

LABOUR MARKET UPDATE

Providing monthly updates and expert insights and analysis around key labour market indicators.

The unemployment shock

The latest labour market figures look dire to say the least. Massive employment losses and thousands of people working fewer hours than they would like to. Headline figures show employment losses of 600,000 people, which takes Australia's labour force down to 12.4 million. The last time the labour force was this size was in December 2017. Comparisons to the Great Depression keep being made, where unemployment reached 20%. BCEC's re-calculated estimates of 9.7% unemployment show that we are not quite at this point yet, but if we take into account hours of work lost, total labour force underutilisation is reaching 23%. The big difference between now and the Great Depression is that the shock to the labour market has all been crammed into a month rather than spread over several years.

All states and territories have been adversely impacted by COVID-19, but some have been more protected than others. In terms of employment losses, the two territories and Tasmania have suffered less than the larger states, retaining the lowest ranked unemployment rates, despite significant increases. The ACT even saw average hours of work increase over the last month (+6.5hrs), as public servants worked overtime to deliver public policy to minimise the impact of the crisis on workers, families and businesses. The largest states on the other hand have not been as fortunate, all seeing their unemployment rates effectively increase by 4ppts or more, and now stand upwards of 9%. NSW, Qld and Vic suffered the largest absolute employment losses, with more part-time than full-time jobs lost.

Some contrasting stories are playing out in the impact that COVID-19 is having on women's and men's labour market outcomes. Overall, women have faced a greater increase in their effective unemployment rate, doubling to 10.2% over the last month, while underemployment is showing as more of an issue for men. This suggests that women's labour market gains in recent years are being eroded, at least temporarily, as a result of the pandemic. Arguably of greater concern is whether these temporary losses for women become locked in permanently as we transition through the COVID-19 crisis.

Pace of recovery the key

The jump in the unemployment rate will be just the first of a series of rises in the headline figure. How many months that series of rises runs for, and how quickly displaced workers can be re-absorbed into the employed workforce will be a critical factor in determining the degree of economic pain inflicted on the economy as a whole, and on individuals and their families. The reason is, there is a big difference in the consequences of short-term unemployment as opposed to long-term unemployment.

Even in normal times, many people enter unemployment every month. While losing your job can always be a shock, as long as those jobless spells are short-lived, the consequences are limited. But as the duration of jobless spells grow longer, the effects on household finances, mental health and even jobseekers' physical health worsen. People can lose confidence, self-esteem, and hope, and relationships can fall apart. Importantly, a person's chance of finding a job in the coming month falls the longer they have been out of work. This has implications at the policy level – for a given level of unemployment, it is better to have that pool rotating than to have a core of long term unemployed accumulate. Once there is a substantial core of long-term unemployed, policy measures to reduce unemployment become less effective and the harder it becomes for government to wind back unemployment and for the economy to rebound.

From this perspective, the government's 'go early and go hard' JobKeeper strategy makes good sense. Keeping people connected to employment opportunities is crucial and, in previous downturns, well-targeted wage subsidy programs have tended to be one of the more effective forms of assistance for the long-term unemployed.

The youth unemployment rate is estimated to have leapt to an effective rate of around 20% in April, hit hard by the job losses in hospitality and retail. On the positive side, a high proportion of youth are in education and training and others have many options for retraining and changing career paths. While the headline unemployment rate for older workers is lower, it is this group that is often the most severely affected by job loss and whose re-employment prospects fall off sharply with time spent in unemployment.



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Employment falls by almost 600,000 workers

Table 1: Employment changes: states and territories

The number of workers employed in Australia fell by almost 600,000 between March 2020 and April 2020, with the impacts of shutdowns and trade restrictions due to COVID-19 now working their way through the labour market. More part-time jobs were lost (a decline of 374,000 in the last month) compared to full-time (down 220,000), reflecting the employment structures and market situations in those sectors that have been most heavily impacted: Accommodation and Food services and Retail services.

In terms of absolute numbers, employment falls were the largest in NSW (down 221K), followed by QLD (down 129K) and VIC (down 127K). Job losses in NSW were equally split between part and full-time work over the last month, but the balanced shifted towards part-time workers in VIC and QLD.

