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Experienced Teacher Focus

Dual Mandate & Full Employment

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What we will cover

- What is full employment?
- Sustained vs inclusive full employment
- The RBA's approach to full employment
  - Model-based estimates
  - Labour market indicators

1

What is Full Employment?

How would you define full employment?

What is full employment?

- Depends who you ask
- Government has an overarching objective of full employment

Sustained full employment	RESERVE BANK OF AUSTRALIA
Inclusive full employment	Australian Government

Importance of achieving full employment

Work is about

- Income
- Purpose and wellbeing
- New ideas and inclusivity

Effects of not achieving full employment are felt disproportionately

- Lower income
- Less wealth
- Young people

2

Sustained and Inclusive Full Employment

2025 Statement on Conduct of Monetary Policy

The Government's objective is **sustained and inclusive full employment** where everyone who wants a job can find one without searching for too long.

Sustained vs inclusive full employment

- **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

- **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

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Australian Government

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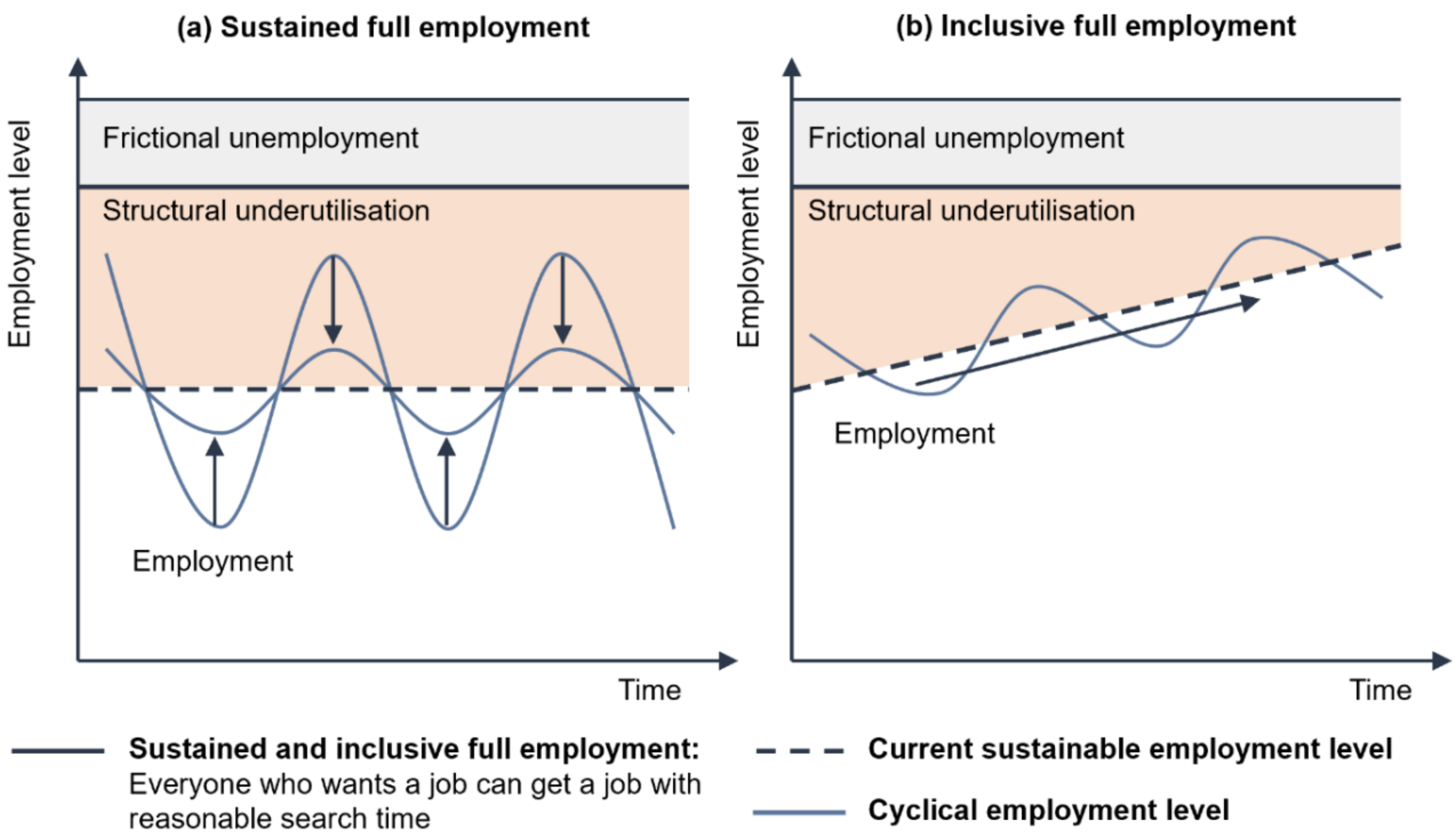
Australian Government



