

2 Delivering sustained and inclusive full employment

Main points

- The Government's objective is sustained and inclusive full employment, which means everyone who wants a job should be able to find one without having to search for too long. This recognises that decent jobs and opportunities are central to a strong economy and a prosperous and inclusive society.
- The Government's full employment objective recognises that the quality of a job matters. What defines the right job will be different for different people, but there are common characteristics including job security and fair pay underpinning the wellbeing of workers. The importance of job conditions including strong, sustainable wage growth is discussed further in Chapter 3.
- While the national unemployment rate is near 50-year lows, labour market outcomes vary starkly across cohorts and regions. There is still considerable untapped potential in the form of people who want to work but do not have the opportunity to do so, or who want to work more hours but cannot access them. This underscores that more can be done to focus on and reduce structural underutilisation and expand employment opportunities to more people across more parts of our country.
- The Government will take a broad approach, focusing on addressing the structural sources of underutilisation to increase the level of full employment that can be sustained over time without adding to inflationary pressures. This approach will position our people, regions, businesses and industries to maximise opportunities arising from the five significant forces reshaping our economy.
- A broader range of labour market indicators than the national unemployment rate is needed to measure progress towards sustained and inclusive full employment. This includes indicators that capture different groups, regions and aspects of labour market underutilisation.
- To make progress towards the objective of sustained and inclusive full employment, the Government will use a broad set of policy tools, including:
 - maintaining sound and effective policy frameworks and settings that promote strong and sustainable economic growth, sustain the current maximum level of employment, and limit the adverse impact that economic downturns can have on the labour market
 - using fiscal and other policy levers to increase the level of full employment that can be sustained over time and deliver more inclusive full employment by equipping people with the skills and capabilities they need (Chapter 5), broadening access to work opportunities (Chapter 6) and managing structural changes in our regions and industries in ways that expand opportunity and promote growth.



2.1 A labour market that works for all Australians

2.1.1 Full employment is the cornerstone of a strong economy and a prosperous and inclusive society

Maximising opportunity to work in secure and fairly paid jobs, and achieving and sustaining full employment, are central to a strong economy and a prosperous and inclusive society. For the economy as a whole, decent and fairly paid jobs drive consumer demand, thriving businesses and growth. But work also provides financial security and helps people improve their standard of living and provide for others. It shapes the time we have with family and community. Decent work can also form an important aspect of a person's sense of belonging, foster wellbeing and improve physical and mental health.

How we define, measure, and pursue full employment has significant consequences for our economy and people. Discussions of full employment have often too narrowly centred around statistical estimates or assumptions of cyclical full employment – such as the non-accelerating inflation rate of unemployment, or the NAIRU (discussed in Section 2.2.4). Conceptually, the NAIRU represents the level of unemployment consistent with stable wage or price inflation. It indicates the current maximum level of employment that can be sustained in the short-term without adding to inflationary pressures.

It is important to distinguish between necessary technical concepts and statistical estimates such as the NAIRU and longer-term policy objectives. An estimate of the NAIRU can be useful to gauge macroeconomic conditions, prepare medium-term forecasts, or help inform the use of macroeconomic policy across the cycle. But it does not capture the full extent of spare capacity in our economy or the full potential of our workforce. The NAIRU should not be confused with, nor constrain, longer-term policy objectives.

The Government has broader and bolder aspirations for full employment, aimed at increasing the maximum level of employment we can sustain over time, by reducing structural underutilisation. Progress in addressing structural barriers will be reflected in lower statistical estimates of the NAIRU, and expand labour market opportunities and our economy's potential over time.

Removing barriers to work and upskilling our workforce supports the economy by increasing its potential, both in terms of the numbers of people who can contribute and the diversity of skills and experience they bring.

2.1.2 National unemployment is near record lows, but does not capture the full extent of labour market underutilisation

This White Paper is set against the backdrop of a relatively strong labour market and widespread labour and skills shortages. The national unemployment rate has fallen to levels not seen in almost 50 years. Broader measures of underemployment also declined significantly in the past two years. Better job prospects, reflected in high levels of job vacancies, have encouraged more people to enter the labour market, raising the employment-to-population ratio and labour force participation rate to record highs. While labour market conditions are expected to soften, and the unemployment rate is expected to rise modestly over the coming year, it is also expected to remain lower than pre-pandemic levels and low by historical standards.



Underemployment has become a more important indicator of capacity

Part-time work and other flexible work arrangements have been increasing as a share of employment over recent decades as services have become a larger part of the economy. This trend has coincided with greater diversity in the people entering the labour market. Part-time and more flexible work has provided some people with more choices to balance employment with other responsibilities. However, the trend increase in part-time work has also been accompanied by an increase in underemployment, that is, people in jobs who would like to work more hours.

While the unemployment rate continues to be the most widely used measure of spare capacity in the labour market, it provides an incomplete picture of underutilisation.^{i,1} Measures such as the underemployment rate and the share of people outside the labour force who want to work are also needed to capture the full extent of spare capacity in the economy.

Today 2.8 million people in Australia want to work, or to work more hours than they do. This is equivalent to a fifth of the current workforce (Chart 2.1). For every person in Australia reported in the labour force statistics as unemployed, there are four others who want to work but are not actively searching or available to work, or who want to work more hours.

Currently in Australia:

- 0.5 million people are unemployed, that is they want to work, have been actively seeking work and are available to work
- an additional 1.3 million people want to work but have not been actively looking or are not immediately available to work for various reasons. Along with the unemployed, these workers are classified as ‘potential workers’
- 1 million workers are in jobs, would like to work more hours, but cannot get access to them. These workers are classified as being underemployed.ⁱⁱ

Together, the hours these people would like to work represent the equivalent of 1.4 million full-time jobs. The biggest contribution to underutilisation is from those who said they want to work but are not counted as unemployed and therefore not considered to be in the labour force.ⁱⁱⁱ

That is why our policy objective for full employment is broader than achieving a low unemployment rate and why it needs to have a higher level of ambition than is implied by statistical measures, such as the NAIRU (discussed in Section 2.2.4).

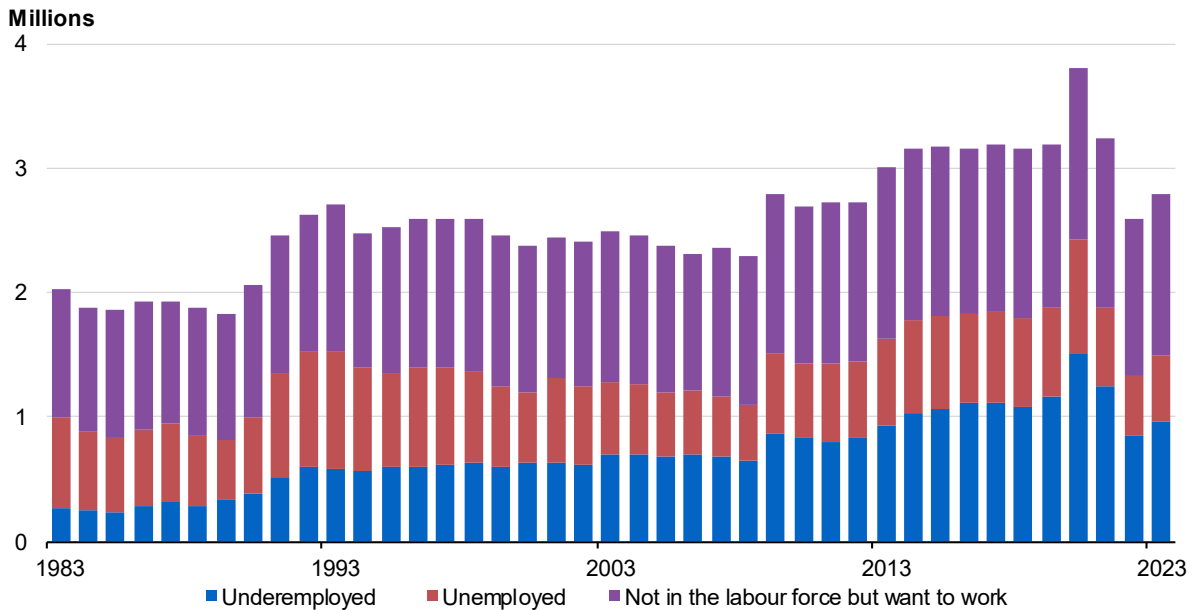
i The ABS defines people as ‘employed’ if they work one hour or more in the reference week. The vast majority of part-time employed people work more than 15 hours. The ‘one hour rule’ is used internationally and allows employment figures to be compared with other countries.

ii The longstanding ABS (and internationally consistent) definition of underemployment includes part-time workers who would prefer, and are available for, more hours than they usually work, plus full-time workers who worked part-time hours for economic reasons. An additional 0.7 million workers are considered underemployed according to an expanded definition of underemployment that the ABS has more recently begun publishing. This includes full-time workers who would prefer to work more hours, and part-time workers who are working fewer hours than usual for economic reasons. When these workers are included there is a total of 1.7 million underemployed people in Australia.

iii Note, only people who said they want to work and were also intending to work in the next 12 months are asked how many hours they would prefer to work. This represents 1 million of the 1.3 million potential workers.



Chart 2.1 Unemployed, underemployed and people outside the labour force who want to work



Source: ABS Labour Force, Australia, August 2023; ABS Participation, Job Search and Mobility, February 2023; ABS Potential Workers, February 2023.

Note: Unemployed and underemployed series report the August monthly outcome for respective years, whereas the 'Not in the labour force but want to work' series reflects different months of the year based on the different timing of the survey across years. This group also includes workers who have said they had a job to return to, but were considered outside the labour force at the time of the survey. These data are not seasonally adjusted.

Barriers that can prevent potential workers from being available for work or to look for it are explored in greater detail in Chapter 6. Many people face multiple, interconnected barriers to work. These barriers can include entrenched disadvantage, financial barriers, a lack of access to transport, housing, child care or other care and support responsibilities, education, training or changing life circumstances.

