



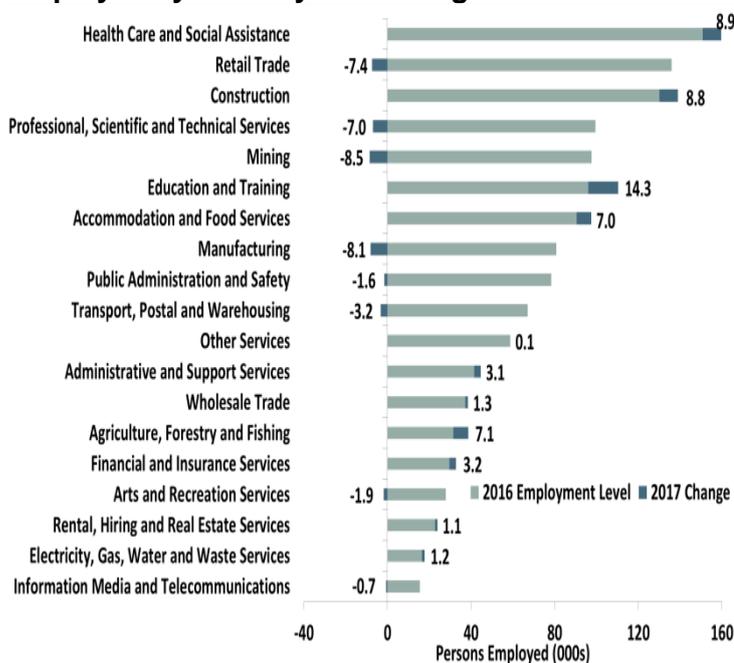
Labour and economic snapshot: December quarter 2017

(NB: **quarterly averages** used for any **monthly** data)

While most key headline indicators show Western Australia's labour market improved somewhat during the December quarter 2017, conditions remain mixed. There is also a sizable amount of spare labour capacity represented by the pool of people either unemployed or employed but seeking extra hours of work.

Employment in the State grew by 6,400 people during the December quarter, with **part time workers** growing by 13,000 (an increase of 10,900 persons over the year) partially offset by a fall of 6,600 persons in **full time work** over the quarter (an increase of 28,000 workers over the year). Jobs growth on an industry basis over 2017 was mixed, with some sizable gains seen in industries such as Education and Training, Health Care and Social Assistance and Construction.

Employed by Industry and Change over 2017 - WA



Source: ABS 6291.0.55.003, 4 Quarter Moving Average

However, as shown by the chart above, eight of the State's nineteen industries saw falls in employment over 2017, with some sizable falls in job numbers recorded in the industries of Mining, Manufacturing, Retail Trade, and Professional Scientific and Technical Services.

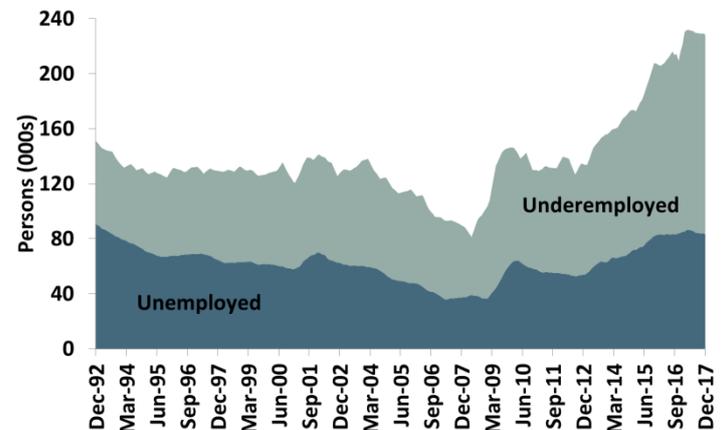
Overall, the **State's total jobs growth rate of 1.4% over 2017** represented a considerable turnaround relative to the 1.4% contraction in job levels that the State recorded over 2016.

Whilst there are some signs of increasing demand from employers, jobs growth still has some way to go before approaching 2.4%, which is the State's long term historical rate of yearly jobs growth (average annual growth rate for the past four decades).