Source: Treasury.

3

RBA's Approach to Full Employment

2025 Statement on Conduct of Monetary Policy

The Government's objective is sustained and inclusive full employment where everyone who wants a job can find one without searching for too long.

The Monetary Policy Board and Government agree that the **Monetary Policy Board's role** within this is to focus on achieving **sustained full employment**, which is the current maximum level of employment that is consistent with low and stable inflation.

Measuring full employment

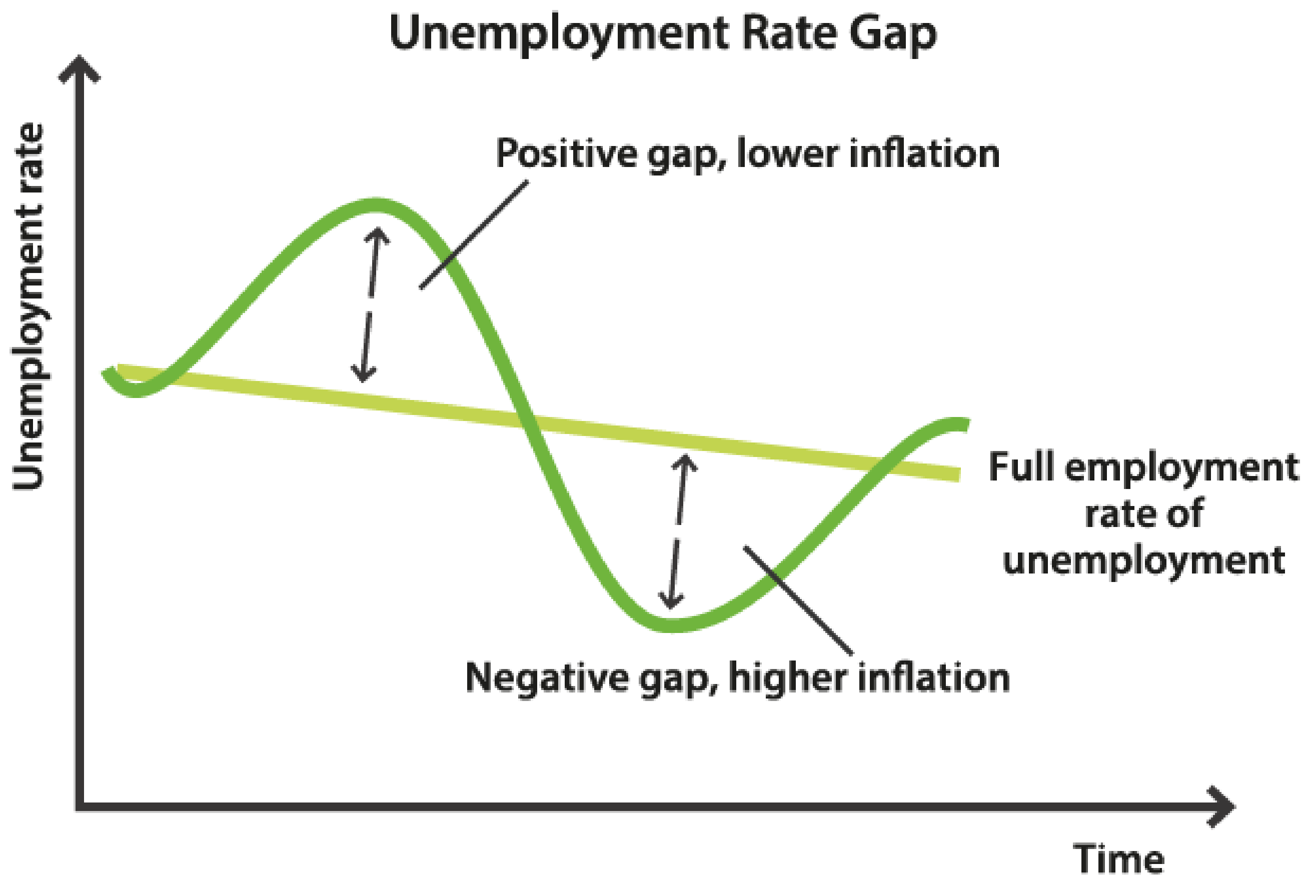
Challenges:

- Cannot be observed directly
- Cannot be summarised by a single statistic
- Changes over time

Solution:

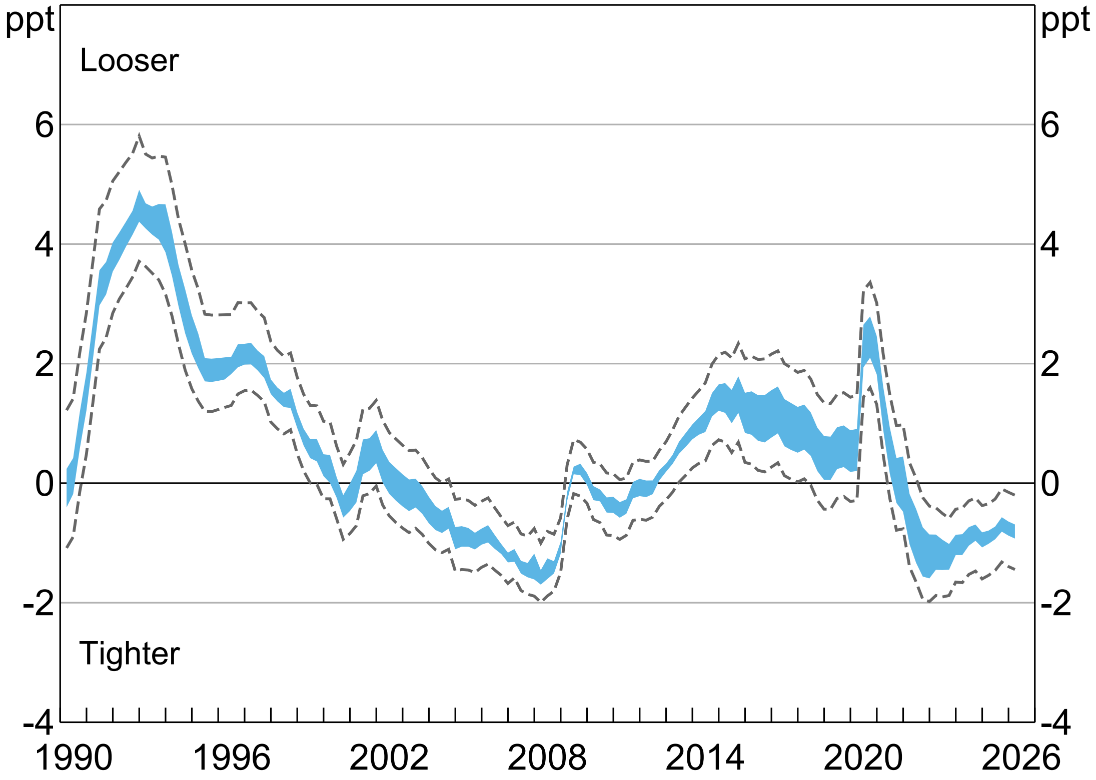
- Consider a broad set of information
  - Model-based estimates
  - Labour market indicators

Model-based estimates



Model-based estimates

Unemployment Gap*



* Blue-shaded region shows illustrative range of central gap estimates from a selection of models; grey dashed lines are the maximum and minimum one-standard-error confidence intervals from the selection of models.

