3	2.3	5.5	7.4	4.9	3.2	5.9	3.7	3.5	4.3
Tas.	1.2	1.0	2.2	0.3	2.3	3.5	0.4	1.2	4.4	-0.7	1.6
NT	2.2	-3.4	0.5	0.4	8.2	6.5	2.9	3.2	9.5	0.9	3.0
ACT	1.4	-0.8	4.5	2.4	4.1	1.2	0.0	5.5	7.2	4.0	2.9
Aust. (GDP)	-0.1	0.3	3.7	3.9	4.2	4.2	3.7	4.5	5.3	4.3	3.4

Note: * Compound Annual Average Growth Rate.

Source: ABS, AusStats, Australian National Accounts, State Accounts (Cat. No. 5220.0).

*... labour force growth
attributed solely to
female participation ...*

Finally, a significant change occurred in the gender composition of the South Australian labour force. In 2000, approximately 56.5 per cent (415,000) of the labour force was male with 43.5 per cent (319,000) female. By comparison in 1990, 58.5 per cent (415,000) of the labour force was composed of males, with 41.5 per cent (294,000) female. The interesting feature here, is that the aggregate size of the male labour force has remained unchanged between 1990 and 2000, with growth in the total labour force being concentrated solely in females (growing by 8.5 per cent over the decade). This outcome is due to very weak growth in traditional sectors of male employment and the growing participation of

females in the labour force. The decline in manufacturing and expanding employment in the service industries, including retail, communications, leisure, tourism and property services has contributed to changing patterns of sectoral employment. These trends are examined in more detail below.

The gender composition of the South Australia labour force at the end of the decade is very similar to the national labour force, of which 56.2 per cent (5.4 million) was male and 43.8 per cent (4.2 million) female. However, unlike South Australia, the size of the male labour force at the national level has actually grown (by 10.4 per cent) over the 10-year period to 2000. Growth in the size of the female labour force over this period was also stronger at the national level (20.7 per cent).

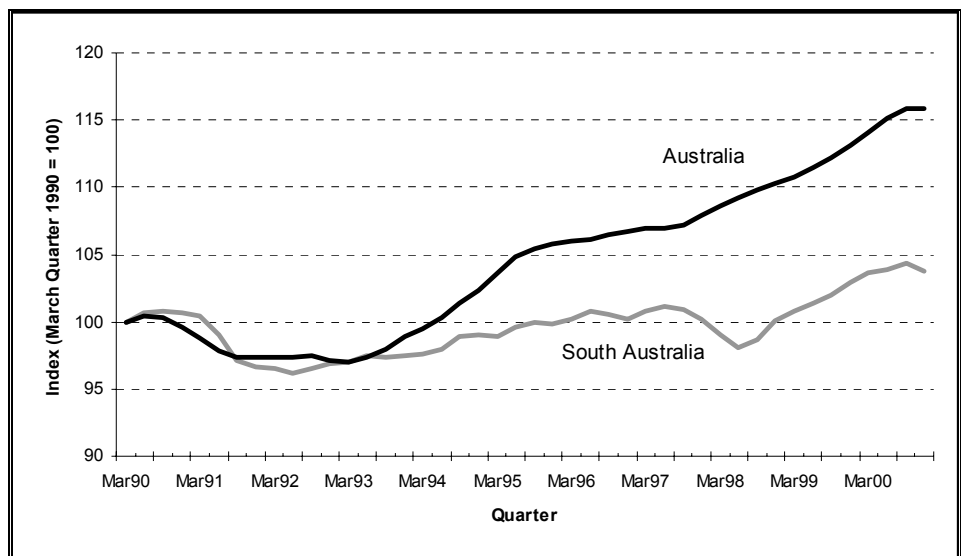
3. Trends in Employment

3.1 The Growth and Composition of Employment

The most significant characteristic of the South Australian economy over the 1990s was its poor performance in generating new jobs. Between 1990 and 2000, total employment in South Australia rose by only 3.2 per cent, compared with a rise of 15.1 per cent for Australia. Figure 6, which illustrates an index of growth in total employment over the decade, shows that the level of employment declined in both South Australia and Australia with the recession. Growth in total employment for South Australia then remained weak for most of the remainder of the period, whereas total employment for Australia generally continued to rise from 1993 onwards. Only in the last two years of the decade did South Australia experience growth in total employment that was commensurate with Australia.

... poor performance in generating new jobs ...

Figure 6
Index of Growth in Total Employment
 South Australia and Australia – 1990 to 2000, Trend Series, Quarterly Average

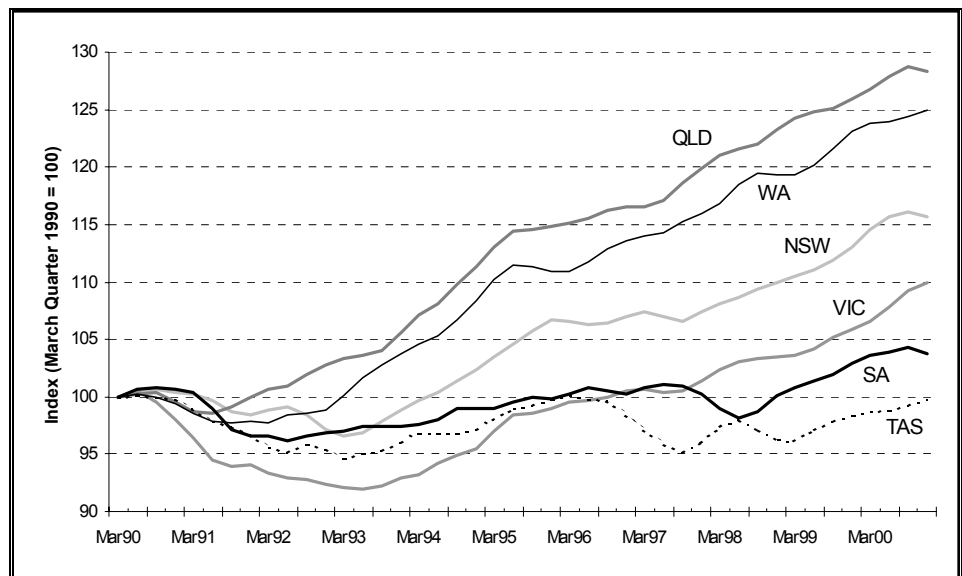


Source: ABS, AusStats, Labour Force (Cat. No. 6202.0).

... weak employment growth, just above Tasmania ...

Figure 7, which shows a state comparison of employment growth over the 1990s, reveals that much of the growth in employment at the national level is explained by strong increases in employment for Queensland and Western Australia. The comparison reveals that South Australia's employment growth record over the decade has obviously been very weak, with the state recording the second lowest rise in employment of the major states. Interestingly, employment levels in South Australia remained more buoyant than in Victoria until the latter part of the decade when employment conditions suddenly deteriorated in South Australia in 1997-98 (though this may be due to a statistical aberration rather than actual outcomes). Even so, both States shared a similar pattern of employment growth reflecting similarities in the structure of their economies, in particular the importance of manufacturing. Victoria has achieved strong employment growth in recreation, tourism and cultural services, in the latter half of the decade.

Figure 7
Index of Employment By State
 Australia States – 1990 to 2000, Trend Series, Quarter Average



Source: ABS, AusStats, Labour Force, Australia (Cat. No. 6202.0).

... five year recovery from the recession ...

The weakness of employment growth for South Australia is demonstrated by the length of time it took for total employment to recover to its pre-recession 1990 level: in South Australia, total employment reached its 1990 level in late 1995, whereas total employment for Australia reached 1990 levels in mid-1994, or around a year and a half earlier than was the case in South Australia.

... full-time employment levels actually declined in South Australia by 3.8 per cent ...

An important aspect of South Australia's employment record over the 1990s, was that employment growth was concentrated in part-time jobs. Data on the growth of particular components of employment is presented in Table 2. Part-time employment rose by 25.6 per cent between 1990 and 2000, whereas full-time employment actually declined by 3.8 per cent. The story is somewhat similar for Australia, whereby employment growth was stronger in part-time employment (rising by 42.5 per cent).

However, full-time employment at the national level did manage to rise modestly over the period (7.7 per cent).