A key factor limiting any sizable pick up in employment growth in the State is that any rises in demand are still not commensurately strong enough to meet the latent labour supply from workers across WA.

This is best evidenced by the very high level of underemployed workers in Western Australia (those persons in the State who are already employed, but who are available and actively seeking to work more hours than they currently have) as shown by the lighter shade in the following chart.

Underutilisation of Labour - WA



Source: ABS 6202.0, 12 Month Moving Average

Even though the number of underemployed workers in the State has seen a slight fall over the past year it is still close to record highs. This combined with an increased rate of labour market participation means that many employers in the State are still able to increase the hours of existing employees without having to hire new staff (often a preferred option for employers to pursue, unless they need to augment the skills of their current workforce).

Underemployment together with the still very high number of unemployed persons in the State (as per the darker colour in the chart above) means there is still some way to go before sizable inroads are made into the State's spare (and available to work) labour capacity.

Looked at another way, the additional hours of labour available from the increasing pool of underemployed workers in the State equates to around **2,000,000 hours' worth per week** (as at the end of 2017). This equates to an average of around **14.75 hours per week** being sought per underemployed person.

It is worth noting that individual workers may want more or less than this average of hours per underemployed person, though the levels suggest a large proportion would be part time workers seeking full time hours.

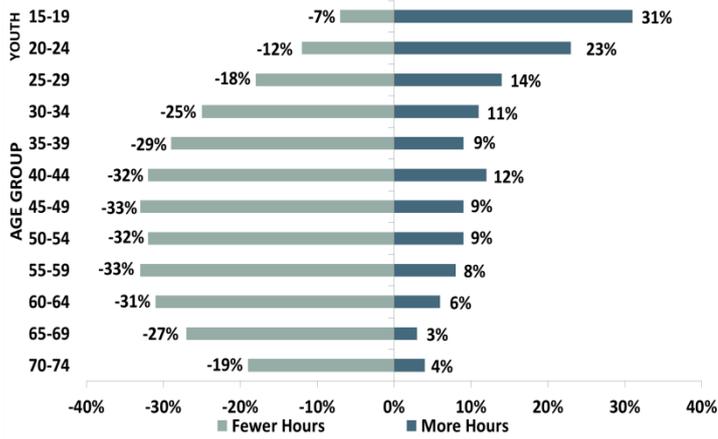
The additional hours sought by workers varies considerably on a gender basis, with an average of 12.7% of female workers in the State seeking more hours over 2017, compared to 8.5% for males.

The hours sought by workers also tends to be very dependent on the age of workers, with younger workers typically seeking to work more rather than less hours, with this switching around in the case of older workers (see following chart).



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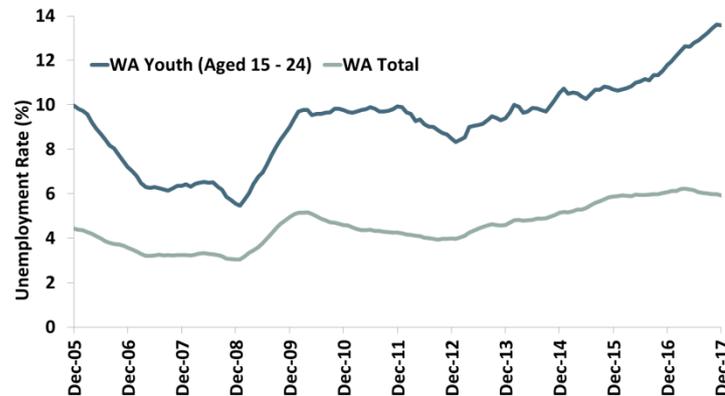
Workers' Preference for Hours Worked by Age, WA



Source: Bankwest Curtin Economics Centre, based on HILDA Survey Data, 2001-2013. NB: The percentage of workers satisfied with the hours they were working (i.e. the remaining balance for each age cohort) is not shown.

Further to the issue of young underemployed workers seeking to work more hours is that youth in the State who do not have a job has been slowly growing. At 13.6%, the State's annual average **unemployment rate for youth** (those aged 15 to 24 years) over 2017 is now at its highest level in 20 years. It is also a full percentage point higher than the equivalent youth unemployment rate for Australia of 12.6% (which is also close to its two decade historical high of 13.6%).