Compared to a year ago, employment growth has fallen nationally by 3.1%. SA has seen the largest decrease in employment growth, falling by 4.9% in the last year. This is followed by NSW (down 4.7%) and QLD and WA (both down by 3.2%). The ACT, NT and TAS have still managed to record positive employment growth over the last year, despite recent losses.

| | Employed Persons ('000) | Change from: | | Change from March 2020 ('000) | | Change (%) from April 2019 | | | |
|-----------|-------------------------|-------------------|------|-------------------------------|------|----------------------------|-----------|-----------|-----------|
| | | March 2020 ('000) | Rank | April 2019 (%) | Rank | Full-Time | Part-time | Full-Time | Part-time |
| Australia | 12,418.7 | ▼ -594.3 | --- | ▼ -3.1% | --- | -220.5 | -373.8 | ▼ -1.4% | ▼ -6.7% |
| NSW | 3,916.2 | ▼ -221.4 | 8 | ▼ -4.7% | 7 | -116.7 | -104.7 | ▼ -1.0% | ▼ -13.1% |
| VIC | 3,327.2 | ▼ -127.1 | 6 | ▼ -1.3% | 4 | -17.0 | -110.2 | ▲ +0.1% | ▼ -4.2% |
| QLD | 2,432.4 | ▼ -129.6 | 7 | ▼ -3.2% | 5 | -51.8 | -77.8 | ▼ -2.4% | ▼ -5.2% |
| SA | 813.7 | ▼ -40.8 | 4 | ▼ -4.9% | 8 | -20.1 | -20.8 | ▼ -5.7% | ▼ -3.4% |
| WA | 1,303.6 | ▼ -62.3 | 5 | ▼ -3.2% | 5 | -20.8 | -41.5 | ▼ -3.1% | ▼ -3.4% |
| TAS | 249.3 | ▼ -8.7 | 2 | ▲ +0.4% | 3 | -4.2 | -4.5 | ▼ -1.1% | ▲ +2.8% |
| NT | 131.4 | ▼ -3.7 | 1 | ▲ +2.2% | 1 | -2.5 | -1.2 | ▲ +0.0% | ▲ +10.5% |
| ACT | 231.5 | ▼ -8.7 | 2 | ▲ +1.5% | 2 | -0.2 | -8.6 | ▲ +4.3% | ▼ -6.2% |

Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0, Seasonally Adjusted values. The ABS do not usually report seasonally adjusted values for the ACT and NT. Estimates from the ACT are often more volatile than other states and territories.

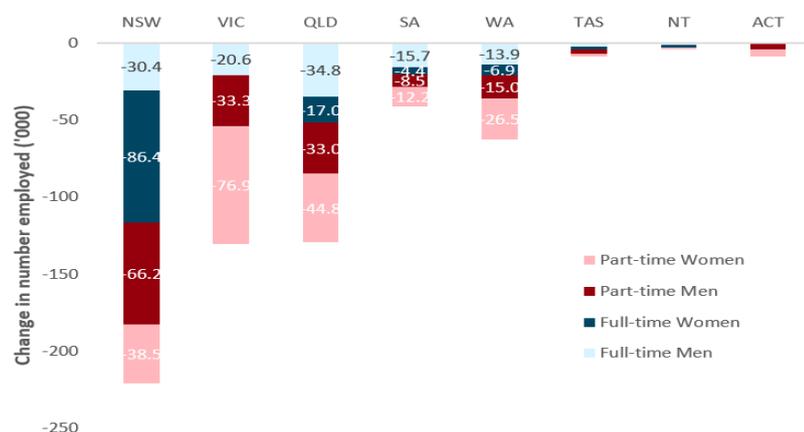
Women in the full-time workforce fell by 86,000 in NSW

Of the 600,000 people that lost their job in the last month, a slightly higher proportion (53%) were women. Full-time job losses were more evenly split between the genders, with full-time employment falling away by 118,000 among men and 114,000 for women. But a greater number of part-time employment losses fell to women.

Women working full-time in NSW have seen the largest absolute employment losses between March and April 2020, falling by over 86,000 workers. This was followed by women working part-time in Victoria (down 76,900 over the month) and part-time men in NSW (down 66,200). Together, these three groups make up over one-third of the overall employment losses in the last month.

Among male full-time workers, Qld saw the largest absolute employment losses, falling by almost 35,000 workers. This was followed by NSW (down 30,400), VIC (down 20,600) and WA (down 13,900). With the exception of NSW and VIC, job losses for women were more likely to be skewed towards part-time work, reflecting the workforce composition of the industries that have been the most impacted.