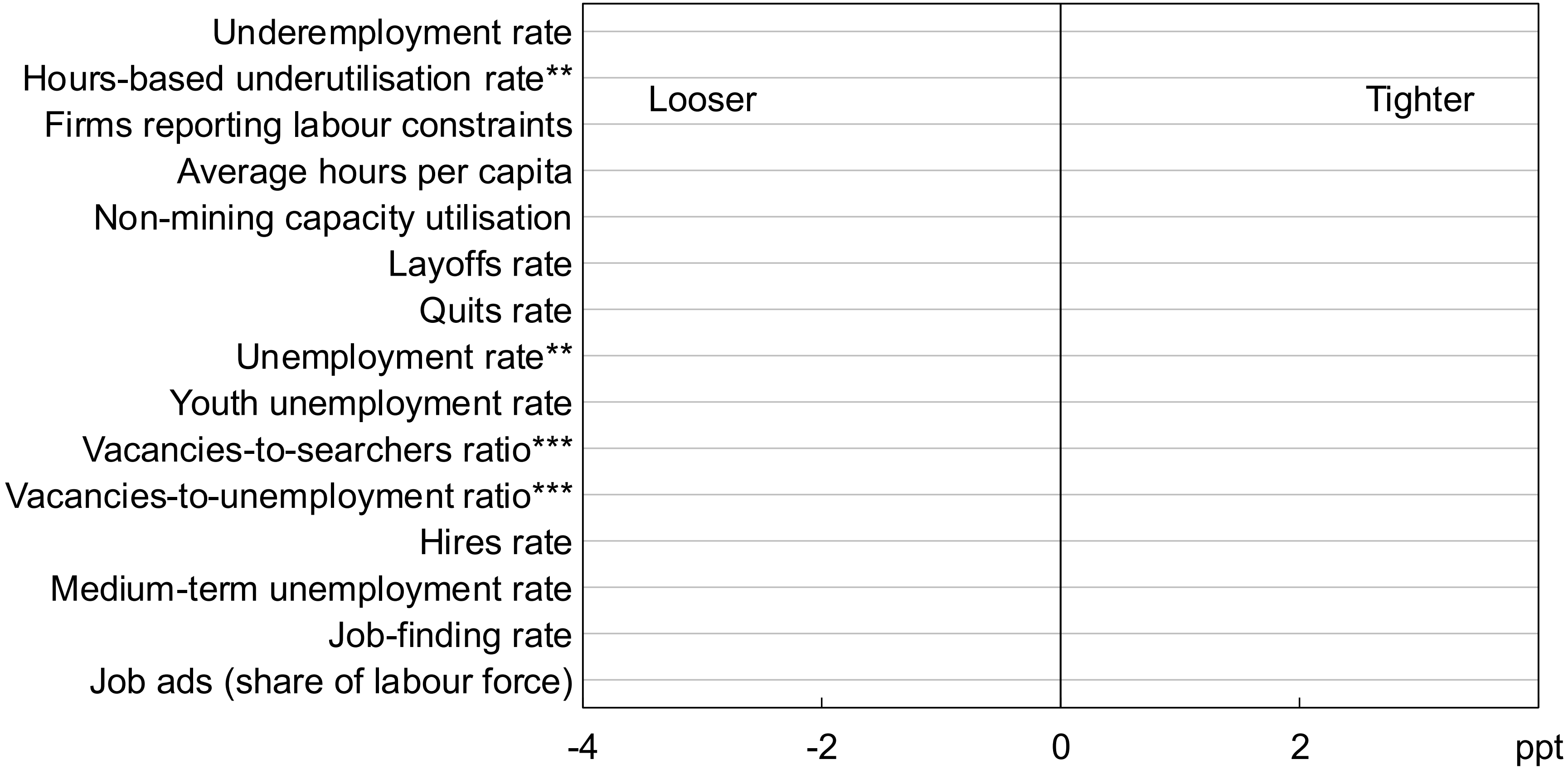
Sources: ABS; RBA.

4

Abacus Graph

Indicators of Labour Market Tightness*

Gap between current conditions and estimated trends



* Indicators scaled to the units of the unemployment rate.

** Range includes model-based estimates.

*** Log.

Sources: ABS; ANZ–Indeed; NAB; RBA.