Quarterly Average Unemployment Rates



Source: ABS, 6202.0, 12 month average of original data

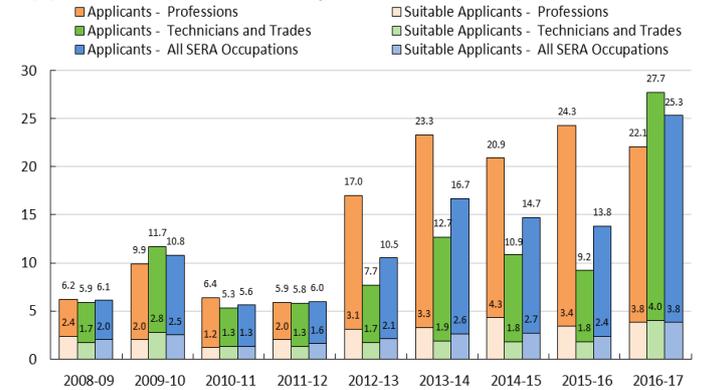
Over the December quarter 2017, Western Australia averaged around 87,000 unemployed persons (of all working ages), which translated to an average **unemployment rate** of 6.1% for the State, up 0.4 percentage points from the previous quarter.

In part the sharp rise in unemployment in the State was driven by higher **participation in the labour market**, with the State's labour market participation rate rising from 67.9% in the September quarter to 68.5% in the December quarter. This was the highest participation rate of all of the states, and higher than the national participation rate of 65.5% for the December quarter.

Such factors have resulted in very high levels of competition for jobs across the State. Data from the most recent 'Survey of Employers who have Recently Advertised' (or SERA, conducted by the Australian Government Department of Jobs and Small Business) shows very large increases in recent years in the overall number of applicants for jobs advertised.

As the chart below shows, the number of applicants for technician and trade jobs (green bars) in particular recorded a marked rise over 2016-17. Such high levels of competition often place youth and/or new labour market entrants (such as first time graduates) in a disadvantaged position when competing with older and typically more skilled / experienced workers.

Average number of applicants and suitable applicants per vacancy, skilled occupations, WA



Source: Australian Government Department of Jobs and Small Business.

The State's spare labour capacity is also a key reason why wages growth in Western Australia has been soft in recent years. High levels of competition for jobs together with moderate consumer inflation and other factors have combined to help contain wages growth. The starkness of this is seen in the ABS' Wage Price Index for private sector jobs, which grew by just 6% over last four years, relative to much stronger growth of 16% for the four year period prior to that.

WA LABOUR MARKET'S OUTLOOK

In the February 2018 Outlook publication from the **Chamber of Commerce and Industry Western Australia (CCI)** the CCI also note that there is 'substantial spare capacity' in the State's labour market. The CCI is forecasting an average unemployment rate for the State of 5.8% across 2017-18, improving slightly to 5.6% in 2018-19 (the CCI do not provide separate employment growth forecasts for the State).

WA Treasury forecasts from its 2017-18 Mid-Year Financial Projections Statement suggest a continuation of mostly subdued labour market conditions over the short term. Treasury is forecasting jobs growth of 2.0% for 2017-18, slowing to 1.5% in 2018-19, before then slowly recovering to reach a yearly growth rate of 2.25% by 2020-21. Broadly similar to the CCI's forecasts, Treasury expects the State's unemployment rate to average 5.75% in both 2017-18 and 2018-19, before gradually falling to 5.25% by 2020-21.

Forecasts from **Deloitte Access Economics (DAE)** in their *December quarter 2017 Business Outlook* publication show that DAE expects the State to record only modest rises in job levels, with jobs growth of 2.3% in 2017-18 slowing to growth of just 1.1% in 2018-19 and 2019-20. Contrary to the forecasts above however, DAE expect the State's unemployment rate to average 6.8% in 2018-19, peaking at 6.9% in 2019-20, before slightly improving to a rate of 6.7% in 2020-21.