The benefits of a strong labour market are not equally shared

Unemployment in Australia is low by historical standards, although expected to rise modestly over the coming year. The tight labour market in Australia is providing opportunities for some cohorts that have tended to face above-average unemployment rates, including younger people who have less experience and fewer skills. The unemployment rates for young people and those with a Year 12 or lower level of education have declined by 3.4 and 3.2 percentage points respectively compared to before the pandemic, while the national unemployment rate has declined by 1.5 percentage points.^{iv} However, the unemployment rates for these groups remain above the national average. The long-term unemployment rate has also fallen faster than the national unemployment rate, to around 0.7 per cent of the labour force or 110,000 people.²

Despite this progress towards full employment, Box 2.1 shows there continue to be stark differences in employment outcomes across different groups of people in our society. Women are less likely to

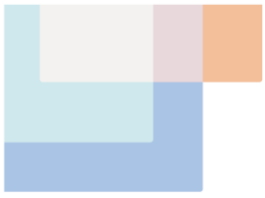
iv Comparable data for other cohorts (for example Aboriginal and Torres Strait Islander people and people with disability) are not currently available.



participate in the labour market or work full-time than men and are more likely to be unpaid carers and have a greater share of unpaid care responsibilities. Some cohorts have employment rates well below the national average, including Aboriginal and Torres Strait Islander people, people with disability, single mothers and migrants from particular regions. Young people and LGBTIQ+ people have relatively high unemployment rates. Mature age people can find it hard to regain employment, and carers and veterans can face unique barriers to participation. These outcomes are not consistent with our objective of sustained and inclusive employment.

There are also significant differences between regional labour markets, although the spread of outcomes has narrowed recently as the labour market has tightened. As at July 2023, there was an 8 percentage point difference between the highest and lowest unemployment rates across labour market regions in Australia.

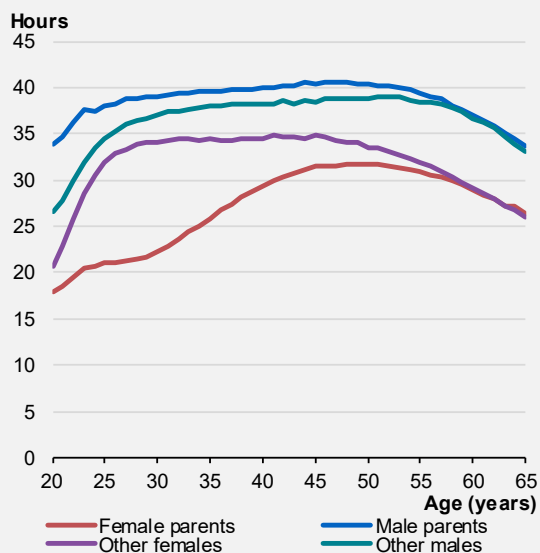
The persistently high unemployment experienced in some remote and regional areas, especially in northern Australia, is exacerbated by limited employment options, the lack of support services and entrenched disadvantage. The dependence on fly-in fly-out, seasonal workers and skilled migration highlights the need for a nuanced approach to address unique regional employment requirements.



Box 2.1 Labour market outcomes vary across cohorts

Women are less likely to participate in the labour market and are more likely to work part-time than men. Overall, the participation rate of women is 62.5 per cent, compared with 71.7 per cent for men. This gap mainly emerges in the years women are likely to have children. Most men continue to work full-time after having children, but a significant share of women leave the labour market entirely or return to work part-time. On average, women who are employed work 27.7 hours per week, compared with 35.2 hours per week for men (Chart 2.2).

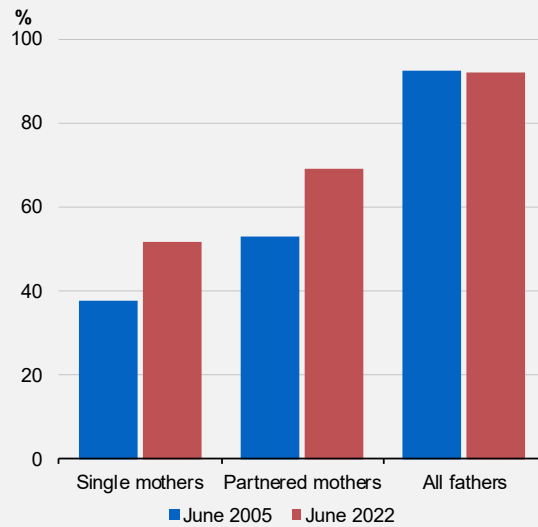
Chart 2.2 Average weekly hours worked by sex and age



Source: Treasury; ABS Census of Population and Housing, 2021.

Note: Based on parents and children in the same family household on Census night.

Chart 2.3 Participation rates of parents with children under five years



Source: Treasury ABS Labour Force Status of Families, Australia, June 2022.

In 2018, 10.8 per cent of Australians provided unpaid care to people with disability and older Australians. Primary carers aged 15 to 64 were less likely to be employed (66.6 per cent) compared to non-carers (77.4 per cent) and male carers were more likely to be employed than female carers (71.8 per cent compared to 63.2 per cent). Overall, women were more likely to be unpaid carers (12.3 per cent of women compared to 9.3 per cent of men).³



Aboriginal and Torres Strait Islander people's employment rate has historically lagged those of non-Indigenous people. In 2021, the employment rate for First Nations people aged 15 to 64 was 52.2 per cent, compared to 74.6 per cent for non-Indigenous people in the same age group, a 22.4 percentage point gap. This gap is larger in remote and very remote areas including large parts of northern Australia. In very remote Australia, 31.9 per cent of First Nations people are employed compared to 84.2 per cent of non-Indigenous people. While the gap is largest in very remote Australia, 85.5 per cent of First Nations people live in metropolitan and regional areas.

The employment rate for people with disability has been relatively stable between 1998 and 2018 at around 50 per cent. The employment services caseload and consultation with stakeholder groups suggests that this situation has not changed markedly in recent years. People with disability are a diverse group, and employment outcomes vary with the severity of disability, disability type, age, gender and remoteness. People with sensory and speech disability have the highest employment rate, followed by those with a physical restriction while those with psychosocial disability have the lowest employment rate.⁴

Australia's employment rate for single mothers is one of the lowest in the OECD. About 52 per cent of single mothers with a child under five years participate in the labour market, compared with 70 per cent of partnered mothers and 90 per cent of all fathers (Chart 2.3). Australia's employment rate for single mothers with at least one child aged 0 to 14 years is 15 percentage points lower than the OECD average.⁵

The unemployment rate for young people aged 15 to 24 years is currently twice the national average, 8.3 per cent compared to 3.7 per cent. In May 2023, 89.4 per cent of young people aged 20 to 24 years were engaged in education and/or employment, while the remaining 10.6 per cent were not in employment, education or training.

Mature age workers generally tend to have good labour market outcomes, with an employment rate for people aged 55 to 64 years of 67.1 per cent in July 2023, which is above the OECD average of 63.8 per cent. More older Australians may be choosing to participate in paid work thanks to a combination of improved health and greater availability of less physically demanding jobs. However, when mature age people lose their job or want to return to the workforce, they can find it hard to get back into work (Chapter 6). The employment rate for those aged 65 years and over was 14.7 per cent in July 2023.

The employment rate for people born overseas is 64.6 per cent, slightly lower than the rate for people born in Australia 65.3 per cent in July 2023. Moreover, outcomes vary considerably across migrant groups. Employment rates are worse for migrants from regions such as North Africa and the Middle East (50.8 per cent) and Southern and Eastern Europe (43.0 per cent). Employment rates for women born overseas are lower (59.2 per cent) than for men born overseas (70.2 per cent) and Australian-born women (62.0 per cent).

Limited data are available on the labour force experience of LGBTIQ+ people. Given the diversity of identities the term encompasses, experiences are likely to vary widely. In 2020, lesbian, gay or bisexual people had higher rates of unemployment for those aged over 15 (12.0 per cent) compared to heterosexuals (6.1 per cent).⁶



2.2 Our objective is sustained and inclusive full employment

The Government's objective for full employment reflects the reality of today's labour market. Macroeconomic policy has done a good job of managing swings in employment over the business cycle, but significant underutilisation persists reflecting structural changes and challenges. Our focus will be on addressing broader measures of underutilisation than the unemployment rate or other narrow statistical measures alone, as we capitalise on the opportunities and manage the challenges posed by the five major forces reshaping the economy.

2.2.1 Our objective

The Government's objective is sustained and inclusive full employment. Everyone who wants a job should be able to find one without searching for too long. We want people to be in decent jobs that are secure and fairly paid. This is a broader and longer-term objective than achieving the current maximum sustainable level of employment consistent with low and stable inflation. This objective recognises that the quality of a job and having enough hours of work matters. Jobs should improve people's living standards, agency and wellbeing. Chapter 3 analyses the key characteristics of job quality, including personal safety, security and fair pay in more detail.

Achieving this objective requires a labour market in which people can find work quickly enough that their work skills remain current and the financial and other harms of unemployment are limited. Being without work for lengthy periods can be costly, although this somewhat depends on people's circumstances. For some people even short stints of unemployment will be very challenging, while for others the benefits of searching for longer for the right job will outweigh the costs. Achieving this objective also means ensuring people have access to the number of hours of work they want.

Our objective of full employment has two parts:

- *Sustained full employment*: is about using macroeconomic policy to reduce volatility in economic cycles and keep employment as close as possible to the current maximum sustainable level of employment that is consistent with low and stable inflation (Figure 2.1a).
- *Inclusive full employment*: is about broadening labour market opportunities, lowering barriers to work, and reducing structural underutilisation to increase the level of employment that can be sustained in our economy over time (Figure 2.1b). Achieving this outcome requires policy tools, in addition to macroeconomic policy, that address the factors that lead to structural underutilisation in the labour market and improve employment outcomes for those who face major barriers to work.

