Potential Job Losses in the COVID-19 Pandemic

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Which workers are immediately impacted?

The necessary government response to COVID-19 saw tens of thousands of Australians out of a job in the last week and lines stretching down the footpaths of Centrelink offices across the nation.

Workers immediately impacted by new trading regulations are those employed primarily in the hospitality and entertainment sectors but we are seeing flow on effects across all parts of the economy.

Pubs, registered and licenced clubs, hotels, gyms and indoor sporting venues, cinemas, entertainment venues, casinos, night clubs and restaurants and cafes and personal care workers are all directly affected by the restrictions put in place. Travel and tour operators including agencies and airlines are also directly impacted by travel restrictions put in place.

While some of these businesses are still able to operate in a reduced capacity, they will no longer need the level of staffing they did prior to this change. Many will choose to close their doors altogether.

Across Australia more than 1.3 million workers are directly employed in these sectors, with almost half of this workforce (690,000) employed in cafes, restaurants and takeaway shops. A further 92,500 are employed in pubs, taverns and bars. More than two-thirds of these workers are employed on a casual basis and slight more workers (56%) are women.

If 30% of workers across these sectors were to be stood down, this would see over 400,000 people out of work.

If we assume that 1 in 2 workers will lose their job, this takes the job losses to over 685,000 workers, and a worst case scenario of 70% job losses to nearly 960,000 workers.

Table 1: Workers Directly Impacted by Restrictions

Industry	No. Currently Employed	%Women	Potential Direct Employment Losses		
			30%	50%	70%
Cafes, Restaurants and Takeaway Food Services	689,800	55%	206,900	344,900	482,900
Personal Care Services	110,900	91%	33,300	55,500	77,600
Pubs, Taverns and Bars	92,500	53%	27,800	46,300	64,800
Sports and Physical Recreation Activities	114,000	54%	34,200	57,000	79,800
Other Personal Services	55,500	57%	16,700	27,800	38,900
Clubs (Hospitality)	51,700	53%	15,500	25,900	36,200
Air and Space Transport	51,700	35%	15,500	25,900	36,200
Scenic and Sightseeing Transport	5,500	53%	1,700	2,800	3,900
Travel Agency and Tour Arrangement Services	42,800	72%	12,800	21,400	30,000
Creative and Performing Arts Activities	45,400	45%	13,600	22,700	31,800
Gambling Activities	31,300	45%	9,400	15,700	21,900
Parks and Gardens Operations	26,300	45%	7,900	13,200	18,400
Museum Operation	12,100	59%	3,600	6,100	8,500
Amusement and Other Recreation Activities	15,200	44%	4,600	7,600	10,600
Airport Operations and Other Air Transport Support Services	14,600	24%	4,400	7,300	10,200
Horse and Dog Racing Activities	7,800	52%	2,300	3,900	5,500
Food and Beverage Services, nfd	2,900	26%	900	1,500	2,000
Total	1,370,100	56%	411,000	685,100	959,100

Note: Industries are classified at the ANZSIC 3-digit level. Direct impact industries are those that are required to either close or restrict business activity due to regulations. Job loss predictions have been updated to incorporate new information about retail job losses. See Technical notes for calculation details.

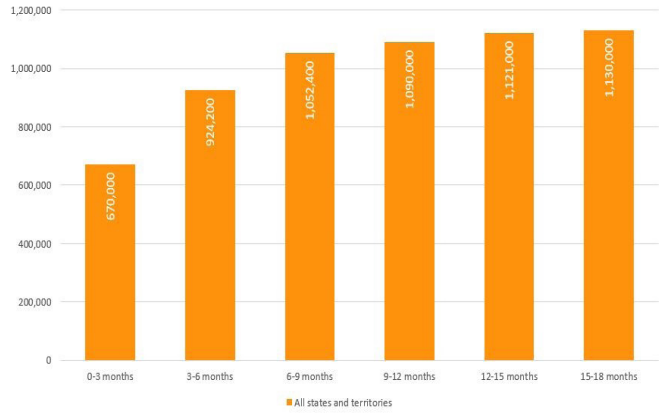
Source: Bankwest Curtin Economics Centre | Authors' calculations from various data sources.

National and State Job Losses

Along with the direct job losses anticipated from new trading and travel regulations, we can expect impacts to be felt more broadly across the economy in the coming weeks and months as households and businesses begin to rein in spending and investment.