The absence of growth in full-time employment was such that its share of total employment for South Australia declined from approximately 76 per cent in 1990 to 71 per cent in 2000. At the national level, this share declined from 79 per cent to 74 per cent.

Table 2
Components of Employment Growth
South Australia and Australia – 1990 to 2000, Annual Average

	South Australia				Australia			
	Number ('000)		Change		Number ('000)		Change	
	1990	2000	Number ('000)	Per Cent	1990	2000	Number ('000)	Per Cent
Male								
Full-time	351.6	327.3	-24.3	-6.9	4,232.5	4,432.8	200.3	4.7
Part-time	31.9	54.2	22.3	69.8	374.2	658.4	284.1	75.9
Total	383.5	381.5	-1.9	-0.5	4,606.7	5,091.1	484.4	10.5
Female								
Full-time	149.5	154.9	5.4	3.6	1,966.2	2,243.5	277.3	14.1
Part-time	124.2	141.9	17.7	14.3	1,303.9	1,733.1	429.2	32.9
Total	273.7	296.8	23.1	8.4	3,270.0	3,976.6	706.6	21.6
Persons								
Full-time	501.0	482.2	-18.9	-3.8	6,198.6	6,676.3	477.7	7.7
Part-time	156.2	196.2	40.0	25.6	1,678.1	2,391.5	713.4	42.5
Total	657.2	678.3	21.1	3.2	7,876.7	9,067.7	1,191.0	15.1

Source: ABS, AusStats, Labour Force.

At the national level, the rise in female employment (Aust: 21.6 per cent, SA: 8.4 per cent) was also stronger than growth in male employment (10.5 per cent, SA: decline of 0.5 per cent). We note that nationally, male employment actually rose over the period, unlike for South Australia. The stronger level of employment growth for females (together with their rising participation in the labour force) is a particular reason why the female share of the labour force rose over the decade to 2000 for both South Australia and Australia.

South Australian male part-time employment actually rose very strongly over the period (69.8 per cent), albeit from a very low level such that the number of part-time jobs created (22,000) was insufficient to offset the fall in male full-time jobs (24,000). Furthermore, while male full-time employment declined (6.9 per cent), female full-time employment actually rose (3.6 per cent), though not to the same extent as female part-time employment (14.3 per cent). These trends have also been evident at the national level though to a lesser degree because employment growth has been stronger across all categories of employment.

... absolute and relative growth in part-time employment and a decline in male full-time employment ...

South Australian employment growth during the 1990s is therefore characterised by absolute and relative growth in part-time employment with declines in male full-time employment – traditionally (and still) the largest component of the work force. Why has employment growth been concentrated among part-time employees? Probably the most significant factor is structural change in the economy away from industries which traditionally have high levels of full-time employment, particularly manufacturing, towards service industries, which are composed of higher levels of part-time and casual employment. Other factors that explain the strong rise in part-time employment include, *inter alia*:

- employers have been seeking to improve the flexibility and productivity of the workforce and this has shifted demand to more flexible working arrangements, particularly casual but also part-time employment;
- many public sector activities have been privatised and outsourced to the private sector, which employs part-time labour more intensively;
- non-wage costs associated with full-time employment together with the costs of unfair dismissal may have shifted demand towards other forms of employment; and
- the supply of part-time and casual employment has increased, especially with the increased participation of females in the workforce who desire greater flexibility in working time arrangements.

South Australia clearly had a poor record of generating employment growth both in aggregate and across all major components of employment over the decade to 2000. This outcome is ultimately explained by the weakness of the economy during this period (refer again to Table 1. It is not the purpose of this paper to identify and discuss the reasons why the South Australian economy performed so poorly during the 1990s. However, some important factors have been alluded to and include, *inter alia*:

- The impact of the State Bank collapse on government spending and general economic conditions which compounded the initial impact of the recession;
- The negative impacts of structural change impacted on the State's economy due to our historical dependence on those industries which have suffered decline, particularly manufacturing, often associated with the loss of headquartered companies;
- The State had weaker linkages with the international economy in terms of trade and investment linkages earlier in the decade, and although trade ratios were considerably stronger by the end of the decade, investment linkages were still poor; and

- Economies of scale effects, whereby the relatively smaller size of the South Australian economy/market has encouraged businesses to relocate to interstate markets or avoid locating in South Australia.

... slower population growth is a symptom of weak economic growth ...

Although we suggested earlier that South Australia’s relatively slower labour force growth was partly due to weaker population growth, it is not a significant factor in explaining poor employment growth, as slower population growth is a symptom of weak economic growth – i.e., limited employment opportunities triggered outward interstate migration and reduced overseas migration – rather than a determinant of employment/economic growth.

3.2 Employment by Age

Growth in employment during the 1990s occurred primarily in the middle age brackets (45-54 and 55-59 year olds) for both South Australia and Australia as illustrated in Table 3. Employment among the younger age groups (especially those aged 15 to 34) actually declined in South Australia over this period. At the national level, with the exception of the 15-24 year age group, employment among the younger age groups rose, but at a slower rate relative to the middle age groups. The end result was that the age structure of the South Australian and Australian work forces became older by the end of the decade.

Table 3
Employment by Age Group
South Australia and Australia – 1990 to 2000, Annual Average

Age Group	South Australia				Australia			
	Share of total employment		Change in employment		Share of total employment		Change in employment	
	1990	2000	Number ('000)	Per Cent	1990	2000	Number ('000)	Per Cent
15-24	21.7	18.1	-20.3	-14.2	21.8	18.6	-30.2	-1.8
25-34	26.3	22.7	-18.8	-10.9	26.5	24.2	106.6	5.1
35-44	26.1	25.3	-0.3	-0.2	25.9	25.0	228.2	11.2
45-54	16.6	22.8	46.1	42.4	16.7	21.6	643.7	48.9
55-59	4.8	6.4	12.3	39.3	4.8	6.1	171.8	45.3
60-64	3.0	2.9	-0.2	-0.8	2.9	2.8	27.1	11.8
65+	1.5	1.7	2.2	23.1	1.3	1.6	44.0	44.3
Total	100.0	100.0	21.1	3.2	100.0	100.0	1191.1	15.1

Source: ABS, AusStats, Labour Force (Cat. No. 6291.0).

The ageing of the workforce is dominated by the movement of the large baby boomer cohort into older age groups. In the case of South Australia, the older age structure may also reflect the impact that outward interstate migration had on the work force, as many of those who departed were of younger ages (e.g., university graduates).

There is some debate over the relative benefits of an ageing work force. An ageing work force may have an adverse impact on productivity as a larger proportion of the workforce will not have received training or education for longer periods and will therefore be using older knowledge and techniques, while an older work force will be less physically productive than a younger work force.

... improving the adaptive
capacity of the workforce
...

On the other hand, “physical factors” may have less impact since economies have been shifting towards service and knowledge based industries, where physical capability is less important, while disability-free life expectancy has generally been rising, indicating that today’s older population is healthier and can work for longer periods than previous generations. Whatever the relative merits of an ageing workforce, with the fiscal burdens posed by an ageing population (i.e., pension liabilities and health care costs), increased importance will need to be attached to enhancing lifelong learning opportunities so that labour productivity and employment levels can be improved, and the adaptive capacity of workers enhanced.⁷ This is particularly important for South Australia, given that the State has a relatively older work force than most other States and Territories.

3.3 Employment by Industry

There have been some significant shifts in employment between industries over the 1990s, particularly from manufacturing towards service industries. This is demonstrated by Table 4, which provides information on the industrial dimensions of the South Australian and Australian workforces, and Figure 8, which shows graphically the changes in employment by industry for South Australia over the decade.

