

Unemployment as a driver of poverty in australia economics essay

[Economics](#)



**ASSIGN
BUSTER**

The key driver of poverty in Australia is unemployment. Unemployment rate is one of the economic indicators of the level to which Australian economy is operating to its full capacity. It defines the unemployment level divided by the labour force. Australia uses the standard definition of employment. The unemployment rate of Australia started increasing since World War I and II. Australia has taken great efforts to lower the unemployment rates all the time. The worst of the global recession was avoided by Australia but there was a steady increase in the unemployment since 2008. The strong effect of the fiscal stimulus package of Australia, tax cuts and public expenditure has cushioned the increase of unemployment created because of the global economic downturn. The working hour's adjustments prevented large job losses, but this led to the growth of the discontentment in the workers. There was a quick rise in the youth unemployment rate. The bar chart shown above gives the present unemployment rates of the major economies in the world. When compared with unemployment rates of other major economies, we see the Australia has considerably lesser rate of about 5.3%. But this rise in the unemployment rate was less than the expected. This is one of the lowest unemployment rates the Australia has had since global economic recession hit the country. The availability of the country's resources and the global demand for them are believed to be the main reasons for the lowering of the unemployment rate from about 5.5% (December). And this rate is less than the expected rate (5.6%). The government reports shows that about 196,000 jobs were added by the Australian employers and about 16,000 full-time employees and additional 36,900 part-time workers are believed to have been hired to ease the unemployment rate. The trend estimates showing the

recent monthly rates and figures of March 2010 related to the unemployment is given below:-There is an increase in the employment to 10,991,900 (ABS, March 2010)There is a decrease in unemployment to 611,000 (ABS, March 2010)The rate of unemployment is 5.3% (ABS, March 2010)The constant labour participation rate is maintained at 65.2%(ABS, March 2010)There is an increase in the aggregate monthly hours worked increased to 1,540.5 million hours(ABS, March 2010)The male employment rate is 5.4% and female unemployment rate is 5.3%.(ABS, March 2010)On a state breakdown, we see that there is a decrease in the unemployment rate eased in New South Wales from 6.8% in March to 6% in April. Victoria remained constant at 5.6%, increase in Queensland's rate by 0.1% to 4.9%; fall in South Australia's rate from 5.9% to 5.5%, and a drop in Western Australia's rate from 4.9% to 4.5%. The small decrease in the unemployment rate has help to increase the growth in the Gross Domestic Product (GDP) of Australia. This increases the output of the companies. The increase in the GDP has led to the increase in the price of the goods and services and this has led to the increase in the inflation rate. But, the Australian economy has a tendency to continue in an ongoing cycle of this and will continue in the future. It has been seen that staff retention issues or problems have occurred due to the low unemployment rate of Australia with important effects of business. A latest survey conducted by Drake Edwards, Strategic Manager of Drake international commenting (March 2010), has identified several areas of staff retention. The findings are:-About 80% of employees give much importance in having a challenging and a very satisfying work in order to continue their work; and 75% gives importance to

better work life balance, career development opportunity and better management and leadership; and comparatively less percentage of employees gives importance to increased salary in Australia. (Article: Unemployment rate unchanged at 5.3 %, by David Olsen on Thursday, 8 April 2010) The lowering of the unemployment rate has led to economic growth and wage growth and increase in the aggregate demand. That is, the deficient aggregate demand and the real wage growth predominantly produce changes in the unemployment.

MEASURES TAKEN BY AUSTRALIAN GOVERNMENT TO REDUCE UNEMPLOYMENT

The main strengths of the macroeconomic frameworks and the Australian government's commitment to well-functioning markets are its high labour force participation, low unemployment, and the solid productivity growth. The constant sustainable economic growth can only be achieved with stable and low unemployment and inflation. These outcomes can only be supported by a sound macroeconomic policy framework for fiscal and monetary policy. The fiscal policy has great impact on the economic activity and employment. The political factors in the allocation of funds indirectly do affect the unemployment rate. For example, programs such as 'Roads to Recovery program' during the period of Australian election in 2001-04 has improved the local economic activity and has reduced unemployment to an extent. This led to a decrease in the local area unemployment rates (Leigh, 2008). The introduction of such programmes is being utilized to reduce the unemployment rate in Australia. Government always maintain budget balance over the course of economic cycle, takes into account the fiscal risks, national saving adequacy, the financial effect of policy decisions in

future generations and the integrity and stability of the tax system in order to attain sustainable economic growth which will reduce the unemployment. The government has placed emphasis on the policies that raise the labour force participation. Some of the policies are the introduction of the welfare to work package that has measures to reduce reliance on the welfare and increase incentives to enter the workforce. Personal income tax cuts with the marginal tax rates cuts and increased thresholds, the Family tax benefit changes have also increased the returns to work. Some measures are the recent superannuation reforms; labour market reforms to improve the labour market flexibility to reduce structural employment, introduction of labour market programmes and training programmes and the introduction of the mature age worker tax offset have improved the work incentives for the old people. Some policies are microeconomic reforms that improve resource allocation among industries and firms for output maximisation that improve efficiency and productivity of producer. They are introduction of industry reforms that provide innovation that increase productivity and growth by improving efficiency growth and job creation; and taxation reforms. The Council of Australian Governments had announced the National Reform Agenda (NRA) for the productivity growth and labour force participation and to bring human capital improvements. Several models are introduced to develop different policy options to reduce the unemployment in Australia.