Gap = Actual – Trend

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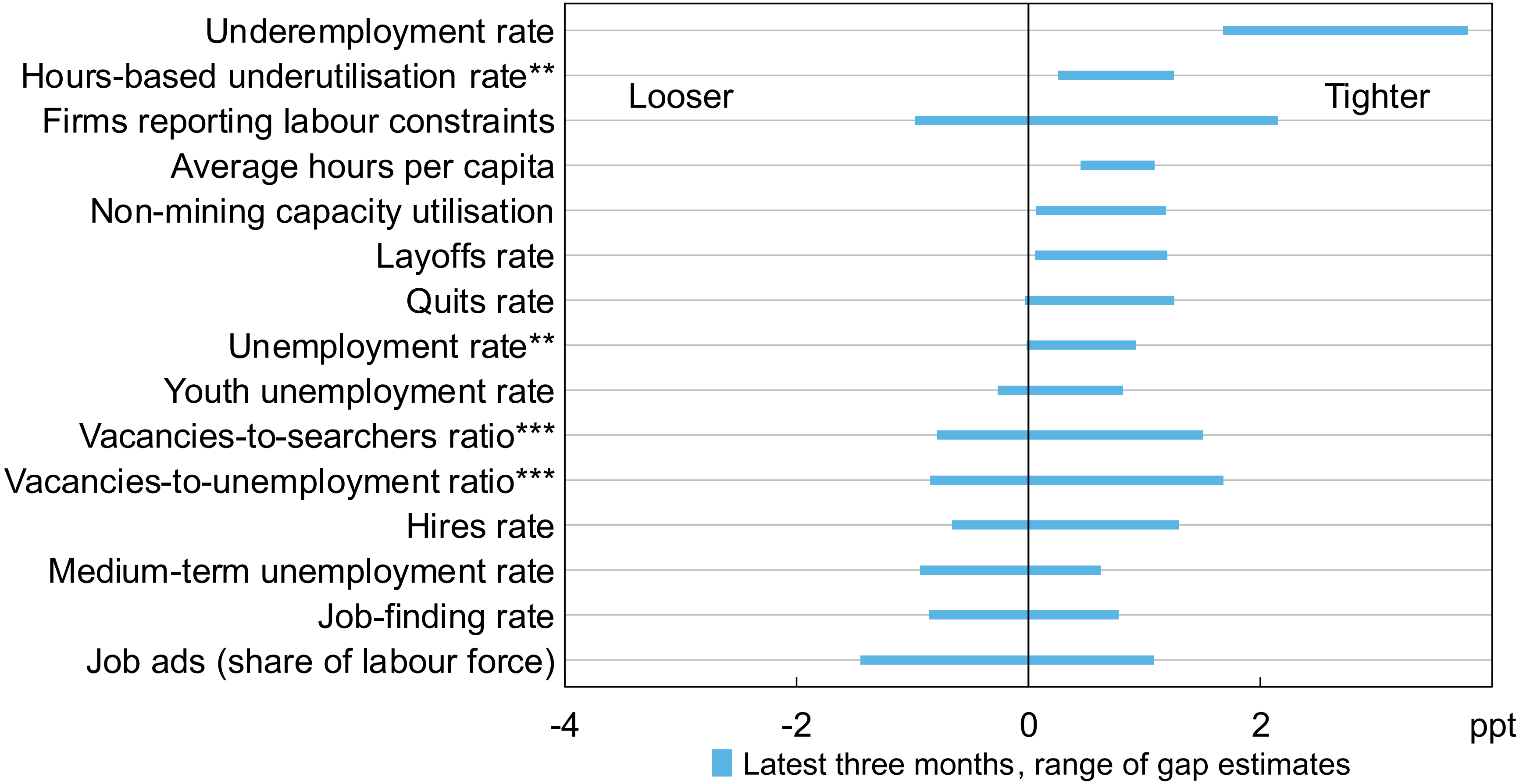