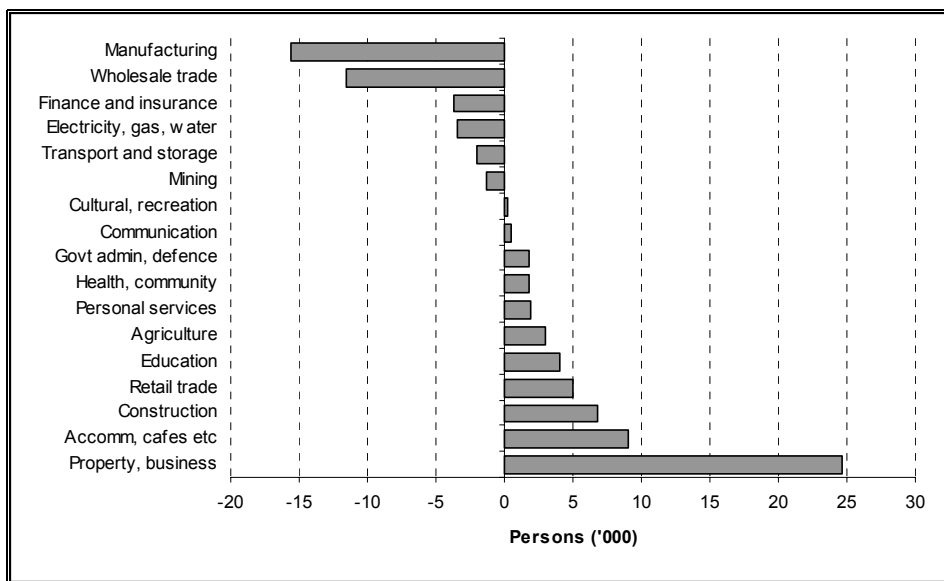
It is generally well-known that employment in the manufacturing sector, which is the largest employing sector of the economy (14.6 per cent in 2000), has declined significantly over recent decades in response to a number of factors, including a reduction in protectionist measures designed to improve the competitiveness and efficiency of the sector, competition from overseas manufacturers, the introduction of labour productivity enhancing new processes and new production systems and the advent and use of new technologies. The trend continued through the 1990s, with employment in manufacturing falling by almost 14 per cent or by around 16,000 jobs. Other industries which experienced declines in employment include electricity, gas and water (down 40 per cent), mining (27 per cent), wholesale trade (27 per cent), finance and insurance (15 per cent), and transport and storage (8 per cent). The principal cause of employment decline in the electricity, gas and water sector is the rationalisation of the sector due to the privatisation of public sector utilities. The industrial pattern of employment decline in South Australia was very similar to the national pattern of decline over the period.

Table 4
Employment by Industry
South Australia and Australia – 1990 to 2000, Annual Average

	South Australia						Australia					
	Persons Employed ('000)		Per cent of total employment		Change: 1990 to 2000		Persons Employed ('000)		Per cent of total employment		Change: 1990 to 2000	
	1990	2000	1990	2000	Number ('000)	Per cent	1990	2000	1990	2000	Number ('000)	Per cent
Agriculture, forestry & fish	48.0	51.1	7.3	7.6	3.0	6.3	439.2	439.3	5.6	4.9	0.1	0.0
Mining	5.0	3.7	0.8	0.5	-1.4	-27.0	98.6	79.5	1.3	0.9	-19.0	-19.3
Manufacturing	113.8	98.2	17.4	14.6	-15.6	-13.7	1,180.7	1,142.9	15.0	12.7	-37.7	-3.2
Electricity, gas & water	8.8	5.3	1.3	0.8	-3.5	-39.8	105.6	64.9	1.3	0.7	-40.7	-38.5
Construction	37.0	43.9	5.7	6.5	6.8	18.4	594.4	702.7	7.6	7.8	108.4	18.2
Wholesale trade	43.1	31.5	6.6	4.7	-11.6	-26.9	511.5	454.8	6.5	5.0	-56.7	-11.1
Retail trade	91.4	96.3	14.0	14.3	5.0	5.4	1,118.1	1,331.4	14.2	14.7	213.3	19.1
Accomm, cafes & restaurants	23.5	32.5	3.6	4.8	9.0	38.3	319.3	458.8	4.1	5.1	139.5	43.7
Transport and storage	27.2	25.1	4.2	3.7	-2.1	-7.6	380.6	413.5	4.8	4.6	32.9	8.6
Communication services	11.4	11.8	1.7	1.7	0.4	3.7	151.8	179.4	1.9	2.0	27.7	18.2
Finance and insurance	24.4	20.8	3.7	3.1	-3.7	-15.0	366.5	335.5	4.7	3.7	-31.1	-8.5
Property & business services	44.7	69.3	6.8	10.3	24.7	55.2	607.0	1,041.1	7.7	11.5	434.1	71.5
Govt admin & defence	24.8	26.6	3.8	3.9	1.8	7.2	361.9	352.6	4.6	3.9	-9.2	-2.5
Education	43.1	47.1	6.6	7.0	4.0	9.3	528.4	613.4	6.7	6.8	85.0	16.1
Health & community services	68.6	70.4	10.5	10.4	1.8	2.6	663.5	851.5	8.4	9.4	188.1	28.3
Cultural & rec services	13.6	13.8	2.1	2.0	0.2	1.5	149.8	225.4	1.9	2.5	75.6	50.5
Personal & other services	25.5	27.4	3.9	4.1	1.9	7.5	275.3	344.6	3.5	3.8	69.3	25.2
Total	653.8	674.6	100.0	100.0	20.8	3.2	7,851.8	9,031.2	100.0	100.0	1,179.4	15.0

Source: ABS, AusStats, Labour Force (Cat. No. 6291.0).

Figure 8
Change in Employment by Industry
 South Australia – 1990 to 2000, Annual Average



Source: ABS, AusStats, Labour Force (Cat. No. 6291.0).

... sectors with positive employment growth ...

By far the strongest source of employment growth came from the property and business services sector of the economy. The industry created almost 25,000 jobs over the decade, more than the net increase in total employment for South Australia over the period.⁸ It also grew very strongly at the national level (by 72 per cent). A component of the growth in this sector is related to the outsourcing of government sector activities. Other sectors of the South Australian economy that experienced strong employment growth include accommodation, cafes and restaurants (up 38 per cent), construction (18 per cent), and education (9 per cent). These sectors also grew significantly at the national level. However, with the exception of the construction sector, the level of growth was generally stronger for Australia. Australia also experienced stronger employment growth in most other sectors of the economy, especially “other services sectors”, namely health and community services, cultural and recreational services, personal and other services sectors, and communication services.

The current industrial structure of the workforce raises some concerns over the strength of future employment growth. South Australia continues to have a higher share of employment in the manufacturing and agriculture sectors of the economy relative to Australia and these sectors seem to offer limited growth potential. Manufacturing employment will most likely continue to decline as resources shift to other sectors of the economy which offer higher growth potential (i.e., services sectors), while agriculture remains very volatile, being highly dependent on seasonal and external factors (i.e., weather, world prices), and faces significant environmental challenges (e.g., rising salinity, water resource constraints). Although agricultural employment actually increased over the decade to 2000, production growth in this sector, as measured by total factor income, was weaker than for any other sector.

... strong export growth
and higher value adding
...

On a more positive note, the benefits of microeconomic reform and the dismantling of trade barriers were becoming evident by the end of the decade. Significant changes in land use were continuing to occur, to favour higher value added agriculture and viticulture, new pricing structures for water use and access rights were contributing to changing land use patterns and infrastructure and technology improvements were benefiting agriculture, fishing and forestry (e.g., Loxton irrigation district). Wine exports had climbed from \$71 million in 1988-89 to \$1.1 billion by 2000-2001 (13.1 per cent of total exports). The automotive sector achieved similar growth: \$125 million in 1988-89 to \$1.4 billion by 2000-2001 (16.2 per cent of total exports). New policy directions, including the Food for the Future Program, were making a positive contribution to export market growth.

Table 5
Industry Employment by Status of Employment and Sex
South Australia – 1995, Annual Average

	Full-time ('000)	Part-time ('000)	Total ('000)	Per cent of Total	
				Full-time	Male
Agriculture, Forestry & Fishing	35.65	12.10	47.75	74.7	69.8
Mining	2.84	0.48	3.32	85.5	85.1
Manufacturing	90.84	9.90	100.74	90.2	74.6
Electricity, Gas & Water	6.13	0.17	6.25	98.0	85.2
Construction	30.39	5.26	35.65	85.2	85.0
Wholesale Trade	29.78	5.26	35.04	85.0	73.4
Retail Trade	53.17	40.73	93.90	56.6	49.0
Accomm, Cafes & Restaurants	13.27	14.62	27.88	47.6	41.0
Transport and Storage	24.74	3.87	28.60	86.5	81.1
Communication Services	9.11	2.32	11.43	79.7	70.5
Finance and Insurance	16.71	3.80	20.52	81.5	43.2
Property and Business Services	38.55	17.57	56.12	68.7	54.9
Government Admin & Defence	19.53	2.38	21.91	89.1	54.5
Education	33.03	14.83	47.86	69.0	35.7
Health & Community Services	41.81	32.26	74.07	56.4	22.3
Cultural & Recreational Services	8.58	5.53	14.11	60.8	46.0
Personal & Other Services	19.58	7.29	26.88	72.9	49.7

Source: ABS, AusStats, Companion Data, Labour Force (Cat. No. 6291.0). Calculations by SACES.