Figure 1: Full-time and part-time employment losses: gender and state



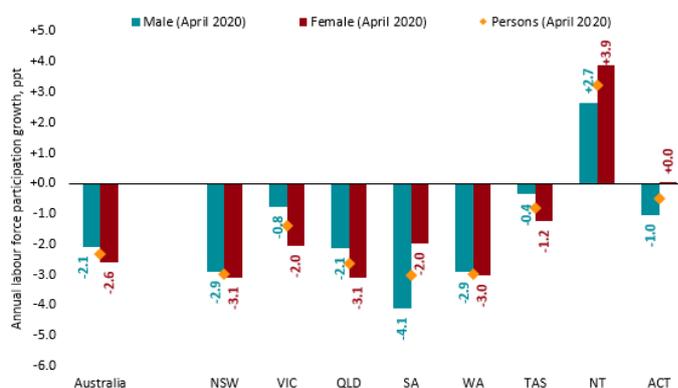
Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0
Notes: Seasonally Adjusted values are used. Figures show growth from April 2019 to April 2020. Estimates for the NT and ACT are often more volatile than other states and territories.

Labour force participation falls, but not by as much as we think

Figure 2: Change in Labour Force Participation Rate: gender and state

The decrease in labour force participation – people classified as working or actively seeking work – is driven primarily by a large flow of people moving from employment to 'not in the labour force' – almost 600,000 people between March and April. Many of these are workers who have been laid off, but have ended up in the 'not in the labour force' pile instead of 'unemployed'. This is because a person can only be classified as unemployed if they are actively seeking employment AND are available to work in the reference week. **This has two implications – it undercounts those that are unemployed and over counts those that are not in the labour force, inflating the decreases in labour market participation.**

Labour force participation has fallen by 2.3 percentage points compared to a year ago. Women have experienced the biggest decline (down 2.6ppts) compared to men (down 2.1ppts). Every state with the exception of the NT has seen a substantial fall in their participation rate. QLD and NSW have seen the largest decrease among women, down 3.1ppts compared to the same time last year. Among men, SA has seen the biggest fall in participation, down 4.1ppts. This is followed by WA and NSW, both having seen a 2.9ppt decrease compared to a year ago.



Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0
Notes: Seasonally Adjusted values are used. Figures show change from April 2019 to April 2020. Estimates for the NT and ACT are often more volatile than other states and territories.

The 'real' unemployment rate is now 9.7%

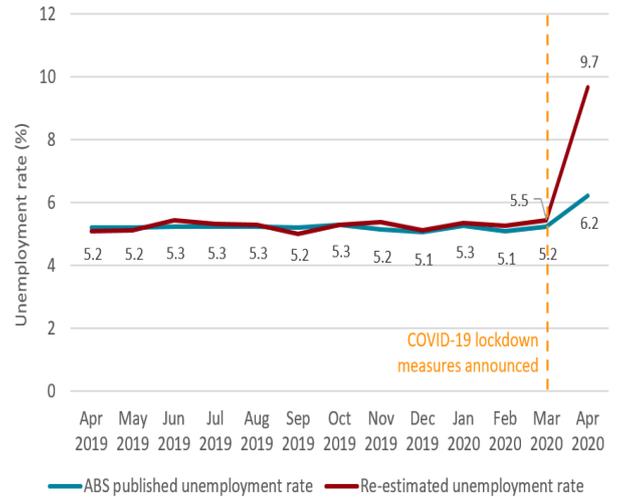
Official ABS figures show Australia's unemployment rate has risen to 6.2% in April 2020, rising by 1ppt relative to the March 2020 rate. But this figure masks the true extent of job losses given the challenges with classifying workers who are now out of a job.

In the month to April 2020, some 878,000 people were classified as leaving the labour force, 630,000 of whom were previously registered as employed and 247,000 as unemployed in March 2020. We expect some flow of workers leaving the labour force, but the number over the month to April 2020 was exceptional – exceeding by **510,000** the number of exits at the same time last year.

For a more accurate view of the 'real' level of unemployment, we take the **excess** flows of workers (compared with the same time last year) who move from being employed or unemployed to 'not in the labour force', and reclassify them as unemployed. We then re-estimate unemployment rates using this augmented measure.

Our estimates show that the current national unemployment rate is 9.7%, rather than 6.2%. This is an increase of 4.9ppts over the month bringing the total unemployed to 1.33 million people. The last time our unemployment rate approached 10% was in 1994, at the tail end of what Paul Keating called "the recession that Australia had to have".