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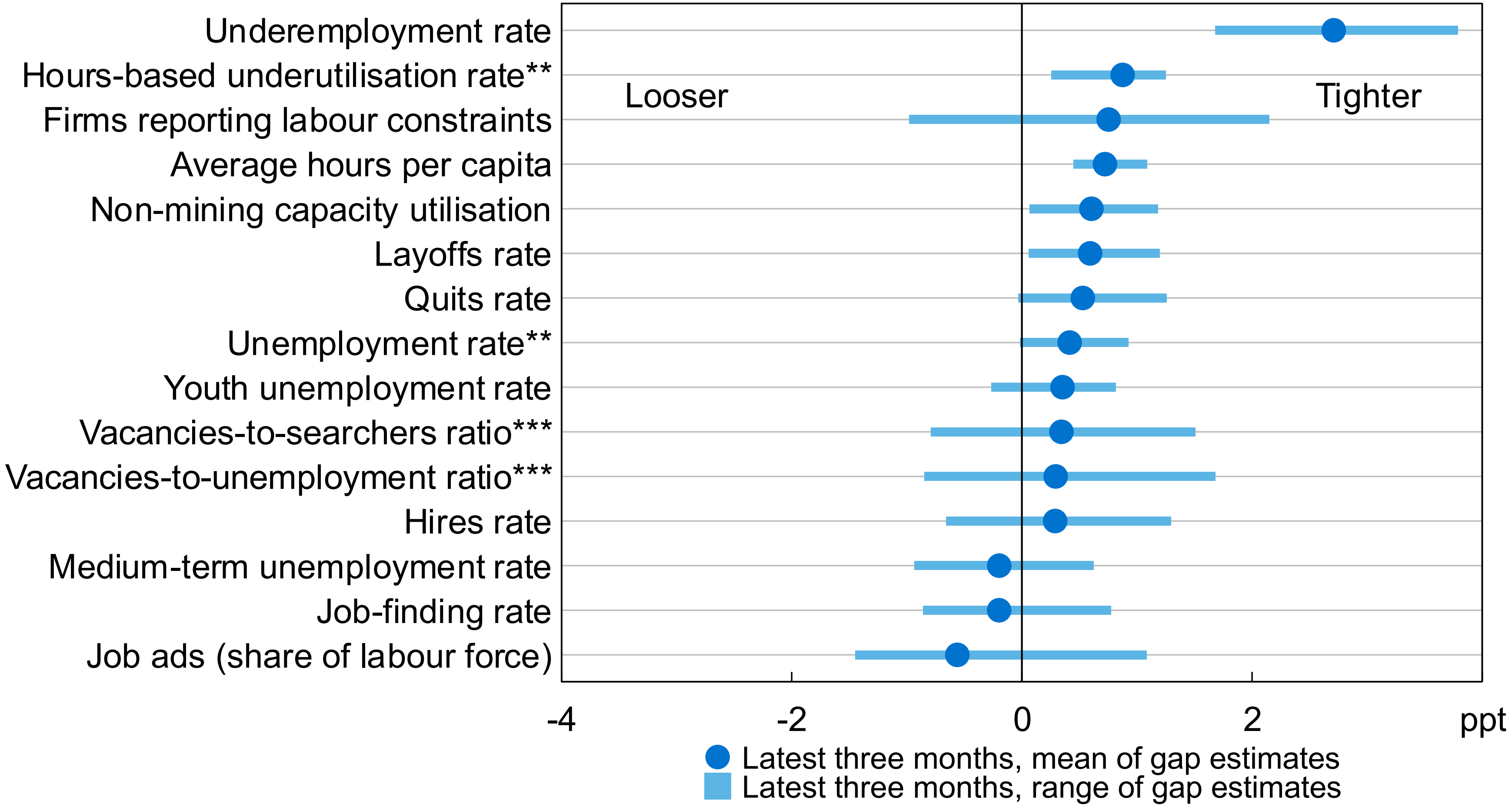