In the previous section we indicated that structural change in the economy was the main cause of the absolute and relative growth of part-time employment, and the decline of male full-time employment. Evidence for this conclusion is given in Table 5, which shows the share of male and full-time employment for each industry for South Australia in 1995. Comparing the information against those industries which have experienced the greatest declines in employment between 1990 and 2000 (as in Figure 8), it is clear that employment losses were concentrated in industries that had high levels of full-time and/or male employment – e.g., manufacturing, wholesale trade, electricity gas and water, transport and storage, and mining. In contrast, those industries which experienced high levels of employment growth generally had lower levels of full-time

and/or male employment – e.g., property and business services, accommodation, cafes and restaurants, retail trade, and education.

3.4 Occupations and Skills

Information on the occupational profile of employed persons and growth in employment by occupation between 1991 and 2001 is presented for South Australia and Australia in Table 6. In this instance we use Census data because a change in the occupation classification used by the ABS in 1996 has created a break in the data series on employment by occupation.

Looking at the 2001 data we find that South Australia has a similar occupational profile for employed persons compared with Australia. The main differences are that South Australia has a smaller share of workers employed as professionals and a larger share employed as labourers and related workers. These sectoral differences mean that South Australia's work force is somewhat less skewed towards higher skilled occupations.

The lower skilled nature of the South Australian workforce is confirmed by latest census data which reveals that the South Australia population has relatively lower educational status. For example, 34 per cent of South Australians aged 15 years and over in 2001 had completed Year 12 or an equivalent as their highest level of schooling compared with 38 per cent of Australians. Furthermore, 12.9 per cent of persons aged 15 and over at the national level had a non-school qualification equivalent to a bachelor degree, graduate diploma, graduate certificate, or postgraduate degree, while 10.7 per cent of the South Australian population had such a qualification.

Employment growth between 1991 and 2001 was stronger for Australia across all occupations with the exception of labourers and related workers. There was a decline in the number of people employed as advanced clerical and service workers at the national level, however the fall was less than which occurred for this group in South Australia.

Employment growth over the decade for both South Australia and Australia was mainly accounted for by growth in associate professionals, professionals and intermediate clerical, sales and service workers. The strong performance of these occupations would partly reflect the shift of the economy towards service-based industries with growth in the former two categories probably being driven by the expansion of the business and property services sector, while growth in the latter occupation category would be partially explained by the growth of the tourism industry, accommodation, cafes and restaurants industry sector.

Table 6
Employed Persons by Occupation
South Australia and Australia – 1991 and 2001

	South Australia						Australia							
	1991			2001			CAAGR* 91 to 01	1991			2001			CAAGR* 91 to 01
	No.	Per Cent	No.	Per Cent	No.	Per Cent		No.	Per Cent	No.	Per Cent			
Managers & Administrators	59,201	9.8	60,010	9.4	696,707	9.8	764,823	9.2	0.1	696,707	9.8	764,823	9.2	0.9
Professionals	86,137	14.3	107,132	16.9	1,058,019	14.9	1,514,096	18.2	2.2	1,058,019	14.9	1,514,096	18.2	3.6
Associate Professionals	45,339	7.5	73,110	11.5	539,009	7.6	975,653	11.8	4.9	539,009	7.6	975,653	11.8	6.1
Tradespersons & Related Workers	82,721	13.7	78,081	12.3	978,771	13.8	1,018,903	12.3	-0.6	978,771	13.8	1,018,903	12.3	0.4
Advanced Clerical & Service Wkrs	32,812	5.4	20,900	3.3	456,992	6.4	309,968	3.7	-4.4	456,992	6.4	309,968	3.7	-3.8
Intermediate Clerical, Sales, Service Wkrs	73,786	12.2	104,832	16.5	842,494	11.9	1,366,701	16.5	3.6	842,494	11.9	1,366,701	16.5	5.0
Intermediate Production & Transport Wkrs	49,549	8.2	52,931	8.3	604,696	8.5	670,821	8.1	0.7	604,696	8.5	670,821	8.1	1.0
Elementary Clerical, Sales, Service Wkrs	65,741	10.9	58,610	9.2	793,422	11.2	792,378	9.5	-1.1	793,422	11.2	792,378	9.5	0.0
Labourers & Related Workers	59,030	9.8	67,440	10.6	657,320	9.2	717,457	8.6	1.3	657,320	9.2	717,457	8.6	0.9
Not stated	44,852	7.4	6,414	1.0	395,497	5.6	98,829	1.2	-17.7	395,497	5.6	98,829	1.2	-12.9
Inadequately described	4,892	0.8	5,865	0.9	86,409	1.2	68,977	0.8	1.8	86,409	1.2	68,977	0.8	-2.2
Total	604,060	100.0	635,325	100.0	7,109,336	100.0	8,298,606	100.0	0.5	7,109,336	100.0	8,298,606	100.0	1.6

Note: * Compound Annual Average Growth Rate (Per Cent)
Source: ABS, Unpublished data.

While Australia experienced growth across all occupations with the exception of advanced clerical and service workers, South Australia experienced a decline in employment in two other occupational categories: elementary clerical, sales and services workers (which fell by an average of 1.1 per cent per year between 1991 and 2001), and tradespersons and related workers (0.6 per cent).

The decline in the “not stated” category over these two census counts indicates greater classification exactness, which suggests that some caution should be exercised in interpreting the “rises and falls”. They may simply reflect better reporting. They are also likely to include an element of “status inflation” in occupational titles.

4. Unemployment

4.1 Trends in Unemployment

One of the more disappointing aspects of the 1990s was the substantial rise in unemployment that occurred as a result of the 1991 recession. South Australia’s overall unemployment rate rose strongly through the recession, from an annual average rate of 7.3 per cent in 1990, to a high of 11.4 per cent in early 1993. In comparison, the average Australian unemployment rate rose from 6.7 per cent to a high of 10.7 per cent in mid 1993. These highs were followed by a gradual fall in unemployment, until late 1996 for Australia and early 1997 for South Australia, whereupon unemployment rates began rising slowly again, before continuing to fall over the remainder of the decade. The recession clearly adversely affected employment conditions for the whole decade, with the South Australian unemployment rate not reaching its 1990 low within the decade, while the Australian unemployment rate only fell below its 1990 level in the final year of the decade. In 2000, South Australia’s annual unemployment rate had fallen to 7.6 per cent, while the Australian rate had reached a decade low of 6.3 per cent.

The unemployment rate in South Australia has continued to exceed the national unemployment rate to varying degrees since the mid 1970s, and this situation continued throughout the 1990s. (A comparison of South Australian and Australian unemployment rates from 1983 onwards is presented in Figure A.1 in Appendix A.)

The persistently higher rate of unemployment for South Australia suggests there exists fundamental problems with the State economy and/or labour market which have curbed employment growth. The most likely causes are structural problems, whereby the South Australian economy has evolved to be more dependent on those industries, particularly manufacturing, which have suffered significant decline over recent decades. The causes of the increased dependence on particular industries are numerous and their relative importance are not entirely clear. However, federal and additional state government support in the form of tariffs and subsidies for particular industries and companies, particularly labour intensive manufacturing, is probably a leading reason.

... pain before the gain in process of economic restructuring ...