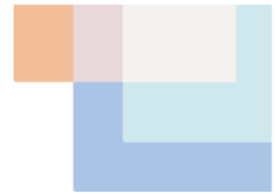
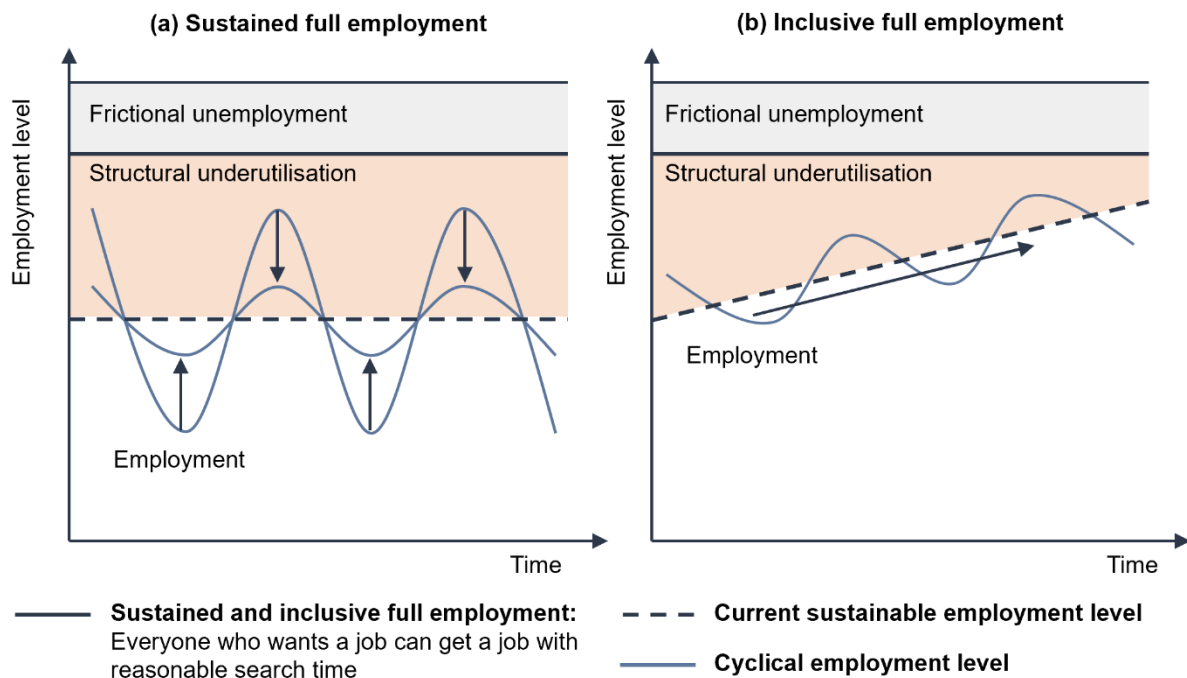


Figure 2.1 The Government’s objective for sustained and inclusive full employment



Source: Treasury.

2.2.2 Our approach

The first step towards operationalising this definition of full employment is to understand and measure the underlying concepts (Sections 2.2.3 and 2.2.4). History has shown that significantly misjudging the current maximum sustainable level of employment, or failing to take adequate account of short-term constraints, can lead to serious policy mistakes that cause higher underutilisation rates in the economy. Australia’s strong economic institutions and policy frameworks have evolved significantly over time and are well-placed to manage these risks.

The second step is to ensure that the right policy frameworks are in place to enable the full range of policy levers at the Government’s disposal to be mobilised constructively to achieve these objectives (Section 2.3). Sustained full employment can be achieved through the effective use of monetary and fiscal policy. It also provides the foundations for productively employing a broad range of fiscal and other policy levers to reduce structural underutilisation and lift the current maximum sustainable level of employment over time.

Reflecting these considerations, the key elements of the Government’s approach to achieving the sustained and inclusive full employment objective are:

- recognising the importance of all types of underutilisation, and what causes them, in addition to unemployment
- giving attention to employment outcomes for specific groups and regions, as well as the aggregate national outcome



- seeking to achieve the current maximum sustainable level of employment at any point in time, but recognising that this rate changes over time and is uncertain
- more emphasis on addressing the sources of structural underutilisation and raising the maximum sustainable level of employment over time.

2.2.3 Addressing underutilisation

Despite its many successes, the Australian economy has rarely achieved full employment for extended periods and there have been prolonged periods when the available labour force was underutilised to a much greater extent than it is today. At any point in time, a range of factors can prevent job seekers finding employment or the hours they would like, including cyclical disruptions, mismatches between the skills people have and the skills employers are looking for, mismatches between where jobs and people are located, and more systemic structural barriers, including disadvantage.

Identifying the causes of underutilisation is central to determining the right policy response. These causes can be grouped into cyclical, structural, or frictional factors (Box 2.2). It is hard to measure how much underutilisation in the labour market is due to each of these factors, but the policy approach to addressing each is different (Section 2.3).

Box 2.2 Cyclical, structural, and frictional underutilisation

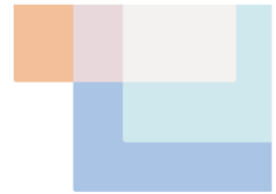
Cyclical underutilisation arises from weakness in the economic cycle, such as downturns and recessions. It is the result of insufficient demand for workers in the economy to match the number of people willing and able to immediately start work. Alongside measures of involuntary unemployment, metrics such as the NAIRU can, despite its limitations, be used to estimate the level of cyclical underutilisation in the labour market.

Structural underutilisation arises from persistent mismatches between potential workers and available work. This includes poor skills match, geographic mismatch, poor ability for job seekers and employers to find one another, or other barriers to participation, including discrimination. Structural underutilisation is broader than the ABS measures of unemployment and underemployment because it includes those outside the labour force who want to work but cannot. These potential workers can face structural barriers to participating or increasing their hours, for example because of high effective marginal tax rates.

Frictional unemployment is caused when people are not working because they are temporarily between jobs. Some level of frictional unemployment is a normal and healthy aspect of the labour market and can reflect a productive degree of economic dynamism. It takes time for workers to find a good quality match, so it can be useful to spend more time searching for the most suitable work opportunity, and not just take the first available job. Reflecting the current strength of the labour market, the number of people who became unemployed because they left their job voluntarily recently exceeded those who left involuntarily for the first time since these data started being collected in 2001.⁷

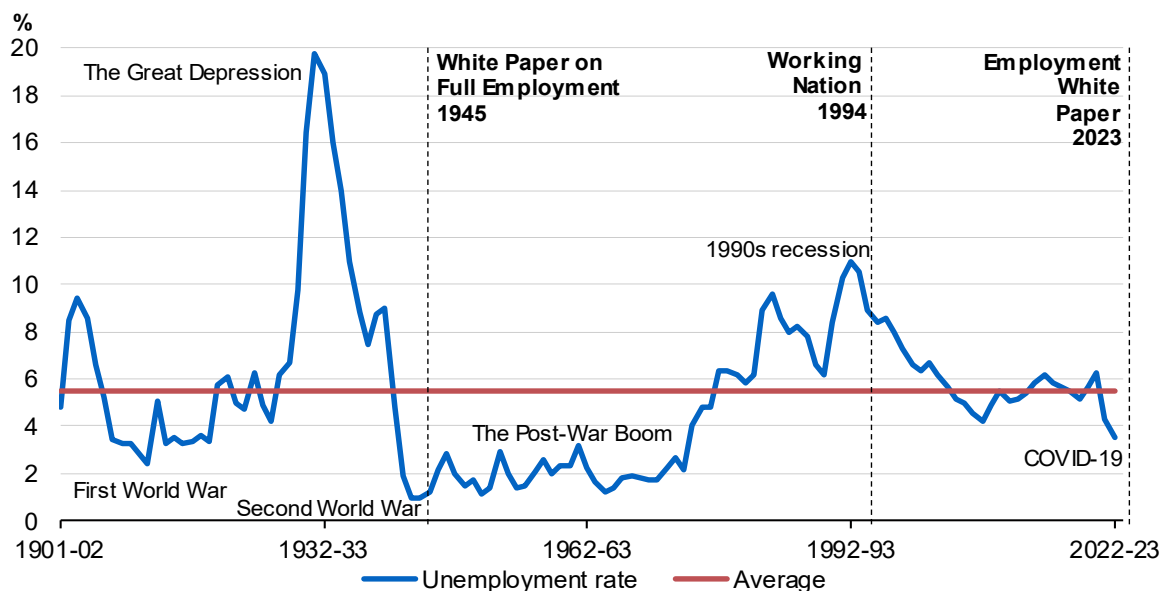
Cyclical shocks can have long-lasting effects

Economic downturns have resulted in large and lengthy deviations from full employment and extended periods of elevated underutilisation. The costs are damaging, especially if it takes a long time for the economy and the labour market to recover. For example, the recessions of the early 1980s and 1990s led to sharp increases in the unemployment rate that were only unwound slowly as the economy



recovered and the labour market adjusted to the changes that had occurred (Chart 2.4). The unemployment rate rose from 5.8 per cent to 11.2 per cent in the three years to December 1992. It took until August 2003 to fully unwind the increase.

Chart 2.4 Australia's unemployment rates since Federation



Source: RBA; ABS Labour Force, Australia, August 2023.

Involuntary unemployment has significant individual and social costs. The loss of income and the psychological stress of joblessness results in lower living standards, increased financial insecurity, and can lead to diminished wellbeing.⁸ An extended period of involuntary unemployment can cause 'scarring' and erode human capital and soft skills, which can have adverse effects on future labour market outcomes, household incomes and business productivity. Both the 1980s and 1990s recessions led to significant increases in the incidence of long-term unemployment, which can have particularly adverse effects on social outcomes and health.⁹ The longer someone is without a job, the harder it is for them to get back into the workforce.¹⁰ Although less well-studied, these effects may extend to other groups of people who are underutilised but want to work, such as discouraged workers who are not actively looking for work because they do not think they will find it.

The potential for short-term shocks to the economy to have long-term effects highlights the need for effective macroeconomic policy settings that minimise the likelihood of large economic cycles or their impacts on labour markets should they occur. This provides the best possible environment to sustain full employment. Sound monetary and fiscal policy frameworks and settings can reduce the impacts of economic cycles on employment so that people who lose work during downturns have less risk of becoming disconnected from the workforce or having their skills eroded. The experiences of the 1980s and 1990s recessions highlighted the need for policies and institutions that help labour markets adjust to avoid cyclical unemployment translating into more structural unemployment.



Sources of structural underutilisation

Structural underutilisation can be caused by a range of factors. Many of these are explored in greater detail elsewhere in this White Paper. For example, people may face:

- an inability to move to the right job, or a lack of jobs with work arrangements that suit their circumstances such as having caring responsibilities (Chapter 3)
- a lack of education and training to have the right skills for the available jobs (Chapter 5)
- challenges associated with a changing economy, including keeping their work skills relevant and up to date (Chapter 5)
- a variety of other barriers including those associated with disadvantage, discrimination, health challenges, living with disability, financial disincentives and a lack of secure and affordable housing (Chapter 6).