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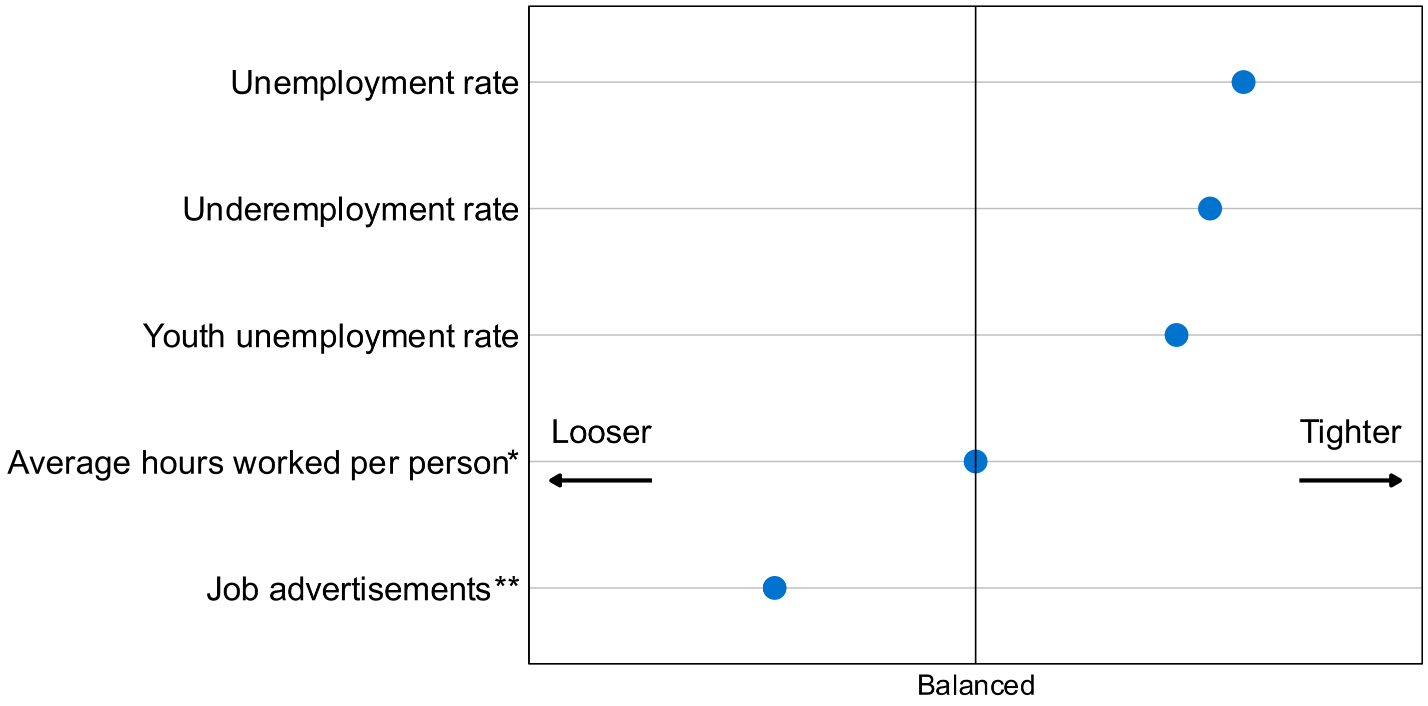
Simplified version

Labour Market Indicators - An Example

Gap between current conditions and estimated trends



* Average hours worked per person tell us whether people are working more or fewer hours on average.

** Job advertisements tell us about demand for workers by showing how many new jobs employers are trying to fill.

Source: RBA.

5

Explainers and Worksheets

What is Monetary Policy?

Explains what monetary policy is, what it aims to achieve and how monetary policy decisions are both made and implemented.

The Dual Mandate of Monetary Policy

Describes the two objectives of monetary policy (low and stable inflation, and full employment) and explains how the RBA achieves them.

Australia's Inflation Target

Describes the inflation target, why the Reserve Bank targets inflation and how the target works.

Causes of Inflation

Describes what inflation is and the main causes of changes in the inflation rate.

Full Employment

Describes the Reserve Bank's goal of full employment: why it is important, how it is measured and the tools used to achieve full employment.

Inflation and its Measurement

Describes how inflation is measured, explains how different indicators of underlying inflation are calculated, and outlines some of the limitations of using the Consumer Price Index.

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Learning Activities

This series provides a range of activities that can be used in the classroom to help students build different skills through meaningful learning experiences.

On This Page

What's going on in the Economy?

May 2026

Watch the video and answer the questions in the worksheet to understand what's going on in the economy as of May 2026.

Download worksheet – For Students PDF 170KB

Download worksheet – For Teachers PDF 212KB

Full Employment

We have created a series of resources to help teachers and students with the concepts of full employment. We have a detailed Explainer, as well as student worksheet and teacher guide, that can be used in the classroom to teach this topic.

Download worksheet – For Students PDF 171KB Download worksheet – For Teachers PDF 205KB

Questions