

# Australians Need an Economic Reality Check

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'Your services are no longer required.'

In the space of two weeks, two relatives have been made redundant.

They were both fulltime employees.

One had just chalked up 35 years of service with an SME (small- to medium-sized enterprise).

The other, who was in senior management, had been with a large media company (not Channel Ten) for over 12 years.

The reasons given for their redundancies were identical — downsizing, business profitability, and a move towards technology-based solutions.

It appears these real-life examples run counter to our statistical employment trend.

On 15 June, *The Australian* reported:

*'Australia's unemployment rate dropped sharply in May to a four-year low, allaying concerns about an economic downturn.'*

*'The unemployment rate fell to a lower-than-expected seasonally-adjusted 5.5 per cent in May from 5.7 per cent in April, the Australian Bureau of Statistics said. Economists had expected an unemployment rate of 5.7 per cent in May.'*

*'It's Australia's lowest jobless rate since February 2013.'*

*'The number of people employed rose by 42,000...'*

Apparently, 52,100 fulltime jobs were created in May, and 10,100 part-time jobs were dispensed with.

These are seasonally adjusted figures, of course. Seasonal adjustments take the lumps and bumps out of the data. For example, around Christmas time, additional casual retail staff might be employed to cope with the rush.

In January, those casual services are no longer required.

In theory, removing these seasonally driven spikes and troughs provides a better understanding of the underlying trend.

Were 42,000 extra jobs really created in May 2017?

No knows. It's a guess.

Selected households participate in the Australian Bureau of Statistics' (ABS) survey for eight months. The first interview is conducted face-to-face, while the following seven are done over the phone.

What are the participants asked?

First question: Have you been actively looking for work in the prior four weeks and in this (reference) week of the survey?

Yes? Then you are classified as unemployed.

If the answer is no, then you're not unemployed. You are counted as not participating in the labour force.

Second question: Have you worked for one hour or more during the reference week for pay, profit, commission, payment in kind or without pay in a family business or on a farm?

Yes? Congratulations — you meet the definition of employed.

If the answer is no, then you're unemployed.

Garbage in. Garbage out.

As a reliable economic indicator, the employment data is all but useless.

Yet, the upbeat May data is supposedly '*allaying concerns about an economic downturn.*'

Allaying concerns with whom?

The same economic academics who didn't see the events of 2008 coming?

The same theorists who think creating more debt to solve a debt crisis is the solution to our problems?

Even if the employment data was somewhat reliable, we don't know the dollar value of those jobs. Did someone lose a \$100,000 position and was reemployed for \$60,000? If that's the case, then there are reasons to be concerned.

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The household has less to spend and the government is receiving less tax dollars.

When I asked my relatives '*Do you think you'll find a job paying you what you previously earned?*' they're realistic enough to know that future remuneration is likely to be lower.

It's simply nonsensical to say concerns are '*allayed*' by a set of numbers that bear no relationship to reality. This data provides no insight into the quality of the theoretical positions created.

The following excerpt appeared in *The Australian* on 14 June (emphasis is mine):

*'Telstra is about to take the axe to its workforce with the telco getting ready to cut up to 1400 employees.*

*'...Telstra has been steadily pruning its overall workforce in the last six to eight months, having reportedly cut almost 1100 positions over the six months to December.*

*'The news comes only a year after the telco giant cut 326 roles across its sales, service and national office teams, saying **there was less need for call centre workers with more than 50 per cent of its customer interactions happening online.***

Staff reductions, due to technological advancements, are not unique to Telstra.



As reported by *The Australian* on 22 May (emphasis is mine):

*'Westpac, National Australia Bank, ANZ and Macquarie **have slashed almost 2300 jobs over the last six months** and are now warning that the federal government's new \$6.2 billion tax on major banks will force them to cut more workers.*

*'**The lenders continue to dramatically reduce their workforce through a process of automation and stripping out duplicate roles, with plans to increase the pace of rationalising their organisations.**'*

Perhaps the latest upbeat employment figures mean the majority of these redundant bank employees are now back in the workforce. And maybe they're earning the same or even higher incomes.

What do you think?

Are your concerns allayed?

It's probably the distrusting cynic in me that's just not buying what the ABS is selling.

Roy Morgan Research conducts an independent survey on employment.

The methodology used is as follows:

*'The Roy Morgan Unemployment estimate is obtained by surveying an Australia-wide cross by face-to-face interviews. A person is classified as unemployed if they are looking for work, no matter when. The results are not seasonally adjusted and provide an accurate measure of monthly unemployment estimates in Australia.'*

According to [the latest Roy Morgan data](#), the May 2017 employment numbers look more like this:

Unemployment	9.8%
Underemployment (want more hours)	10.2%
Total	20.0%

One-fifth of the workforce is un- or under-employed.

These numbers appear to be closer to reality.

Writing for *The Huffington Post* on 30 May, Anis Chowdhury (a former professor of economics at Western Sydney University) stated:

*'...More disturbingly, the hours of paid work are falling. The latest ABS data show that hours worked per month slipped by 3 million over the past 6 months.'*

People, although statistically employed, are working less hours (mostly not by choice).

The remaining four-fifths, according to the RBA's latest statement, can expect wage growth to remain low '*for a while yet*'.

In addition to this less-than-upbeat outlook for employment and wages, Australian households are among the most indebted in the world.

Even RBA Governor Philip Lowe (finally) recognised the bind we've gotten ourselves into. This is an extract from a speech he gave last month:

*'Double-digit growth in debt owed by investors at a time of weak income growth cannot be strengthening the resilience of our economy, nor can a high concentration of interest-only loans.'*

Low wage growth. High private and public debt levels. Increased automation. Persistently high un- and under-employment.

Our economic 'miracle' is a mirage.

GDP growth is pure fiction. Take out the trillions in debt (which now has to be repaid or defaulted on), and our economy has been going backwards for years.

The employment data fails the 'pub test' miserably.

Who in their right mind — other than those living in a government-funded bubble — believes the definition of employment bears any relationship to reality?

And so the official deception continues.

'Everything is OK.' 'Don't worry.' 'Jobs aplenty.' 'Concerns are misplaced.' 'Keep spending...but more importantly, keep borrowing.'

When rogue states gild the lily, we label it propaganda. When we do it, it's called official statistics.

Soon enough, this fake news will be replaced by real news.

News that's more difficult to fudge.

Markets in freefall.

Property clearance rates crashing.

Job losses mounting.

Giving people false hope with false data is doing society a disservice.

It only lulls people into a false sense of security and sets them up for failure.

But as always, the excuse will be 'We didn't see this coming.'

Of course they didn't.

Garbage in. Garbage out.

**Regards,**

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