Many of these factors are a form of mismatch between people seeking jobs and the jobs available. In some cases, mismatches are resolved after a short period of searching by job seekers and employers (frictional unemployment). However, mismatches can also be persistent and ‘structural’. Two key aspects of mismatch, which can be affected by the barriers above, are mismatches in skills and geographies. Mismatch can also be caused by a disconnect between the preferences of potential workers and the requirements, conditions and remuneration of available jobs.¹¹

Facilitating better labour market matching, including through ensuring workers and firms have a better understanding of emerging trends and labour force needs, can help lower structural underutilisation. Other ways to facilitate better matching, including reducing discrimination, are discussed further in Chapter 6.

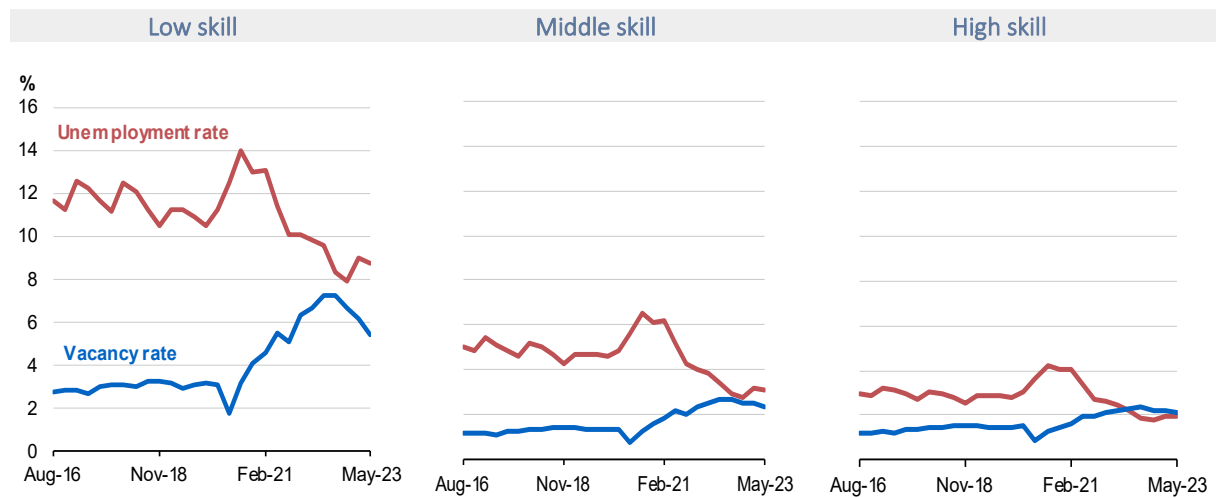
Skills mismatch

Workers who do not have the level of education or right skills for available job opportunities will find it hard to get a job. Mismatch can vary across skill levels because labour markets for different skills are segregated. Rates of mismatch tend to be worse for lower-skilled workers (Chart 2.5). While the ratios of unemployed people to vacancies are now close to one for the medium- and high-skilled segments of the labour market, the unemployment and vacancy rates for low-skill workers are much higher. This suggests it is more difficult for low-skilled job seekers to find suitable low-skill roles or may reflect a greater level of churn or frictional unemployment in these roles.^v In addition to keeping people out of the jobs they want, skill mismatches can also constrain the ability of businesses, and often small businesses in particular, to find the workers they need to grow.

v The ABS assigns occupations to one of five skill levels in its ANZSCO framework. In this section, ‘high skill’ refers to ABS skill level 1 (occupations that typically require a bachelor’s degree or above); middle skill refers to skill levels 2 and 3 (requiring Diploma or Certificate III/IV qualifications); and low skill refers to skill levels 4 and 5.



Chart 2.5 Labour market tightness by skill level



Source: ABS Labour Force, Australia, Detailed, May 2023; ABS Job Vacancies, Australia, May 2023; JSA Internet Vacancy Index, May 2023.

Note: The vacancy rate refers to the number of vacant jobs expressed as a percentage of the labour force.

High-skill occupations require at least three years of post-school education and training. Strong demand for high-skill workers therefore cannot be filled by low-skill job seekers in the short-term. This emphasises the need for education, training and migration systems that work together effectively to deliver the workforce Australia requires.

Geographic mismatch

Another barrier to achieving full employment is mismatch between where people live and the available jobs. If job seekers do not live near available jobs that match their skillset, this can delay or prevent them finding a good job. For example, many regions in northern Australia with significant First Nations populations do not have enough jobs available for residents. The reliance on fly-in fly-out workers in regional and remote areas is a result of the mismatch in the demand for a high-skilled workforce and local education and training opportunities. Geographic mismatch can also be prevalent in regional areas where one industry contributes significantly to the local economy, especially where the industry is impacted by seasonality, like tourism.

While the current number of job vacancies roughly matches the number of unemployed at a national level, the same is not true within all regions. For example, Darwin is experiencing acute labour shortages, with more jobs available than unemployed people to fill them (Chart 2.6). By comparison, Toowoomba and Southwest Queensland have relatively loose labour markets in which the number of unemployed people consistently exceeds job vacancies, indicating a lack of labour demand in the region (Chart 2.7). This geographic mismatch contributes to less efficient matching in local labour markets as well as at the national level.

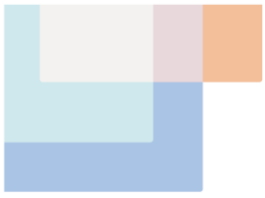
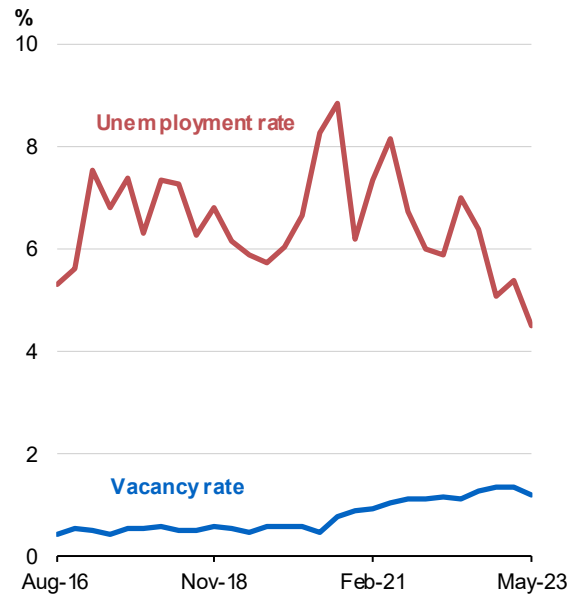


Chart 2.6 Labour market in Darwin



Chart 2.7 Labour market in Toowoomba and Southwest Queensland



Source: ABS Labour Force, Australia, Detailed, May 2023; ABS Job Vacancies, May 2023; JSA Internet Vacancy Index, May 2023.

Note: Vacancy rates shown are calculated using the JSA Internet Vacancy Index measures of vacancies. While providing more geographical detail, this measure of vacancies may under-report vacancies in regional areas due to lower use of internet advertisements in regions.

A range of tools and policies that can assist in addressing these structural sources of underutilisation is explored in Section 2.3 and in the remainder of the White Paper.

2.2.4 Measuring progress

It can be difficult to separate underutilisation into frictional, cyclical and structural factors, particularly when what starts as a short-term spell of underutilisation for cyclical reasons can become more structural over time. Measures such as the duration of unemployment or underutilisation can indicate how far we are from full employment. There are also statistical methods for assessing how much of the current level of underutilisation is cyclical or structural by looking at the behaviour of other macroeconomic variables, such as changes in prices or wages.

The NAIRU – a cyclical measure

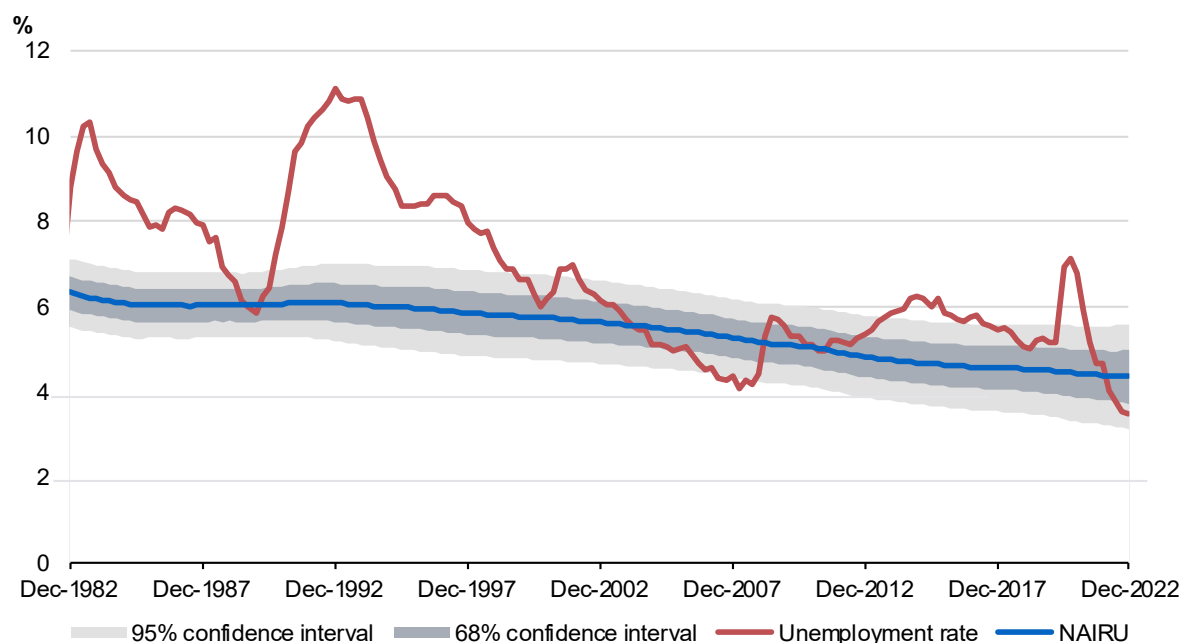
Discussions of full employment in the context of cyclical management of the macroeconomy – cyclical full employment – have often centred around estimates of the NAIRU. Conceptually, the NAIRU represents the level of unemployment consistent with stable wage or price inflation; it is a measure of where the current maximum sustainable level of employment may lie rather than a guide for the Government’s long-term objective of sustained, inclusive full employment.



