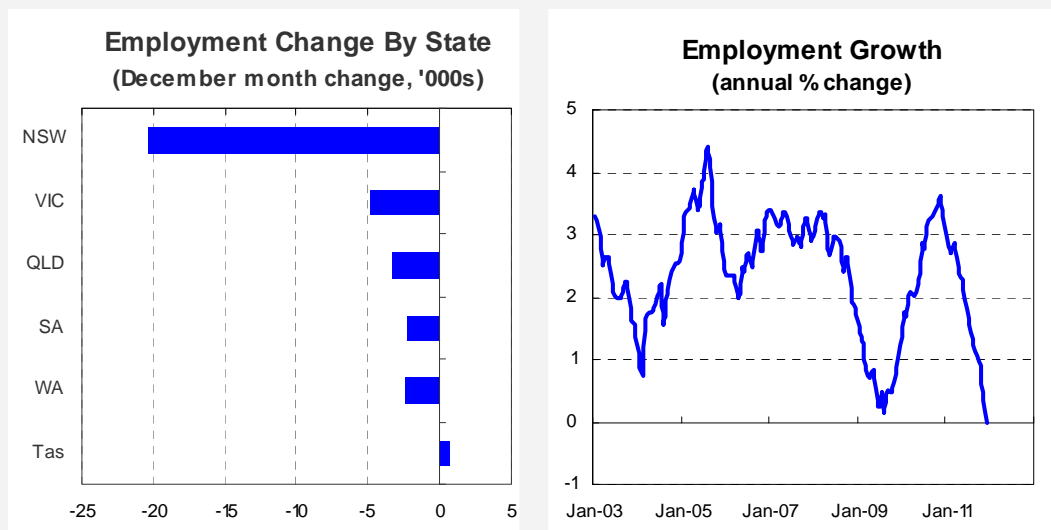


# DATA SNAPSHOT

## Labour Force – The Road to Nowhere

Thursday, 19 January 2012

- Jobs went nowhere last year; nil jobs were created in 2011 compared with a net gain of nearly 370k jobs in 2010. Employment growth ground to a halt at the end of last year as employers become reluctant to hire amid the global economic gloom.
- In December, 29.3k jobs were lost - the biggest monthly loss in eight months. And in the last two months of 2011, almost 37k jobs were lost – the deepest back-to-back loss in eleven years.
- The large swings in part-time and full-time employment continued. Part-time jobs sunk 53.7k in December, more than unwinding a rise of 31.9k in November. Meanwhile full-time jobs jumped 24.5k, after falling 39.4k in the previous month.
- NSW jobs fell sharply in December with the annual jobs rate contracting for the first time since mid 2009. Jobs fell across most other States, but less sharply than in NSW.
- The unemployment rate remained steady at 5.2%, due to a fall in the number of people looking for work. This rate of unemployment still suggests a relatively tight labour market, but the weakening trend in employment and forward-looking jobs indicators suggest the unemployment rate is set to drift higher over this year.
- It also suggests another rate cut next month from the RBA remains on the cards.



Employers are showing caution or reluctance in hiring staff amid the darkening global backdrop. Employment fell by 29.3k in December, the biggest monthly loss in eight months. In the last two months of 2011, 36.8k jobs were lost – the deepest back-to-back loss in eleven years (since November 2000).

And what a difference a year makes. For calendar year 2011, there were nil job gains compared with 365.6k for calendar year 2010. Employment growth ground to a complete halt in December with annual jobs growth falling to 0.0%, which is the weakest annual pace since August 1997. It had started 2011 (January) at 3.0%.

The large swings in part-time and full-time employment continued. Full-time jobs rose by a solid 24.5k in December, partly reversing the fall of 39.4k jobs recorded in November. The headline fall in employment was fully driven by a substantial decline in part-time jobs of 53.7k in the month, which more than unwound the rise of 31.9k part-time jobs in November.

The unemployment rate was steady at 5.2% after a downwardly revision to the unemployment rate in November. A fall in the number of people in the labour force, represented by the participation rate, helped prevent a rise in the unemployment rate from occurring in December. The participation rate fell from 65.5% in November to 65.2% in December. A lower participation rate has not been recorded since April 2007.

Forward-looking indicators of employment suggest jobs growth will remain subdued in coming months. So we continue to expect the unemployment rate to drift higher over this year.

The average hours worked measure rose by 0.3% in December and by 1.4% in the year to December. This alternative measure of unemployment suggests that employer caution is being translated to extra hours worked by existing employees rather than the creation of new jobs.

### States Analysis:

Weakness in jobs growth across the States in November was broad-based; the exception was Tasmania where jobs rose by 700k, although it was not enough to prevent a rise in the unemployment rate to 6.2%.

NSW, however, was the biggest driver of the fall in jobs across States. NSW jobs fell by 20.4k in December, taking the annual rate of jobs to a contraction of 0.8%. The annual rate has not contracted since June 2009. It signals then a possible turning point in the NSW jobs market. The unemployment rate also jumped from 5.2% to 5.6% in NSW in December, the highest since April 2010.

In the three months to December 2011, Victoria was the only State to have exceeded the losses recorded in jobs in NSW. Job losses of 14.7k were recorded in VIC in the December quarter and annual jobs growth in December fell to flat. However, the unemployment rate still fell in December, as less people looked for work.

The unemployment rate also fell in QLD to 5.4% in December, from 5.7% in November.

The unemployment rate stayed steady in SA at 5.3%. The unemployment rate also stayed steady in WA at 4.3% - the lowest of all States and indicative of a labour shortage, namely in the mining sector of the economy.

	<b>Net Jobs Change in Month '000s</b>	<b>Net Job Change Over the Last 3 Months '000s</b>	<b>Unemployment Rate %</b>
<b>NSW</b>	-20.4	-14.3	5.6
<b>VIC</b>	-5.0	-14.7	5.2
<b>QLD</b>	-3.3	1.3	5.4
<b>SA</b>	-2.3	-0.6	5.3
<b>WA</b>	-2.5	-0.2	4.3
<b>TAS</b>	0.7	1.3	6.2

### Outlook for the Cash Rate:

The moderation in employment and the slowing in the forward-looking indicators of employment suggest the unemployment rate is set to drift higher over this year. The employment backdrop gives the RBA more reason to cut rates again in February amid the global gloom.

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