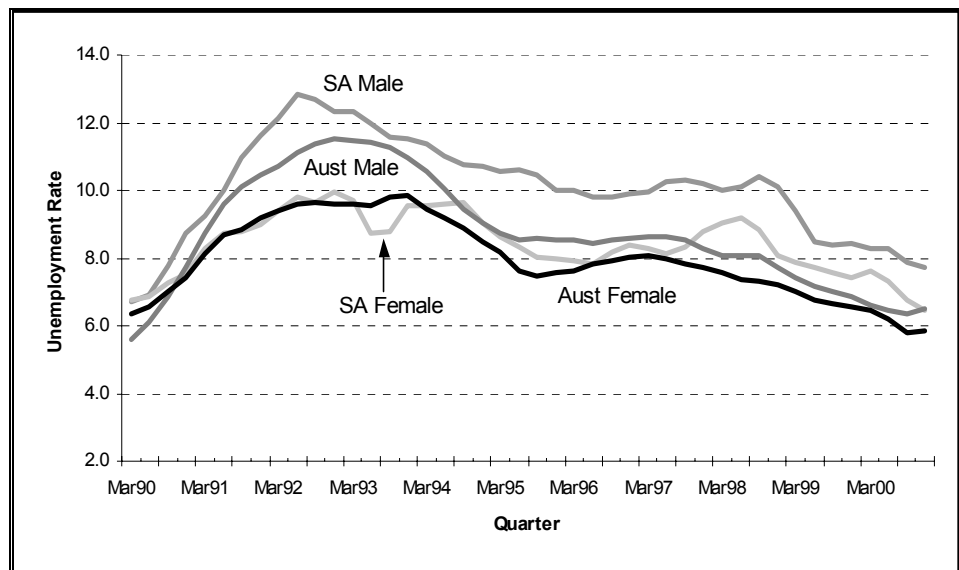
With the implementation of policy measures in the late 1980s and 1990s designed to reduce direct and indirect support for Australian industries, South Australia has arguably suffered more adversely in terms of increased unemployment during the readjustment process.

Other factors that may help to explain South Australia's poor unemployment record over recent decades include the States' poor linkages with the international economy, especially in terms of investment,⁹ and more limited natural resource endowments, such as limited water, mineral resources and natural tourist attractions.

4.2 Unemployment by Gender

The impact of the recession on male and female unemployment rates for South Australia and Australia is illustrated in Figure 9. While unemployment rates for males and females were very similar at the beginning of the decade, males experienced a much larger rise in unemployment than females during the recession, a pattern able to be observed at the State and national level.

Figure 9
Unemployment Rate by Gender
South Australia and Australia – 1990 to 2000, Trend Series, Quarterly Average



Source: ABS, AusStats, Labour Force (Cat. No. 6291.0).

As employment conditions improved following the recession, the national male unemployment rate trended down to the corresponding female rate, remaining a little above the female rate for the remainder of the decade. However, the South Australian rate of male unemployment remained significantly above the female rate following the recession, with a modest convergence only occurring late in the decade (the gap has since widened again). The persistent gap for South Australia would appear to be due to South Australia having experienced larger employment declines in those industries which have higher shares of male employment (especially manufacturing, but also wholesale trade,

mining and transport and storage – see Tables 4 and 5). Since employment growth has been concentrated in service-based industries, those males who became unemployed during the recession have struggled to obtain jobs in these industries given the different set of skills required, while they have also faced additional competition in the labour market.

4.3 Unemployment by Age Group

The pattern of unemployment by age group over the decade is very similar to the overall unemployment pattern described above, with unemployment rates for all age groups rising during the recession, and then generally recovering over the remainder of the decade with the exception of some modest temporary rises experienced in 1997 and 1998. Furthermore, South Australia experienced higher rates of unemployment across all age groups in comparison with Australia. Data on unemployment rates by age group for South Australia and Australia are presented in Table 7.

Table 7
Unemployment Rates by Age Group
South Australia – 1990 to 2000, Annual Average

	90	91	92	93	94	95	96	97	98	99	00
Age Group	South Australia										
15-24	13.4	17.5	20.7	19.5	19.4	17.6	18.1	18.4	17.5	15.8	14.1
25-34	7.3	10.1	11.3	10.1	9.9	9.0	8.3	9.2	9.0	8.1	8.3
35-44	4.0	6.2	6.9	8.0	6.8	7.0	6.8	6.7	7.7	6.2	6.3
45-54	4.0	5.4	6.8	6.3	6.5	5.8	5.6	5.9	6.6	5.1	4.6
55-59	5.1	6.6	9.3	10.2	9.9	9.4	7.3	7.9	9.0	7.6	4.9
60-64	12.0	12.0	14.2	10.9	12.7	7.4	7.0	5.9	5.2	5.6	3.2
65+	2.0	1.4	1.8	0.9	0.9	0.3	0.5	0.1	1.3	0.2	0.1
Age Group	Australia										
15-24	12.6	17.0	18.8	18.2	16.5	14.8	15.1	15.7	14.6	13.3	12.0
25-34	6.2	8.9	10.2	10.0	8.8	7.6	7.5	7.6	7.0	6.5	6.0
35-44	4.2	6.2	7.1	7.9	6.9	6.1	5.9	6.0	5.9	5.3	5.0
45-54	3.8	5.4	6.4	6.8	6.2	5.2	5.8	5.5	5.2	4.5	4.1
55-59	4.5	6.9	8.2	9.5	8.9	7.8	7.8	7.5	6.6	5.6	4.5
60-64	6.4	9.3	11.3	12.2	9.9	6.4	6.1	4.9	5.2	4.7	4.1
65+	1.3	1.4	1.8	1.5	1.4	1.2	1.1	1.3	1.1	0.9	0.9

Source: ABS, AusStats, Labour Force (Cat. No. 6291.0).

At first glance, the older age groups appear to have fared better over the decade with unemployment rates for the 55-59 and 60-64 age groups falling to below their 1990 levels by the year 2000, while unemployment rates for the younger age groups were still above their corresponding 1990 levels in 2000. Because older age groups represent only a small fraction of the total unemployed (5 per cent of the all unemployed persons in 2000 were people aged 55 and over), the reduction in unemployment for these groups over the decade was insufficient to bring

down the overall unemployment rate. However, the pattern of decline in unemployment for those aged 55-59 and 60-64 suggests very strongly, that many in this group withdrew from the labour force, qualified for disability payment, or are represented in the hidden unemployed.

... unemployment in the
middle aged groups rises
...

Ignoring the differences between the relative unemployment rates for different age groups, it appears that the 35-44 year old age group fared the worst between 1990 and 2000, with their unemployment rate rising from 4.0 per cent to 6.3 per cent over the decade. Nevertheless, unemployment among younger aged people remains a more substantial problem, with unemployment rates for the 15-24 year (14.1 per cent in 2000) and 25-34 year (8.3 per cent) age groups remaining significantly above the unemployment rates for other age groups. In fact, the large size of the younger age groups, with 61 per cent of all unemployed persons in 2000 being aged between 15-34 years, indicates that reducing unemployment among these ages remains a significant challenge for government.

However, government now also faces a new and growing challenge in reducing unemployment among the middle age groups. Much of the more recent growth in unemployment has actually been concentrated in the middle age groups. For example, while the unemployment rate for the 15-24 year age group in South Australia was 0.7 per cent higher in 2000 than in 1990, the total number of unemployed persons aged 15-24 actually fell by 2,000 persons over the period. In comparison, the number of unemployed persons aged 35-44 rose by 4,300 over the period, while the number aged 45-54 rose by 2,900. The ageing of the population partly explains these outcomes, whereby the number of people aged 15-24 in South Australia fell by 10 per cent between 1990 and 2000, while the population aged 45-54 rose by 38 per cent. With a population expected to age rapidly over the coming decades, Australian governments (and employer groups) will increasingly have to give greater thought to developing policies, such as lifelong learning strategies for existing workers and retraining strategies for unemployed workers.