We estimate that 1,130,000 workers will lose their job, with half of these job losses (670,000) to occur within the next three months if trade restrictions continue. This will be on top of the 700,000 unemployed persons already in the labour market.

Cumulative National Job Losses



Note: See Technical notes for calculation details. Job loss predictions have been updated to incorporate new information about retail job losses.

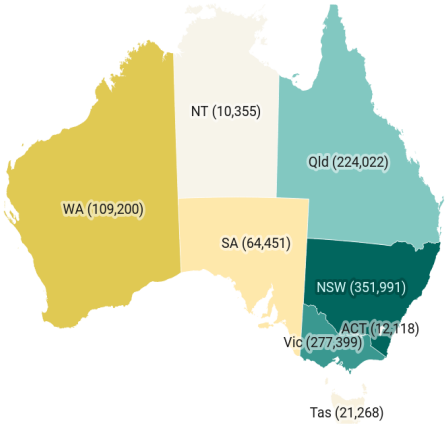
Source: BANKWEST CURTIN ECONOMICS CENTRE | Various ABS Data Sources

Across states and territories, job losses will largely align with population size, with NSW expected to shed over 350,000 workers and Victoria more than 291,000. Queensland and WA will be impacted disproportionately due to the larger share of hospitality, tourism and entertainment workers within each states labour force.

Over 125,000 workers in WA are predicted to lose their job, with 77,000 of these workers employed in cafes and bars, tourism, hospitality and travel sub-sectors. WA's mining sector also faces high exposure from global downturns, and job losses for this sector are expected here if the downturn continues and China is unable to re-boot their economy.

The nature of work of fly-in-out workers also presents a risk to the sector and while the mining sector has so far been exempt from restrictions that have applied to the rest of the nation, large mining companies have begun to put in place their own restrictions which could see further job losses.

Potential Job Losses States and Territories



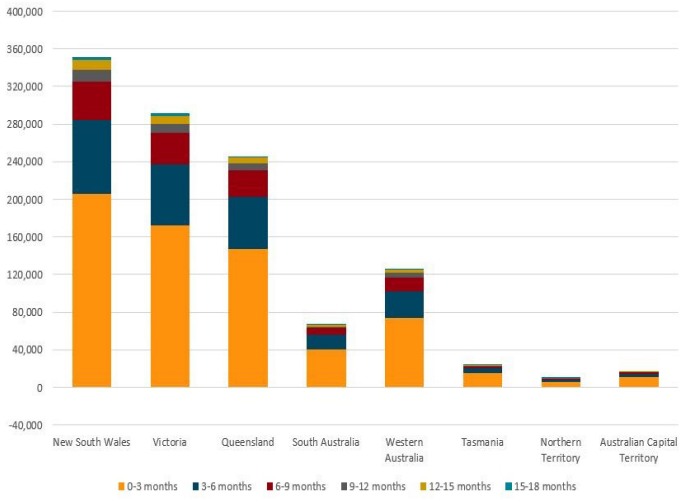
Note: See Technical notes for calculation details. Job loss predictions have been updated to incorporate new information about retail job losses.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Various ABS Data Sources

We expect that all states and territories will see the majority of job losses within the first three months as a result of business closures and trade restrictions.

Job losses in the next 3-6 months will be spread more broadly across other parts of the economy as these closures and restrictions work their way through other sectors. At this point in time, we assume that job losses from the pandemic response will subside towards the end of 2020 and the economy will begin to recover. A major resurgence of the virus would compromise this recovery.

State and Territory Job losses over time



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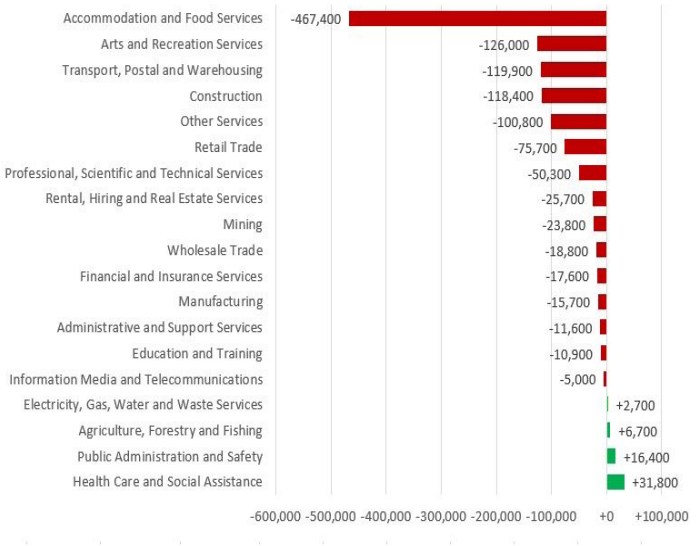
Source: BANKWEST CURTIN ECONOMICS CENTRE | Various ABS Data Sources