Having an assumption about the NAIRU is necessary for preparing medium-term forecasts, understanding macroeconomic conditions and helping to inform the use of macroeconomic policy in guiding the economy towards its current maximum sustainable employment level. However, the NAIRU has several shortcomings as a measure of full employment. It evolves over time, is difficult to measure and does not capture the full potential of the workforce.

The NAIRU changes over time, partly in response to changes in policies that can affect structural unemployment, such as employment services, education and training systems, increasing access to affordable early childhood education and care, and housing. Treasury's estimate of the NAIRU was revised lower in 2022, from 4¾ per cent to 4¼ per cent. The RBA has also revised its NAIRU estimate down in recent years.¹² The NAIRU is also difficult to estimate accurately. The grey bands in Chart 2.8 indicate the degree of uncertainty around point estimates of the NAIRU.

Chart 2.8 The NAIRU and the unemployment rate



Source: Treasury; ABS Labour Force, Australia, December 2022.

The RBA Review identified that uncertainty about the NAIU estimates may have played a part in the RBA undershooting the inflation target between 2016 and 2019. The Review suggested that, as a result, economic growth potential went unrealised, and individual workers missed out on the benefits that work brings.¹³

Another important limitation of the NAIU is that it is a measure of unemployment, while other aspects of underutilisation have become increasingly important in the modern labour market. In recent economic downturns, declines in average hours worked have been more important than the rise in unemployment.¹⁴ The number of unemployed people does not comprehensively gauge the extent of underutilisation in the modern labour market.



Better measures to capture progress

Policymakers need a broad suite of measures to gauge the extent of current underutilisation and track progress towards the longer-term full employment objective. These include measures that might indicate the cyclical and structural health of the labour market at an aggregate level. In addition, the Government monitors indicators of progress associated with increasing opportunity for specific cohorts. This 'suite of measures' approach is better able to reflect the cyclical and structural elements of the labour market and to communicate the trade-offs associated with different policy choices.

Indicators of sustained full employment

The NAIRU helps gauge how much spare capacity there is in the economy across the business cycle, although its level is uncertain and changes over time. It is one of a range of indicators that measure different aspects of spare capacity in the labour market.

The *national unemployment rate* is the number of people aged 15 and over that are looking for and available to work, but are not currently working, expressed as a share of the labour force. It is a narrow definition of spare capacity in the labour market. It does not distinguish between unemployment caused by cyclical, frictional or structural factors. It is an important headline measure, but does not capture some important aspects of underutilisation such as when people are in work but want to work more hours (underemployment).

The *heads-based underutilisation rate* is a broader measure of the extent of underutilisation than the unemployment rate. It captures the number of workers who are underemployed as well as unemployed, expressed as a share of the labour force.^{vi} The underutilisation rate has fallen following the COVID-19 pandemic alongside the unemployment rate, although in recent decades underemployment has grown in importance in measuring spare capacity in the labour market.

The *hours-based underutilisation rate* differs from the heads-based underutilisation rate by capturing how many additional hours are sought, but not worked, by all workers and the unemployed. As such, it more specifically captures the spare capacity associated with underutilised people based on how much additional work they would like (Chart 2.9). The hours-based underutilisation rate is currently at its lowest level since records began, and indicates that on average people in the labour force would like to work around 6 per cent more hours.

Potential workers are a broader group of people who are not working but want to work, including those who are either not looking for work or not available to start work immediately. It includes unemployed people but is broader than the technical definition of unemployment. Most potential workers who are not counted as unemployed say they are not actively looking for work but could start immediately, with men most commonly citing their attendance at an educational institution and women most commonly citing child care as reasons for not looking. The number of potential workers has been equivalent to around 15 per cent of the labour force for most of the past two decades, and has recently fallen to 13 per cent.¹⁵

The *rates of voluntary and involuntary job separation* give insight into the economy's position in the business cycle. Downturns typically see an increase in employment terminations, while strong economic conditions typically see more people leaving their jobs voluntarily to move to better positions (Chart 2.10). The rate of voluntary separation has recently exceeded the rate of involuntary

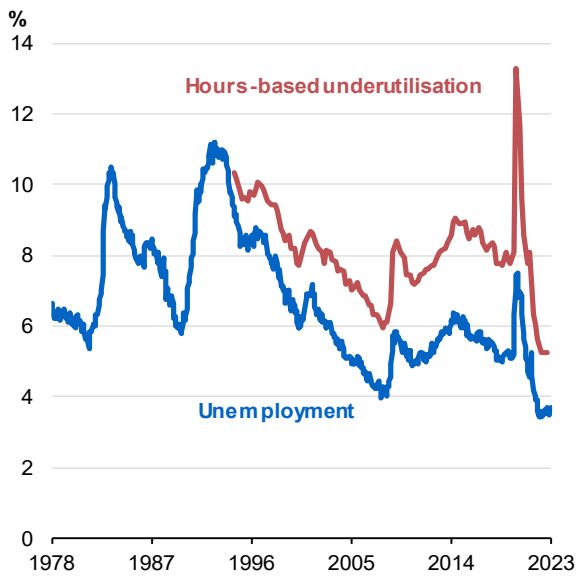
vi Underemployment includes part-time workers who would prefer, and are available for, more hours than they usually work, and full-time workers who worked part-time hours for economic reasons.



separation for the first time in the series history, indicating a cyclically tight labour market and suggesting that an increasing share of unemployment is frictional in nature.

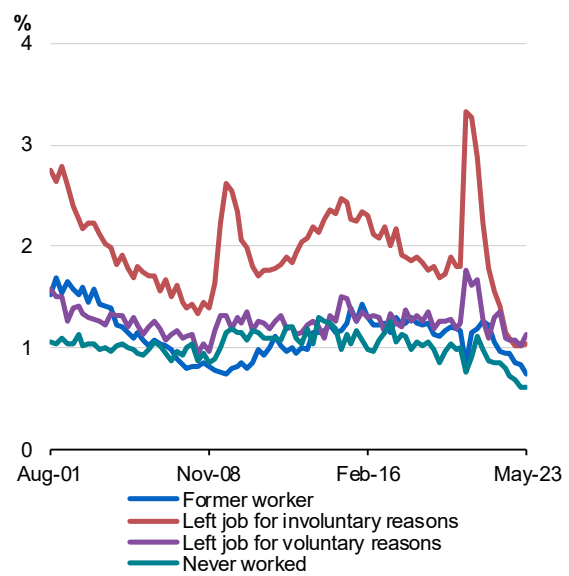
Wage growth and inflation outcomes can also inform an assessment of whether the labour market is near to its current maximum sustainable level of employment.

Chart 2.9 Unemployment rate and hours-based underutilisation rate



Source: ABS Labour Account Australia, June 2023; ABS Labour Force, Australia, July 2023. Seasonally adjusted. The hours-based underutilisation rate is calculated as the ratio of 'Hours sought but not worked' to 'Available hours of labour supply' in the ABS Labour Account. The series is only available from 1994.

Chart 2.10 Voluntary and involuntary job separation



Source: ABS Labour Force, Australia, Detailed, May 2023. Seasonally adjusted by Treasury.

Measuring progress towards inclusive full employment

The Government monitors a suite of measures to assess progress towards more inclusive full employment. These capture employment outcomes for groups more likely to face barriers to work that contribute to structural underutilisation. Cohort-specific measures illustrate current labour market inequalities that need to be addressed to achieve inclusive full employment. Indicators that focus on the duration of unemployment, and disparity in labour markets across Australia, also speak to the inclusivity of full employment.

A lack of timely data in some areas, such as the labour market conditions and barriers some cohorts face, makes it more challenging to have a complete picture of underutilisation across the economy. To this end, the Government provided funding last year to the ABS to improve the available information on the factors preventing various groups from entering the workforce. This work aims to provide information on barriers for women, unpaid carers, people with disability, mature age people, First Nations people, culturally and linguistically diverse people and those living in remote areas.



However, challenges remain in data availability and will take time to overcome. The Government's next steps to address these issues are discussed in the Roadmap.

The duration of people's unemployment is an indicator of structural underutilisation. The *long-term unemployment (LTU) rate* shows the share of the labour force that has been unemployed for 52 weeks (one year) or more. LTU matters because people who have been unemployed for a long period of time face greater difficulty finding work due to skill atrophy and loss of motivation, and may be marginalised from the labour market.¹⁶ A high LTU rate may also indicate structural barriers to finding work for some groups, resulting in entrenched disadvantage. Due to the recent strong employment growth and increased opportunities in a tight labour market, many people who were previously unemployed for long periods of time have been able to find work, leading to a decrease in the LTU rate (Chart 2.11).

The *median duration of unemployment* shows how many weeks it typically takes for someone seeking employment to find a job. The median duration has declined recently from 21 weeks to 12 weeks, but remains higher than its pre-GFC levels (Chart 2.12).

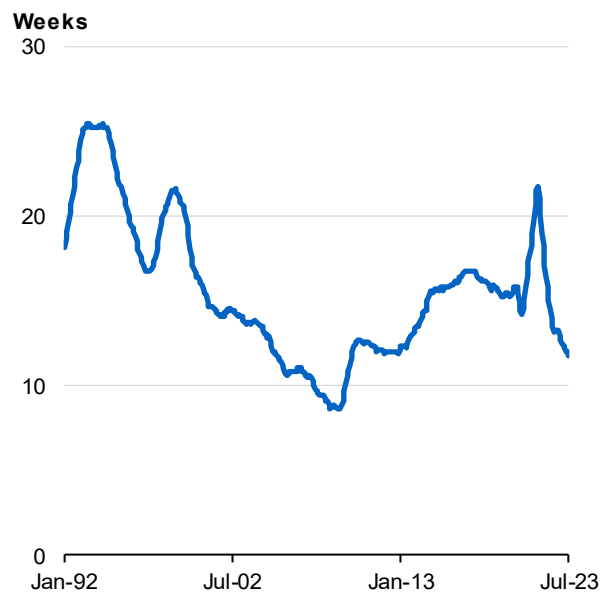
Chart 2.11 Long-term unemployment rate



Source: ABS Labour Force, Australia, August 2023. seasonally adjusted.