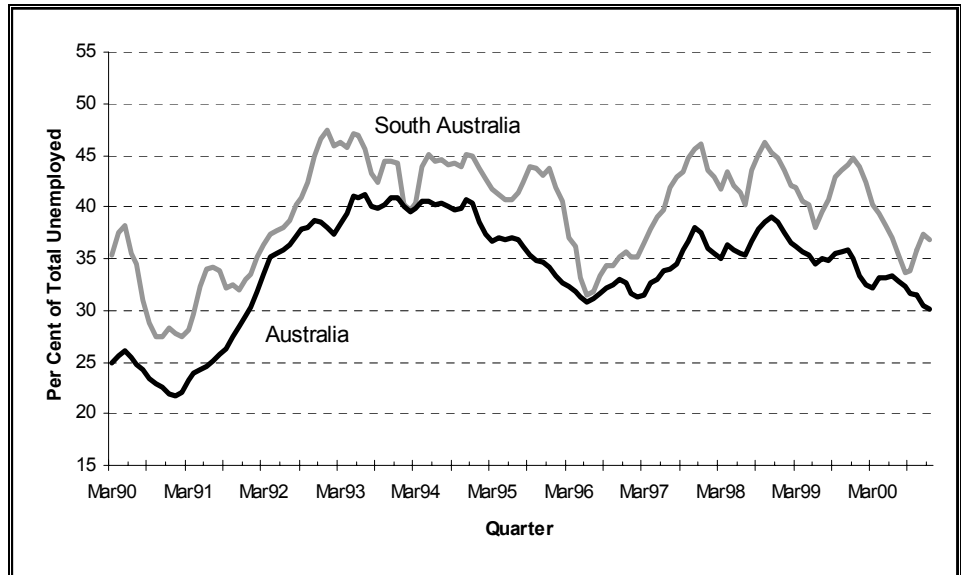
4.4 Long term Unemployed and Duration of Unemployment

The 1991 recession not only produced a significant rise in unemployment, it also had significant impacts on the nature of unemployment in terms of the duration of unemployment and the relative size of the long-term unemployed. Figure 10 shows how, for both South Australia and Australia, the relative size of the long-term unemployed has evolved, while Figure 11 shows how the average duration of unemployment has changed over the decade to 2000.

Since the ABS measures the duration of employment from the respondents' last full-time job, the data arguably overestimates the number of long-term unemployed given that part-time and casual employment have become increasingly important forms of employment for many people. Nevertheless, the data should give an accurate picture

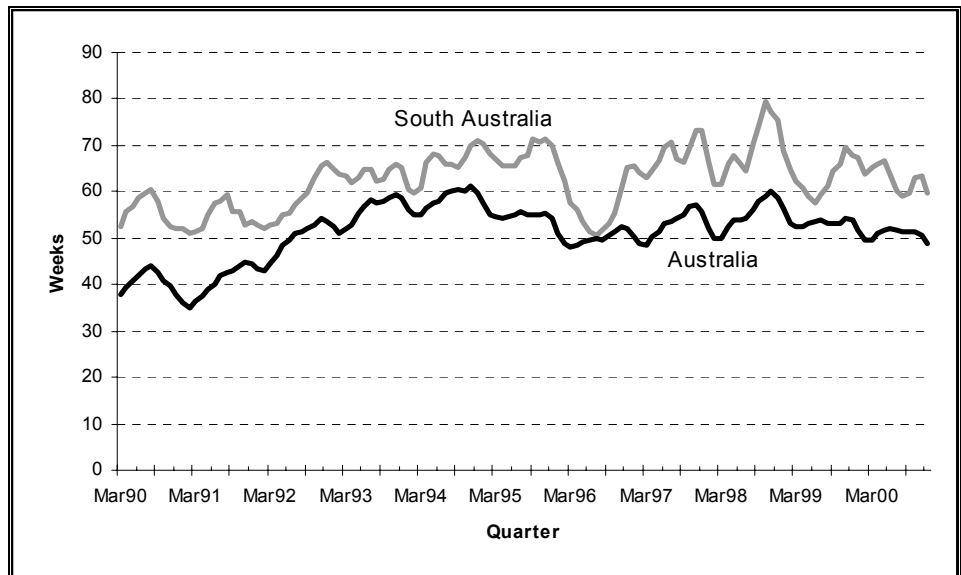
of how the relative size of the long-term unemployed has changed over time.

Figure 10
Long-term Unemployed as a Proportion of Total Unemployed
(Since last full-time job)
 South Australia and Australia – 1990 to 2000, Moving Quarterly Average



Source: ABS, AusStats, Labour Force (Cat. No. 6291.0).

Figure 11
Average Duration of Unemployment Since Last Full-time Job
 South Australia and Australia – 1990 to 2000, Moving Quarterly Average



Source: ABS, AusStats, Labour Force (Cat. No. 6291.0).

The relative size of the long-term unemployed rose rapidly in South Australia from around 30 per cent of unemployed persons (since their last full-time job) in mid 1990 to almost 46 per cent in mid 1993. In aggregate terms, the number of long-term unemployed rose from around 14,000 persons to a high of just over 31,000 people. Another sharp rise

occurred in the number of long-term unemployed in 1997 when another rise in unemployment occurred. While the number of long-term unemployed proceeded to fall over the remaining years of the decade, the relative size at the end of the period was still above the 1990 level. A very similar pattern is observed for Australia, however South Australia has consistently had a relatively larger long-term unemployed population due to persistently softer economic and employment conditions.

... rising duration of unemployment ...

The average duration of unemployment (measured since last full-time job) also rose over the decade, from an average of 55 weeks in 1990 to 62 weeks in 2000 for South Australia, compared to a rise of 40 weeks to 50 weeks for Australia. Importantly, the average duration of unemployment for both South Australia and Australia rose continually over the first half of the decade, with no fall experienced in the immediate aftermath of the recession.

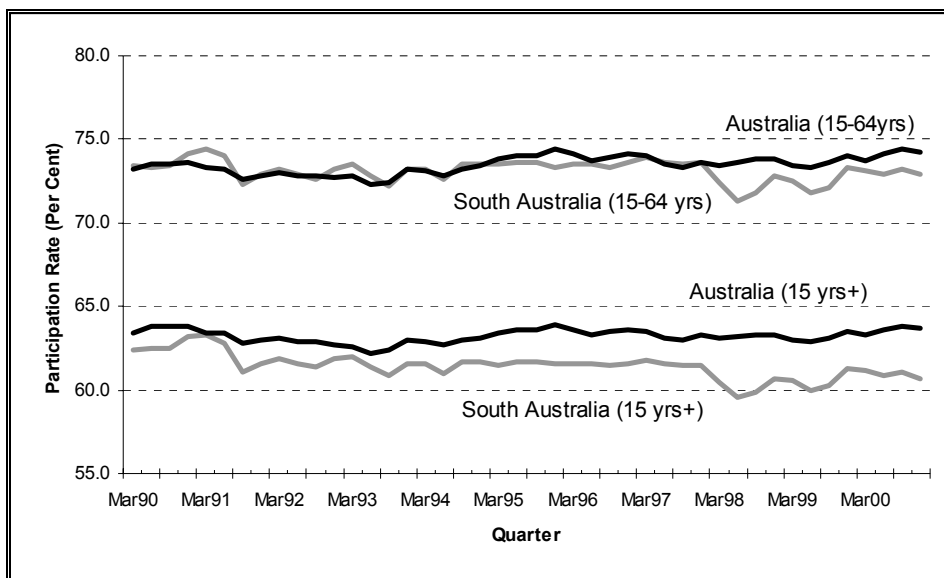
It does not appear that the deeper recession experienced in South Australia had an appreciable impact on either the size of the long term unemployed, nor the average duration of unemployment relative to the impact of the recession at the national level. Arguably the more interesting question is whether the poorer employment conditions in South Australia over the decade in terms of higher unemployment, including long-term unemployment, and longer durations of unemployment, had any particular impact on participation rates over the decade. We turn to this question in the following section.

5. Participation Rates

To the extent that a rise in unemployment, long term unemployment and the duration of unemployment has occurred, there is potential for workers to become discouraged and leave the workforce, thus masking the true extent of unemployment. Trends in participation rates – the number of people employed and unemployed as a proportion of the civilian population – for both South Australia and Australia, are depicted in Figure 12. Two series are shown.

The first series shows the overall participation rate (i.e., for persons aged 15 years and over) and is the lower of the two series depicted in Figure 12. With the recession, participation rates for both South Australia and Australia began falling slowly. The South Australian participation rate then levelled off for most of the decade before experiencing a sharp decline in 1998 with another deterioration in employment conditions. Given the unemployment episodes in 1991 and 1998, the overall effect was a fall in the participation rate for South Australia over the decade, from a high of 62.9 per cent in mid 1991 to an average rate of 60.9 per cent in 2000. In contrast, the Australia participation rate recovered to its early level by the middle of the decade and has remained consistently above the South Australian rate, which is consistent with employment conditions remaining more buoyant at the national level, encouraging more people to remain in the workforce.

