

# Perennial Perspective

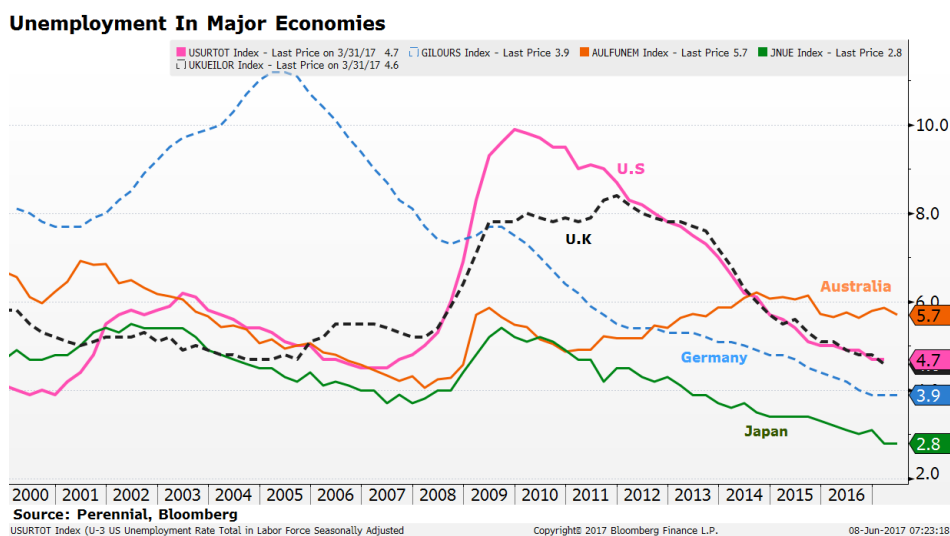
## The one hour a week job in the consistently lucky country .....

On one hand history is the best teacher however for investors it doesn't simply repeat - our world does change and evolve as well – History teaches us about the big drivers of economic behaviour however the context around how people, law makers and businesses operate definitely changes and evolves over time.

There are a few important contextual changes that will shape the investing environment for the next few years that we have focussed on in previous Perspectives, such as the relevance of the traditional GDP measure, the disappearance of the “old” business cycle and the digital revolution.

The other factor that has changed is the nature of employment (or unemployment depending on how you think about it) and wages growth.

First lead us congratulate global central banks. It is indeed true that massive quantitative easing (we seem never to hear the term nowadays) and low/negative cash rates have at least lead to full headline employment across the developed World as shown in the chart below.



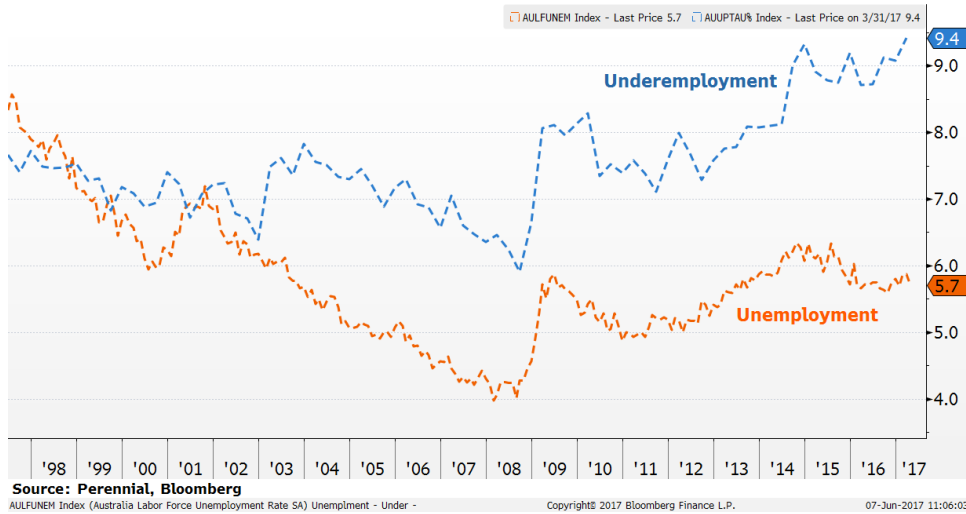
However underlying that in the developed world is measly wages growth and a huge rise in part time employment, particularly Down Under. To me the remarkable statistic is the amount of part timers (1 to 35 hours a week) in the numbers. To July 2016 for example there were 220,000 new jobs created however 190,000 of them or a massive 86% of new jobs were in the part time category !