Note: The long-term unemployment rate refers to the number of long-term unemployed people (>52 weeks) expressed as a percentage of the labour force.

Chart 2.12 Median duration of unemployment



Source: ABS Labour Force, Australia, Detailed, July 2023. 12 month averaged original data.

The *gender participation gap* is one indicator of the inclusiveness of the labour force. The gap between men's and women's labour force participation rates has been steadily declining as more women participate in the workforce, reflecting reduced barriers for women over time. However, challenges remain in closing the participation gap, which is still more than 8 percentage points (Chart 2.13 and Chart 2.14).

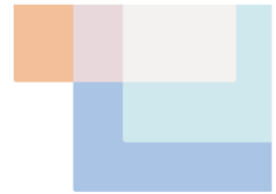
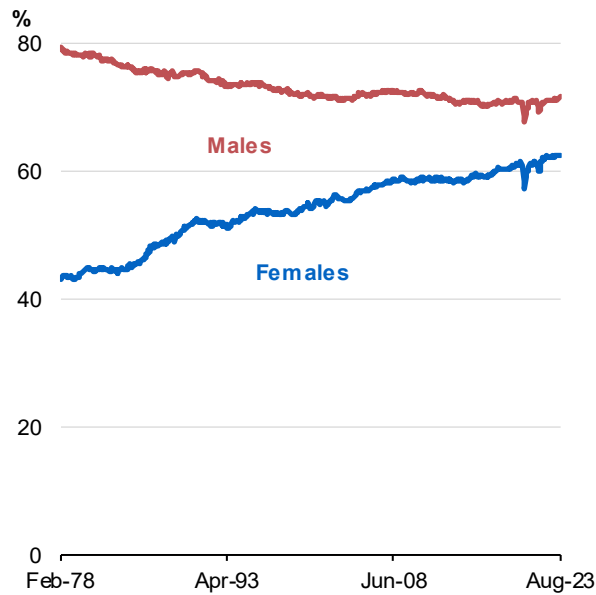
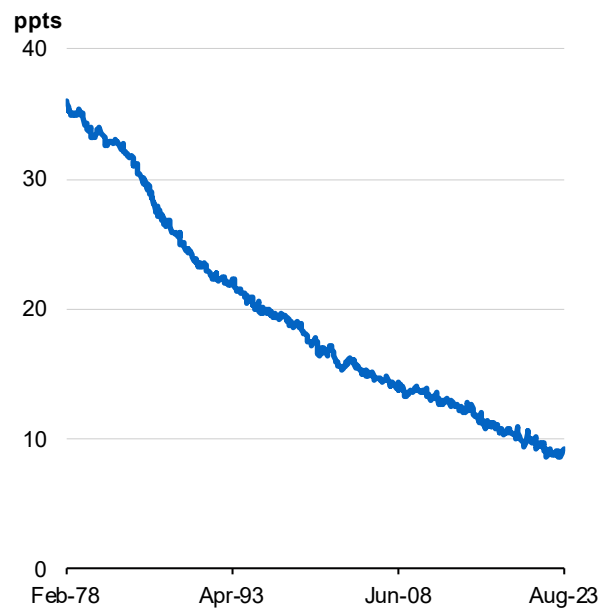


Chart 2.13 Participation rates



Source: ABS Labour Force, Australia, August 2023.
Note: Participation rate is the number of people participating in the labour force as a share of the population aged 15 years and over.

Chart 2.14 The gender participation gap



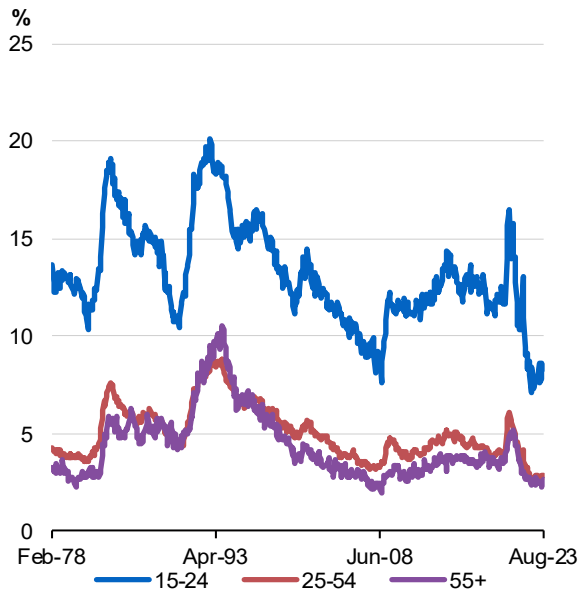
Source: ABS Labour Force, Australia, August 2023.
Note: Gender participation gap is the male participation rate minus female participation rate.

People aged 15 to 24 years represent a significant share of the population that have persistently higher levels of unemployment than other age cohorts. The *youth unemployment rate* of people aged 15 to 24 years has recently declined as the labour market has strengthened, however it remains elevated, representing a significant underutilisation of this cohort (Chart 2.15). The opportunities for young people in the labour market are particularly sensitive to the business cycle.

Another measure of the potential for more young people to join the workforce is those who are '*not in employment, education or training*' (NEET), which can also reflect entrenched disadvantage (Chart 2.16). While this rate has declined slightly over the past eight years, more than 10 per cent of young people aged 20 to 24 years are not engaged in employment or further study. Young people who are working, in training or education are building their human capital. Young people who are NEET are conversely at risk of not developing the skills needed to gain employment, and risk becoming socially excluded.¹⁷ An intersectional lens shows that First Nations people are more likely to fall into this category, alongside people with low educational attainment.¹⁸

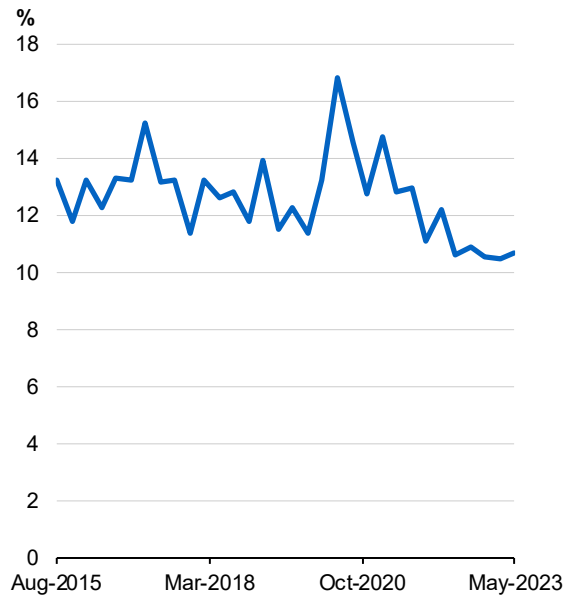


Chart 2.15 Unemployment rate by age group



Source: ABS Labour Force, Australia, Detailed, July 2023, seasonally adjusted.

Chart 2.16 Youth (20 to 24 years) not in employment, education, or training



Source: ABS Labour Force, Australia, Detailed, July 2023, original data.

The *employment rate for people with disability* has been consistently lower than for those with no reported disability, and has shown no improvement since 1998 (Chart 2.17). Illustrative of the data gaps for some cohorts, the latest available data on the employment rates for people with a disability is from 2018. However, administrative data sets associated with Workforce Australia and consultation with stakeholder groups does not suggest that this situation has changed markedly in recent years.

The *First Nations employment rate* is persistently lower than the rate for non-Indigenous people (Chart 2.18). The gap between the employment rate for First Nations and non-Indigenous people has not closed notably over the past 30 years. The most reliable source of data is extracted from the Census which is only collected every five years, highlighting the data gaps for this cohort.

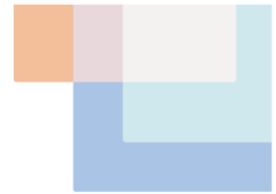
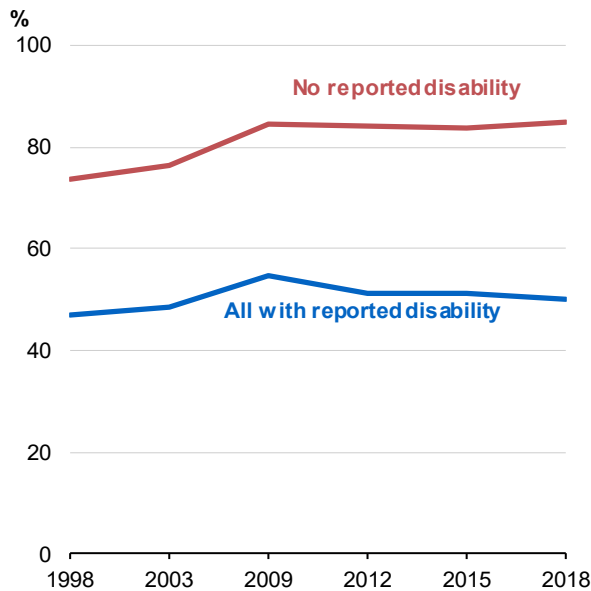
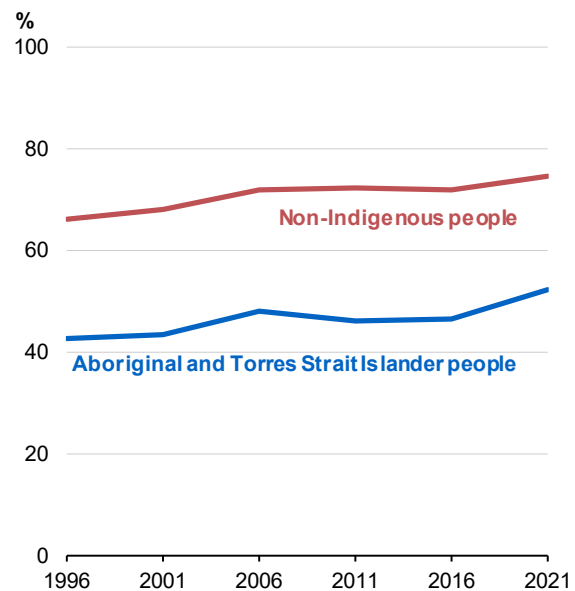


Chart 2.17 Employment rate for people with reported disability and no reported disability



Source: ABS Disability, Ageing and Carers, Australia, 2018.
 Note: The employment rate refers to the number of employed people as a percentage of the population aged 15–64 years and over in the same group.