Industry Breakdowns

Of the 1.13 million jobs that we expect could be lost due to the pandemic, the **Accommodation and Food Services** sector comprises the biggest job losses with businesses effectively being asked to close their doors or to switch to takeaway services only. This impacts more than 95,000 businesses operating in the sector, the majority of which are small businesses and 72% of businesses in this sector are employing workers.

Job Losses by Industry



Note: Job loss predictions have been updated to incorporate new information about retail job losses. Sectors that experience an overall job loss also include sub-sector job gains. For example supermarket job increases are included within the Retail sector calculations. See technical notes for further details.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Various ABS Data Sources

Worker and businesses within the **Arts and Recreation Services** sector are the second most affected, with 126,000 workers expected to lose their job. This includes workers employed at gyms, physical fitness instructors, in casinos, performing arts and museums. Around 30,000 businesses are operating in this sector, the majority of which are sole traders (20,000).

Travel restrictions has seen large disruption, with Air and Space Transport (airlines), Scenic and Sightseeing Transport and Travel Agency and Tour Arrangement Services the most affected. All of these sub-sectors are operating within the **Transport, Postal and Warehousing** sector. Qantas and Jetstar stood down two-thirds of their 30,000 employees on 19 March. Virgin and Tiger Air followed suit shortly after, standing down 8,000 workers on 25 March, and various travel agencies including HelloWorld Travel and Flight Centre effectively closing their doors in the last week.

Personal and Other Services

Personal and Other Care Services, which include hairdressers and beauticians, laundry and dry cleaning as well as photographers, are also expected to suffer severe losses, with over 100,000 workers expected to be stood down. This affects over 40,000 businesses, with just over half of these businesses employing others.

Retail Sector

The Retail Sectors has been one of the biggest causalities of the COVID-19 crisis, with a number of major retail chains closing their doors for at least the next month – potentially longer. Some will recover, some may not.

We have estimated a net loss of 75,700 retail workers during the crisis, the majority of which will come from Department Stores and Clothing, Footwear and Personal Accessory Retailing. We expect Supermarket and Grocery stores to gain workers temporarily.

Mining

Mining has in the past been one of the great protectors of the WA and Australian economies and associated government budgets. However, we expect the fall in global demand brought on by COVID-19 to have a negative impact on the mining sector.

Iron ore prices have become quite volatile and export volumes are down. High inventories from stockpiling in China along with the re-opening of Brazil's Vale mine are driving some of these trends, but we see a broader trend of depressed demand across the sector.

Job losses in the mining sector could be curbed if China is able to re-boot their economy, but there are a lot of unknowns and uncertainty in the market.

Construction

The construction sector is the second biggest employer in the nation. We expect that the overall downturn in the economy will place additional pressure on this sector, with major construction projects and residential housing likely to decline for as long as the virus presents a threat.

Job Gains

Consumer responses to COVID-19 have seen bare supermarket aisles and shortages of essential products across the nation. A number of organisations have responded to this increased demand for food and essentials by hiring more staff. This has included major supermarket chains and pizza delivery services. Agriculture sector is also predicted to add jobs, along with the utilities sector. We also expect health care and social assistance services to increase the number of workers over the course of the COVID-19 crisis.

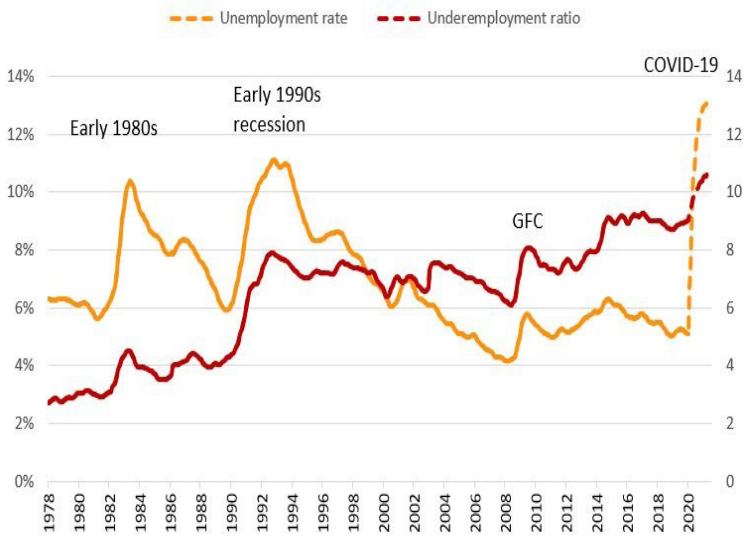
How high will the unemployment rate go?