This is nice and flexible for people who want it but the real story here is to ask the question, how many people really want or more importantly need more work – remember our ABS defines work as at least one hour's work in the week the survey was undertaken, amounting to less than \$20 at the minimum wage (to be fair they have to start with some definition of employment).

Our ABS measures this in the underemployment rate (takes unemployment and basically adds part timers who want and are available for more work) and this shows a dramatically different story as illustrated below, with low headline unemployment, but record high underemployment.

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## Unemployment vs Underemployment



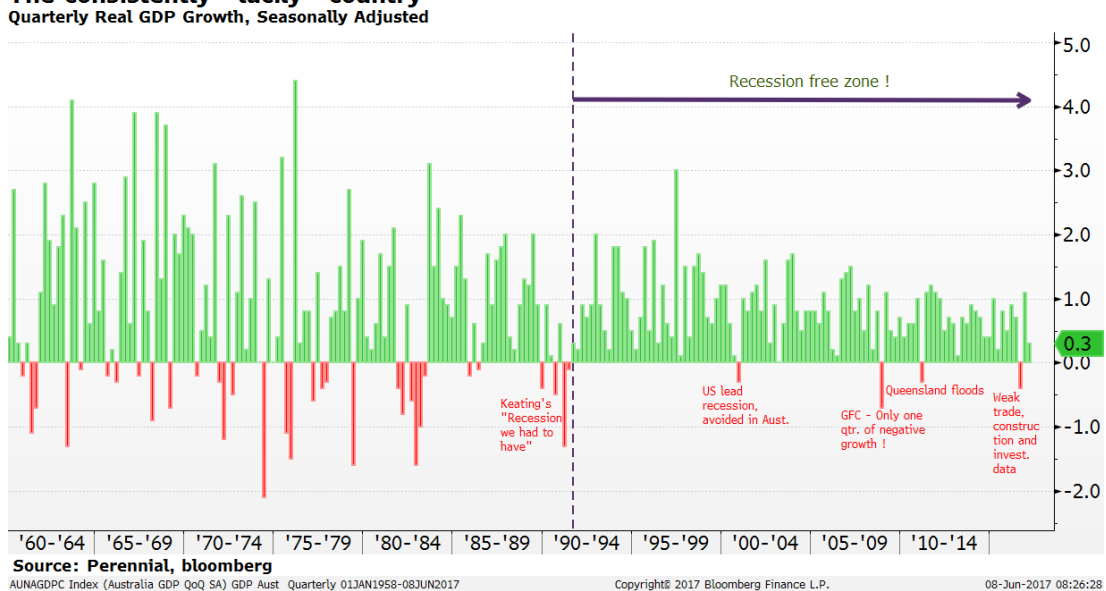
More flexible work practices, the rise of the part-time friendly services industry and more women in the workforce have contributed to this and many prefer part-time arrangements. However I believe this increased flexibility for employers and reduced worker pricing power are also factors for our wages slump.

Overall we are in good shape however this underemployment issue and high house prices/debt are keeping our hands in our pocket, with most of us focussing on debt repayment rather than spending.

## The consistently “lucky country”

Not much to say here that hasn't been in the press – we now have taken the record from the Netherlands for having the longest period of non-recessionary growth (although some say Japan may have beaten us). Importantly the big factor here is our relatively high population growth which helps growth dramatically. The important measure of GDP is of course GDP growth per head where we don't fare as well. The importance is not to rest on our laurels but to build on the things that made us great, rather than just relying on immigration and our abundant natural resources and beauty.

## The consistently "lucky" country



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