Chart 2.18 Employment rates of Aboriginal and Torres Strait Islander people and non-Indigenous people



Source: ABS Census of Population and Housing, 2021.
 Note: The employment rate refers to the number of employed people as a percentage of the population aged 15–64 years and over in the same group.

Our vision for full employment includes broadening the benefits of a strong labour market and economic growth across the country. This can be assessed by comparing the regions with the highest and lowest unemployment rate against the national average (Chart 2.19). Over the past 25 years there has always been at least a 5 percentage point difference in the unemployment rate between the regions with the highest and lowest unemployment rates. This highlights the diversity of labour market conditions across our country, and the importance of considering labour market policy at a regional level.

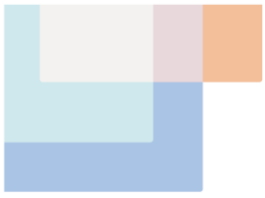
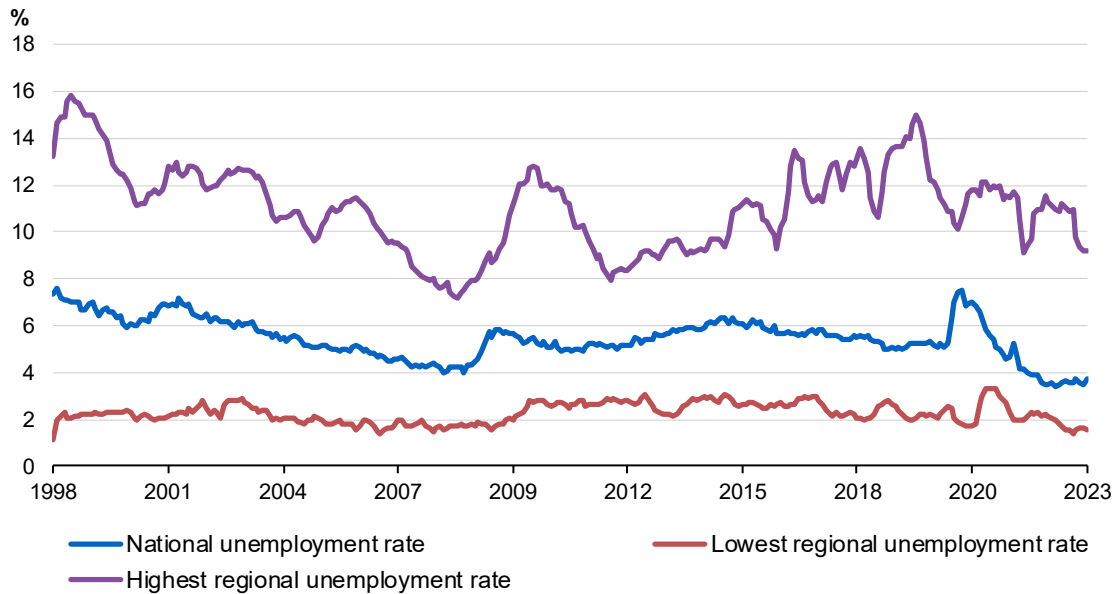


Chart 2.19 Regional differences in the unemployment rate



Source: Treasury; ABS Labour Force, Australia, Detailed, July 2023.

Note: Unemployment rates are 12-month rolling average rates for SA4 regions. The minimum and maximum unemployment rate are the lowest and highest regional rate in each month.

2.3 Achieving sustained and inclusive full employment

The Government’s objective of sustained and inclusive full employment will be achieved using a broad range of policy levers and institutional settings that recognise the constantly changing realities of the modern Australian labour market.

Macroeconomic policy should seek to achieve sustained full employment – bringing employment to its current maximum sustainable level – at any point in time. Achieving sustained full employment mitigates the risk that short-term disruptions to the economy and the labour market become more entrenched.

Sustained full employment lays the foundation for the success of other policies designed to address the causes of structural underutilisation by helping people overcome the barriers to getting decent work. Policies that support people to gain the skills they need throughout their life from early childhood, through the education system, and as adults will also contribute to a more inclusive labour market.

Policies and institutions need to support people and regions to adapt to the forces reshaping the structure of our economy and the nature of work, particularly where the effects on the labour market are fast and concentrated. Ensuring the conditions are in place to grow the industries of the future sets a strong foundation for future employment.

This White Paper is a part of the Government’s broader agenda to redefine, refocus and elevate full employment as a policy objective (as discussed in the Roadmap).



2.3.1 Managing the economy through macroeconomic shocks

The importance of achieving sustained full employment by minimising the cyclical fluctuations in the economy has been embedded in strong macroeconomic frameworks since the 1990s. Monetary policy has been the primary tool for managing economic fluctuations over this period, but fiscal policy has also played an important role, especially during crises. As highlighted by the RBA Review, having an independent central bank with a flexible inflation target has served Australia well over several decades. Low and stable inflation and well-anchored inflation expectations contribute to the objectives of price stability and keeping employment close to its maximum sustainable level. They have also provided certainty for households, businesses and investors, supporting long-term investment decisions.

Full employment is also a core part of the Government's Economic and Fiscal Strategy, alongside the objectives of strong, inclusive and sustainable economic growth, growing real wages, ensuring women's economic participation and equality, and improving living standards for all Australians. The Government will continue to ensure that our economic institutions remain fit for purpose and well equipped to meet the challenges we face now and into the future.

Monetary policy

While Australia's monetary policy framework has served Australia well, the recent RBA Review has identified how it can be strengthened. The Government is retaining an operationally independent RBA and flexible inflation targeting framework and implementing the recommendations of the RBA Review to ensure we have the best policy frameworks to meet current and future challenges. This includes clarifying that the RBA's dual mandate for monetary policy is price stability and full employment.

The full employment objectives of the RBA and the Government are distinct but complementary. Monetary policy is most effective at influencing aggregate demand, and has limited capacity to affect the longer-term productive capacity of the economy except through maintaining a stable economic environment. Reflecting this, the RBA focuses on the narrower objective of sustaining full employment as close as possible to the current maximum level at any point in time that will not add to inflationary pressures given the existing structure of the economy. The RBA has independence in how it will meet its objectives, including what measures it uses to assess the level of employment associated with the current maximum sustainable level.

As outlined in Section 2.2.1, the Government has a broader objective of delivering sustained and inclusive full employment, which includes supporting the economy to achieve the current maximum sustainable level, but also lowering the structural level of unemployment over a longer period of time, using the much broader range of policy levers the Government has at its disposal.

Fiscal policy

Fiscal policy includes government spending and taxation. It covers a range of policies, such as the provision of education and health services, infrastructure and defence. Many of these grow the productive potential of the economy, while others ensure a fair distribution of opportunities and access to services in a way that is fiscally sustainable. While monetary policy is the primary tool for managing normal cyclical fluctuations in the level of demand for goods and services in the economy, it is important that fiscal and monetary policy work together to best support good economic outcomes.

Well designed fiscal policy can play a helpful role in managing the economic cycle at the same time as it pursues broader structural objectives. For example, our progressive income tax system and unemployment benefits automatically support the economy when economic conditions are weak,



although this is not their primary purpose. These automatic stabilisers play an important counter-cyclical role supporting monetary policy. The Government has explicitly embedded the principle of allowing automatic stabilisers to work through its commitment to bank the majority of revenue upgrades when they occur. This ensures that monetary and fiscal policy are working together when growth prospects are sound.

Discretionary fiscal policy interventions can complement the role of automatic stabilisers and play an important role in limiting the costs of significant adverse economic shocks on the economy, businesses and labour markets. There may be a more important role for fiscal policy to help manage economic shocks during times of severe contractions in aggregate demand, when monetary policy is at its limits or its transmission channels are constrained. This is more likely to be relevant, for example, during times of acute crisis or in the event of adverse supply shocks. Fiscal policy can also be more targeted than monetary policy.

Fiscal policy interventions should be tailored to the nature and magnitude of a downturn. Recent experience has demonstrated the important role fiscal support measures can play, such as during the Global Financial Crisis (GFC) and COVID-19 pandemic. During the GFC, as part of a global response, Australia's policy response was targeted at supporting the banking system and using fiscal policy to provide payments to households to support consumption, and measures to support housing and infrastructure construction.¹⁹ In contrast, the COVID-19 pandemic health response, which included border closures and activity restrictions, led to a sharp reduction in demand. The fiscal response in this case was focused on measures to mitigate the effects of the activity restrictions on the labour market.²⁰ While each crisis is different, lessons from recent experience have underscored the importance of fiscal policy interventions being *timely, targeted and temporary*.

Frameworks around fiscal policy also play an important role in preserving macroeconomic stability. These include credible and transparent fiscal frameworks, medium-term fiscal strategies that anchor fiscal policy, and robust budget procedures, operational rules, and institutions. Rebuilding fiscal buffers in good times, as set out in the Government's Economic and Fiscal Strategy is important for ensuring fiscal sustainability, allowing a policy response to future shocks when they occur.²¹

2.3.2 Addressing structural sources of underutilisation

A range of fiscal policy tools can also be employed to achieve longer-term increases in the level of full employment that can be sustained over time. Government has a role in supporting people through their lifecycle to ensure they have the skills needed, and reducing the barriers to employment they face, to finding and maintaining decent work. Ensuring we have the right educational and labour market systems has long-term positive spillovers in raising the productive capacity of the economy, supporting fiscal sustainability, as well as improving individual wellbeing.

An education system that builds foundation skills

Early childhood education and care (ECEC) provides the building blocks to support cognitive growth and development of children. However, children from disadvantaged backgrounds are less likely to access ECEC, despite being the ones who will benefit the most. Improving equity and participation in the ECEC system can help support children to build the foundational cognitive and social skills needed in schooling and beyond.

Australia's schooling system aims to provide equitable access to education, but has not done so for everyone (Chapter 6). Students from lower socioeconomic backgrounds may not be reaching their full potential as seen by their relatively worse NAPLAN outcomes. Improving quality, access and equity



within the schooling system provides the foundation skills our future labour force needs to thrive in the modern workplace. This can help improve overall productivity of the labour force, as it delivers outsized benefits for workers who are marginally attached or are not in the labour force.