The latest ABS Labour Force Survey for February saw the number of people employed in Australia finally tip over the 13 million mark.

February data also recorded the number employed at 700,000 reflecting an unemployment rate of 5.1%. But the number of people out of work is likely to increase substantially in the coming weeks and months.

Our estimates see Australia's unemployment rate double by June, reaching 10.6%, rising to 13% in the next 12 months. This would see the total number of unemployed reach 1.8 million Australians.

State and Territory Job losses over time



Note: See Technical notes for calculation details

Source: BANKWEST CURTIN ECONOMICS CENTRE | Various ABS Data Sources

These projections take into account labour force and employment growth over this period, but assume workers that lose their job are unable to gain work in this period. It also assumes that the impacts of COVID-19 on the economy will subside within the next 12 months and the economy will begin to recover. Much uncertainty exists around this assumption.

The significant early 1980s and 1990s recessions saw the unemployment rate double, peaking at 10.1% and 11.0% respectively. It took two to three years in each downturn to reach these heights.

During the Global Financial Crisis (GFC) the unemployment rate increased from 4.2% in August 2008 to a high of 5.8% in June 2009. The rapid government response to the GFC was to introduce one of the biggest economic stimulus packages in Australia's history, which likely prevented more job losses.

The ability of businesses to bounce back from such shocks is highly uncertain.

However, while we are in a very different situation to that of the GFC, some policy response lessons can be taken from both the national and international settings. Initial steps by Government, the Central Bank and private banking institutions to minimise household and business debt levels are a positive first step. Whether they are sufficient remains to be seen.

Pandemics are also not like typical downturns, where economic activity can and should be stimulated. Instead, it is the response to the pandemic that induces the downturn – which is to reduce economic activity.

Businesses are required to restrict or cease trading altogether which effectively induces a sudden demand and supply shock. Very rapidly we see high rates of unemployment and business failures which will quickly lead to spread across all sectors of the economy and lead to negative economic growth.

Technical Notes:

Predicted unemployment rates have been constructed by applying estimated employment growth and job losses from March 2020 to August 2021. This timeframe has been selected based upon the likelihood of an extended period of uncertainty in the economy but for this uncertainty to diminish over time.

Employment growth is forecast using previous historical labour market data patterns over negative economic shocks including the early 1980s, 1990s recessions and global financial crisis. Job losses have been estimated by applying job-specific loss shares to ANZSIC 3-digit industries based upon applying direct, indirect, lower and medium exposure classifications. Potential increases in jobs within sub-sectors have also been factored in, including growth in essential services (health, utilities, social services) and industry sub-sectors that are seeing increased demand (for example agriculture and farming, supermarkets, packaging services, food product manufacturing, and building cleaning).

Estimates and outcomes may differ substantially. Estimates of 50% job losses to the hospitality, entertainment and transport sector directly impacted have been applied. These may be conservative given 60% of workers in these sectors are employed on a casual basis and businesses have either shut or trade restricted to takeaway services.

Job losses also include workers that may be temporarily stood down but still remain attached to their employer. Some workers may be using leave arrangements including paid and unpaid leave as temporary arrangements. These workers would not fall within a standard definition of unemployment. Workers that lose their jobs are also assumed to remain in the labour force.

Data Sources: Bankwest Curtin Economics Centre | Authors' calculations from ABS Labour Force Quarterly Detailed, Cat No.6291.0.55.003 Feb 2020, ABS Cat No. 6201.0 Labour Force Australia, ABS 2016 Census TableBuilder, ABS Cat No.6306.0 Employee Earnings and Hours Survey ABS Cat No.6306.0 ABS Characteristics of Employment 2019 TableBuilder, ABS Counts of Businesses including Entries and Exits Cat No.8165.0 2019, ABS Business Indicators Cat No.5676.0.