Figure 12
Trends in Participation Rates:
Persons Aged 15 Year and Over and Persons Aged 15 to 64 Years
 South Australia and Australia – 1990 to 2000, Quarterly Average



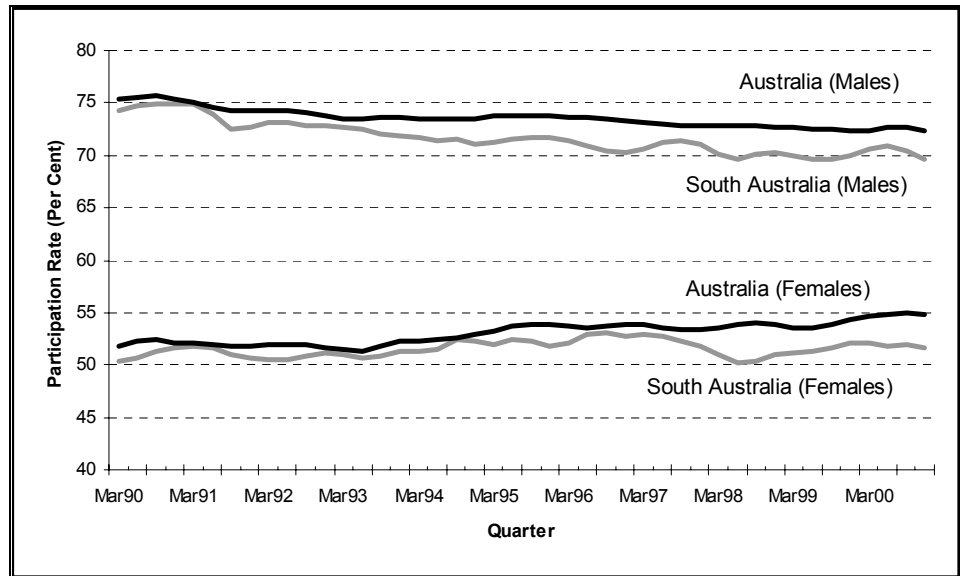
Source: ABS, AusStats, Labour Force (Cat. No. 6291.0).

However, the overall participation rate makes no allowance for differences in the age structure of the population. An older population with a larger share of retirees will naturally have a lower participation rate than a younger population, and South Australia has an older population relative to Australia. The second series in Figure 12 therefore attempts to adjust for the older age structure of the South Australian population by excluding those persons aged 65 years and over. On this basis, the South Australia participation rate has actually closely followed the Australian participation rate over most of the 1990s. While participations rates did fall with the recession, it appears that the deeper recession experienced in South Australian did not have a more significant impact on participation rates than at the national level. However, over the first half of 1998 there was a significant divergence when the South Australia participation rate fell away sharply from the corresponding national rate.

An interesting aspect of the decline in the overall participation rate for South Australia is that the decline has been concentrated solely among males, with their participation rate falling from around 75 per cent at the beginning of the decade to approximately 70 per cent towards the end of the decade. This pattern is also evident for Australia (see Figure 13). It would seem this outcome is due to the structural changes in employment which we have already discussed. The addition of significant competition from females for jobs in the growth industries has meant that employment prospects for males generally deteriorated over the decade, leading to a withdrawal of males from the workforce and therefore a rise in male hidden unemployment.

... declining male participation rate and hidden unemployment ...

Figure 13
Participation Rates by Gender
 South Australia and Australia – 1990 to 2000, Trend Series, Quarterly Average



Source: ABS, AusStats, Labour Force (Cat. No. 6291.0).

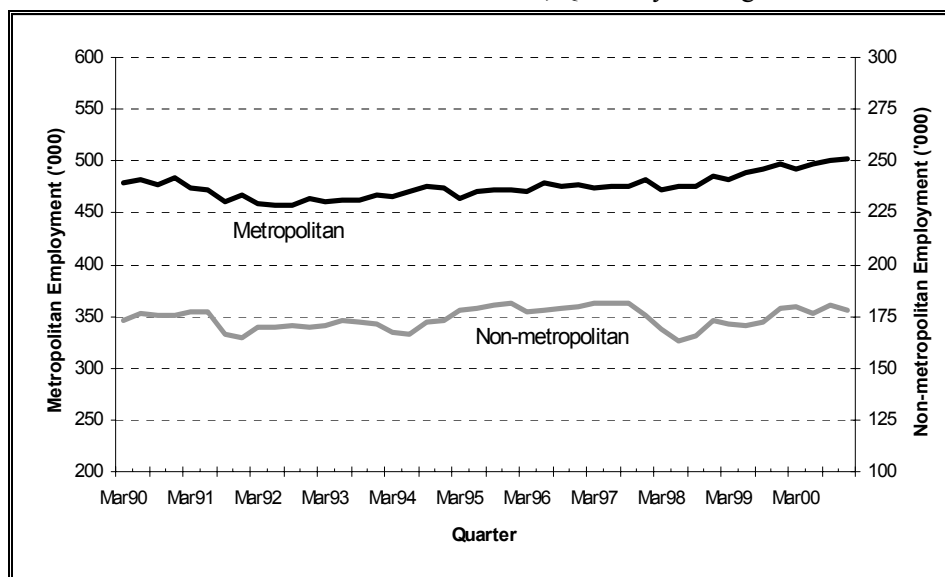
In terms of female participation rates, the South Australian female participation rate rose over the first two thirds of the decade, until a sharp decline was experienced in 1998. In contrast, the corresponding national rate rose throughout the decade. The reasons for this sudden decline are somewhat puzzling and may be due, in part, to a statistical aberration in the labour force data.

6. Regional Dimensions of Employment and Unemployment

We conclude our analysis of South Australian labour market trends by briefly examining the regional dimension of employment and unemployment trends in terms of the performance of the metropolitan and non-metropolitan areas of the state. The non-metropolitan area represents a significant labour market with approximately one quarter of the South Australian labour force being located in this area in 2000.

Figure 14 shows the path of total employment for the metropolitan and non-metropolitan areas of South Australian over the decade to the December quarter 2000. It seems that the decline in employment caused by the recession initially commenced in the metropolitan area with employment beginning to fall sharply in the March quarter of 1991 while employment in the non-metropolitan area first fell sharply in the September quarter of that year.

Figure 14
Metropolitan and Non-Metropolitan Employment
 South Australia – 1990 to 2000, Quarterly Average



Source: ABS, AusStats, Labour Force (Cat. No. 6291.0).

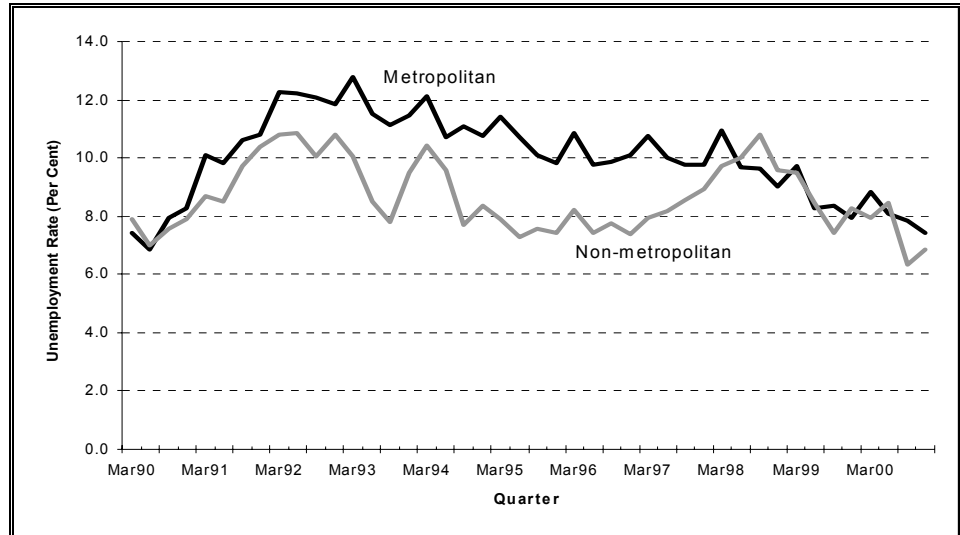
Once the decline in metropolitan employment ceased during September quarter 1992, metropolitan employment managed to grow relatively steadily for the remainder of the decade although there were brief periods of stagnation. Employment growth for the non-metropolitan area was much more volatile for the remainder of the decade. This outcome is partly a reflection of the smaller size of the non-metropolitan area and the economic structure of non-metropolitan economies, whereby the greater importance of the agriculture sector means those economies are more influenced by seasonal factors (e.g., weather, international commodity prices).