The schooling system provides foundation skills, such as language, literacy, numeracy, digital and technical skills. These skills provide the basis from which students can navigate the labour market and adapt to changing labour market needs. Building on foundation skills by supporting students to strive for Year 12 completion can set people up for better labour market outcomes. As we shift to a more highly skilled and highly educated workforce, it is likely that basic skills learned through the education and training system will become more important. This is discussed in detail in Chapter 4.

Ensuring workers have the necessary skills

Workers will be better able to manage changing labour markets where they have strong foundation skills, robust and broad occupational training or expertise, and the ability to update and develop their skills and knowledge over their lifetime.

The role of the higher education and VET system is to build on the foundation skills developed in school while also equipping people with relevant specific skills, knowledge, and capabilities to be part of a productive economy. With these strong foundations people are better able to build further capability and secure well-paid work in a changing labour market. The Government is focused on the quality and effectiveness of tertiary education and will ensure these systems are preparing people for the workforce of the future. The policy settings required to fill skills needs and build our future workforce are discussed in more detail in Chapter 5.

Improving access to the labour market

A more inclusive labour market means broadening opportunities for people to participate.

People often face complex and intersecting barriers to achieving their potential in the labour market. Barriers might include discrimination or varying levels of health, and educational challenges. Lack of secure and affordable housing, and fewer transport options, can also prevent workers taking up new employment opportunities (housing is addressed in Chapter 3). These barriers can be compounded when work is insecure and does not provide a decent wage.

The breadth of barriers to work for some people requires a broad system of supports. The Government can partner with communities to combat entrenched disadvantage, while businesses can create inclusive workplaces that are suitable for more people. An effective employment services system can help build the capabilities and skills of workers to improve their employment pathways. Improving incentives within the tax and transfer system can help people to take up these opportunities.

Employers have a role in providing safe, inclusive workplaces that foster opportunities that are within reach of people from all walks of life, which can not only support diverse employment but also break down occupational gender segregation and the gender pay gap. This broader system that supports workers to participate in the labour market is discussed in Chapter 6.

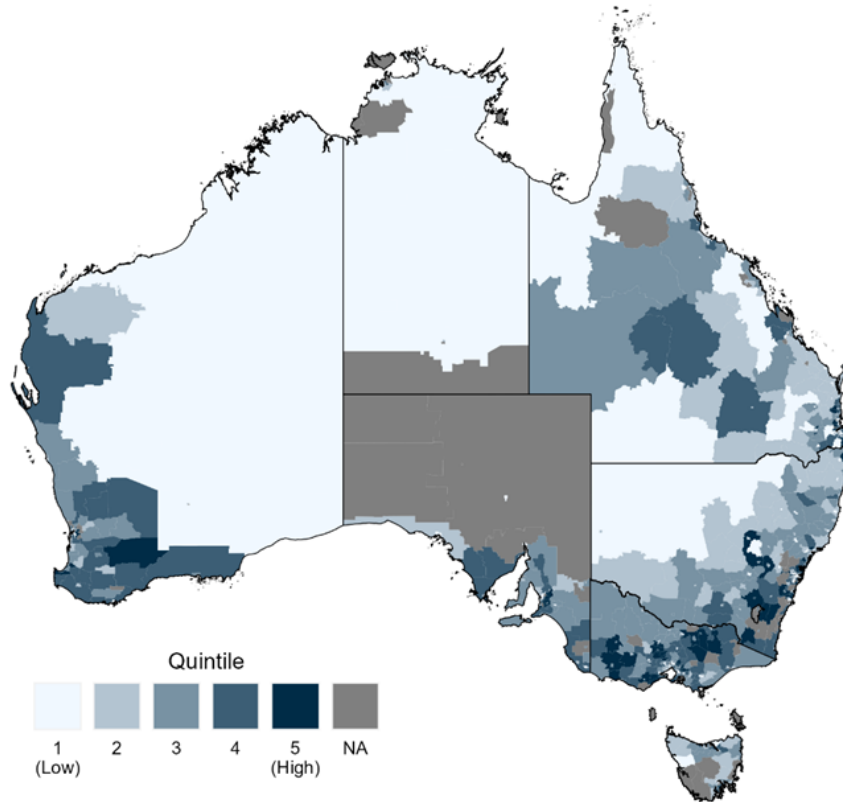
2.3.3 Supporting regional resilience and adaptability

The ability of workers and communities to adapt differs depending on the nature of the change, and the capacity of our institutions, businesses, and people to respond. One way of conceptualising adaptive capacity is the resources regions and people draw upon when navigating change, including human, financial, physical, natural, and social capital.²² There is variation in the levels of adaptive



capacity across Australia (Figure 2.2), with metropolitan areas tending to have higher adaptive capacity than regional areas.

Figure 2.2 Index of relative resilience by SA2 region



Source: Treasury.

Note: The resilience index provides a relative measure of a region's potential ability to adapt to and recover from an external shock. SA2 regions that have a low number of households for any of the underlying data are excluded from the analysis and reported as not available (NA).

The forces reshaping our economy will require workers to update their skills, and businesses and regional labour markets to adapt to changing needs. People and businesses are generally best placed to make their own decisions to support their wellbeing and adapt to change. Markets are central to this adaptation. They help signal to businesses how to meet the evolving demand of consumers through price changes, and over time can point to where more labour is needed through shifts in wages.

However, there is also an important role for government in creating an environment that enables people and business to plan and flexibly respond to changing circumstances. This is relevant to a range of structural changes, including the rise of data and digital technologies. It is especially important where structural change is geographically concentrated. One important example of this is the net zero transformation, which is expected to have concentrated regional impacts, often in areas with lower industrial diversity.²³

Large shifts in industry composition can disrupt local labour markets. Equipping workers with the tools they need and supporting them into new opportunities can minimise these disruptions, and are



particularly important for regions that have a narrow economic base. Clearly articulating long-term policy objectives can also help the private sector invest with confidence, and workers to plan for their future and to invest in their skills. Coordination between workers, all levels of government, businesses and unions can result in better support for people to find future employment opportunities.

Many of the changes occurring in the Australian and global economies present huge upside opportunities for Australian regions and their workforces. However, it will be important that policy settings enable and support the growth of these future industries. The Government's approach to supporting regional resilience and adaptability is discussed further in the Roadmap.

2.3.4 Grasping opportunities in industries of the future

Our changing economy presents opportunities to broaden and deepen our industrial base and create more well-paid jobs. Delivering on this potential requires an enabling environment in which business can take risks, invest, and realise areas of emerging comparative advantage.

Global action to deliver net zero emissions is catalysing one of the most significant global economic shifts since the Industrial Revolution. The forces shaping Australia's economy are changing the value of countries' natural endowments, disrupting trade patterns, creating new markets, rewarding innovation and giving fresh prominence to industrial strategy. The changing geopolitical environment has highlighted the importance of diversifying and de-risking supply chains and boosting development in critical technologies and industries. This will build resilience and reinforce Australia's economic potential while ensuring we continue to benefit from integration with the global economy.

Our market-based economy has supported the development of a diverse set of industries. Open trade has boosted competitiveness, and encouraged investment into areas of comparative advantage. The provision of core infrastructure, clear signalling of industry priorities, and investments in skills and innovation have helped Australia build specialised expertise and scale, and contribute to global value chains. Promoting a good environment to do business and establishing effective regulation has also been essential for attracting capital, creating and shaping markets, mitigating risks and maintaining trust.

It is important that we build diversity in our economy and leverage areas of comparative advantage. While our rich endowment of resources and ability to produce high-quality agricultural goods have been essential to our growing national wealth, the economic complexity of our exports is low and has fallen in the last two decades.²⁴ In this time alone manufacturing has halved as a share of our economy, falling from 12 per cent to 6 per cent of the value of our output. Broadening Australian industry and diversifying supply chains will improve our resilience to shocks and change.

Australia's approach to industry policy has changed over time, responding to changing industry and trade dynamics, and improved understanding of best practices. For example, compared to the 1970s, tariffs have declined in relevance as a form of assistance, and industry assistance has decreased dramatically in the manufacturing and agriculture sectors.²⁵ Assistance has evolved to address contemporary challenges, such as those associated with COVID-19 and decarbonisation.

The recent shifts in the global economic environment have raised new questions about how industry policy should be applied in the current context. Significant new policies internationally have focused on capturing synergies between industrial, environmental and geostrategic objectives.²⁶ There has also been increased focus on externalities in the context of technology change, and understanding opportunities to promote adoption of technology in a way that complements workers, business and



society, such as through investment in skills, privacy protection, sound regulation, competition policy and shaping market incentives.²⁷

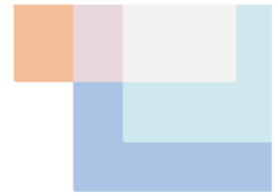
Australia needs a strategic industry policy fit to meet the challenges ahead. As a small, open economy, Australia stands to benefit from leveraging comparative advantages and actively participating in trade. We are setting a clear vision and creating the conditions for investment and growth, to move higher in global value chains, and to develop key industries and capabilities in the national interest. The Government's approach to investing in national priorities and managing economic risks is discussed further in the Roadmap.

2.4 The path forward

Full employment means everyone who wants a job can get one without having to search for too long. The Government is ambitious about achieving its objective of sustained and inclusive full employment and is using a range of policy levers, from macroeconomic management to tailored support for people to bring us closer to this objective. The Government's approach is set out in the Roadmap.

Maintaining sound and effective macroeconomic policy frameworks that promote strong and sustainable economic growth can help sustain the current maximum level of employment and limit the adverse impact that economic downturns can have on employment.

The Government's agenda is also focused on addressing the sources of structural underutilisation. This effort is aligning many systems around the full employment objective, including improved regional planning, education and migration systems, and setting out reform directions to improve key enablers like employment services, and affordable and accessible child care and housing. We are equipping the workforce with the skills needed for the jobs of the future, enhancing the ability of individuals and businesses to adapt to the modern labour market, breaking down barriers affecting people's ability to participate in the labour market, and backing people and regions through transformation and promoting adoption of productivity-enhancing technologies.



Endnotes

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