Due to difficulties associated with adjusting to the increase in competitive pressures unleashed by, *inter alia*, trade liberalisation, the sell off and downsizing of government enterprises and services, globalisation and technological change, employment growth over the decade was weaker in the non-metropolitan area relative to the metropolitan area. Total average employment in the metropolitan region in 2000 was 3.7 per cent higher than in 1990, whereas non-metropolitan employment was 2.0 per cent higher in 2000.

Unemployment rates in both the metropolitan and non-metropolitan areas of the state rose during the early 1990s following the recession (see Figure 15). The metropolitan unemployment rate was persistently higher than the non-metropolitan rate for much of the decade until the non-metropolitan rate rose suddenly through 1997/98. Again, this rise needs to be interpreted with caution as it may reflect a statistical aberration in the data. A lower unemployment rate for the non-metropolitan area earlier in the decade despite falling employment and then weak growth during this period may be explained by unemployed persons migrating to

the metropolitan area of the state or interstate in search of better job opportunities.¹⁰

Figure 15
Metropolitan and Non-metropolitan Unemployment Rates
South Australia and Australia – 1990 to 2000, Quarterly Average



Source: ABS, AusStats, Labour Force (Cat. No. 6291.0).

7. Conclusion

The major trends in South Australia's labour market through the 1990s were weak employment growth and a persistently higher level of unemployment. The poor performance relative to Australia may be explained by the experience of a deeper recession due to the collapse of the State Bank which subsequently led to a contraction in public sector spending. However, other factors such as South Australia's higher dependence on industries which have experienced decline (e.g., manufacturing) and the less outward oriented nature of the state economy also ensured that economic and therefore, labour market performance was poorer for most of the decade.

While the mid and late 1990s can be seen as a period of recovery for South Australia in terms of employment following the recession, the decade can also be seen as a period of significant restructuring of the state economy in the face of microeconomic reform, trade liberalisation and other policies associated with national competition policy that liberalised sectors of the economy and increased competitive pressures. While labour market performance was substandard for much of the decade, there were positive signs towards the end of the decade that these policies were finally having a positive impact. After coming through the 1997 Asian financial crisis relatively unscathed, South Australia experienced solid growth in employment during the last two years of the decade. Furthermore, the state economy became more outward orientated with solid growth in exports.

*... positive signs towards
end of the decade ...*

... policies designed for population growth unlikely to have much effect ...

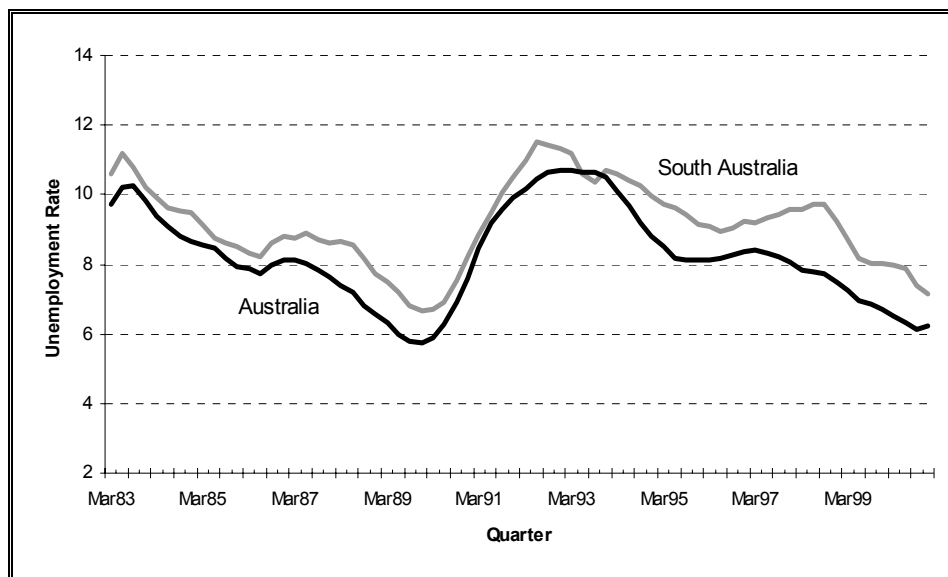
The poor aggregate performance of the South Australian economy in generating jobs is somewhat exaggerated by the demographic characteristics of the state population whereby the older age structure of the population naturally generates a slower rate of aggregate economic and employment growth. However, the severity of the recession, collapse of the State Bank and poor economic conditions in general generated slower population growth through the encouragement of interstate emigration by local residents while discouraging overseas migrants from settling here. This outcome in itself suggests policies designed specifically to improve population growth are unlikely to have much effect on aggregate economic growth and therefore employment growth.

One policy area where government may need to focus increased attention in the near future will be in relation to the ageing of the workforce and growth in unemployment among older age groups. There is a need for lifelong learning strategies in order to improve the productivity and adaptive capacity of existing workers, and retraining strategies for unemployed workers to leverage them into new jobs within expanding sectors of the economy. This is important because South Australia is still likely to experience significant structural change given its greater dependence on manufacturing and agriculture relative to the national economy. These sectors are likely to grow less strongly (or experience slow decline) in the future as resources shift to other higher growth sectors of the economy, namely services sectors.

While tailoring labour market policies to the needs of older workers represents a significant challenge for future governments, reducing unemployment among youth and other young cohorts still remains a significant present challenge for government. Another continuing challenge is to improve employment outcomes for males. Due to the nature of structural change whereby employment losses were concentrated in male dominated industries, aggregate male employment declined over the decade while participation rates for males also fell due to the paucity of employment opportunities. There is also a significant level of hidden unemployment in the age groups 55-64 years.

Appendix A

Figure A.1
Unemployment Rates Over the Longer Term
South Australia and Australia – 1983 to 2000, Trend Series, Quarterly Average



Source: ABS, AusStats, Labour Force, Unemployed (Cat. No. 6291.0).

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End Notes

- ¹ Globalisation may be defined as “the decline in transaction costs of, or barriers to, doing business or otherwise interacting with people of other nations around the world. Its effect is to enhance the integration of markets for goods, financial and other services, technology, ideas, capital and labour, reducing differences in prices for those products and factors across space” (Anderson, 2000).
- ² Re-structuring of the economy is of course an on-going natural event as technical change and innovation, price changes due to changes in supply and demand and other factors change production processes, and the competitiveness of firms and industries, leading to the decline or rise of certain forms of economic activity and therefore transitional or permanent unemployment. However, the last couple of decades have seen a number of intentional policies (National Competition Policy, trade liberalisation, deregulation of financial markets, privatisation of government owned enterprises and utilities etc.) that are designed to unleash competitive forces within the economy and these have almost certainly increased the extent of structural change for the time being.
- ³ We begin in 1992-93 because data for international trade in services exports is not available for earlier periods at the state level.
- ⁴ Based on annual average data for the 12 months to December 2000.
- ⁵ For a discussion of the nature of the statistical aberration see *July Economic Briefing Report, 1998*, Chapter Four: Employment and Wages, and the corresponding chapter in later Economic Briefing Reports.
- ⁶ For example, while South Australia has lagged in terms of aggregate economic growth, the differential in growth in gross state/domestic product per worker has been much narrower, growing at an annual average rate of 1.7 per cent for South Australia compared to 2.0 per cent for Australia over the decade to 1999-00.
- ⁷ OECD, (1996), “Ageing in OECD Countries: A Critical Policy Challenge”.
- ⁸ The property and business services sector is composed of activities that include, inter alia, residential and commercial leasing services, real estate agency services, non-financial asset investor and machinery and equipment hiring and leasing, scientific research, technical services (i.e., architectural, surveying, consultant engineering services), computer services, legal and accounting services, and marketing and business management services etc.
- ⁹ We have previously commented on the improvement in trade ratios over the decade.
- ¹⁰ Analysis undertaken for the Provincial Cities by SACES – in 1997-98 and 2001-02 suggest out-migration of skilled workers to interstate as a significant trend.