Figure 3: New estimates of the unemployment rate



Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat 6202.0. Notes: Seasonally Adjusted values are used. We estimate 'real' unemployment by reclassifying a share of the 878K workers who have moved from being 'employed' or 'unemployed' to 'not in the labour force' into unemployment, taking account of previous flows between employment statuses.

Real unemployment rate is highest in SA, at 10.3%

Nationally, the number of unemployed people increased by 614,000 over the last month. And the latest data show that the labour market impact of the COVID-19 pandemic is hitting hard across all states and territories.

Our estimates place SA first with the highest unemployment rate of 10.3%. This is followed by QLD (10.1%), WA (9.8%) and VIC (9.7%). In terms of absolute numbers, the impact has naturally been greatest in our two largest states. NSW has seen the number of unemployed increase by just under 200,000 in the last month alone. For VIC, the figure is around 168,000.

The two territories of ACT and NT have been least affected, at least to date, with unemployment rates at 7.6% and 7.9% respectively once we adjusting for excess labour market flows.

Table 2: Unemployment changes: states and territories gender and state

| | 'Real' unemployment rate | | Change (ppt) from: | | Unemployed ('000) | | Change ('000) from: | |
|-----------|--------------------------|------|--------------------|------------|-------------------|------------|---------------------|--|
| | April 2020 | Rank | March 2020 | April 2019 | April 2020 | March 2020 | April 2019 | |
| Australia | 9.7% | — | ▲ +4.5 | ▲ +4.5 | 1332.9 | ▲ +614.0 | ▲ +627.3 | |
| NSW | 9.5% | 4 | ▲ +4.6 | ▲ +5.0 | 410.9 | ▲ +198.8 | ▲ +215.6 | |
| VIC | 9.7% | 5 | ▲ +4.5 | ▲ +4.8 | 356.6 | ▲ +167.5 | ▲ +184.5 | |
| QLD | 10.1% | 7 | ▲ +4.4 | ▲ +4.2 | 272.4 | ▲ +118.9 | ▲ +114.6 | |
| SA | 10.3% | 8 | ▲ +4.0 | ▲ +4.2 | 93.8 | ▲ +36.4 | ▲ +37.7 | |
| WA | 9.8% | 6 | ▲ +4.4 | ▲ +3.8 | 142.0 | ▲ +63.8 | ▲ +55.5 | |
| TAS | 8.8% | 3 | ▲ +3.9 | ▲ +2.0 | 24.0 | ▲ +10.6 | ▲ +6.0 | |
| NT | 7.9% | 2 | ▲ +2.4 | ▲ +3.5 | 11.3 | ▲ +3.5 | ▲ +5.4 | |
| ACT | 7.6% | 1 | ▲ +4.4 | ▲ +2.6 | 19.1 | ▲ +11.1 | ▲ +7.2 | |

Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0. Notes: Seasonally Adjusted values are used. We estimate 'real' unemployment by reclassifying a share of the 878K workers who have moved from being 'employed' or 'unemployed' to 'not in the labour force' into unemployment, taking account of previous flows between employment statuses.

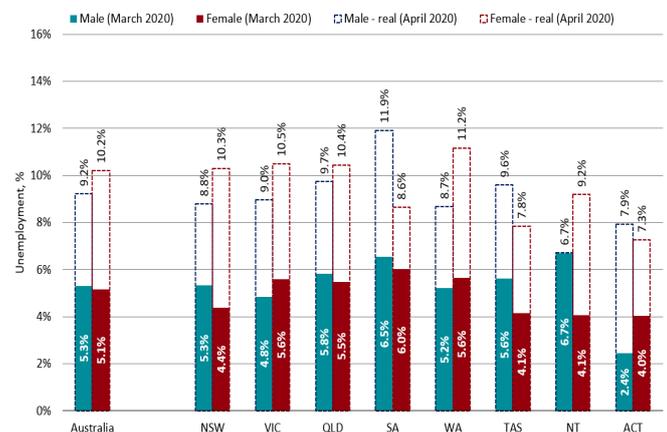
WA women and SA men have the highest unemployment rate

We again re-estimate the unemployment rate for women and men, reclassifying the excess flow of workers moving into 'not in the labour force' as unemployed. And when we do, this changes the gender dynamic in the unemployment rate.

Once excess labour market flows are accounted for, **women face a higher unemployment rate than men, at 10.2% compared to 9.2%.**

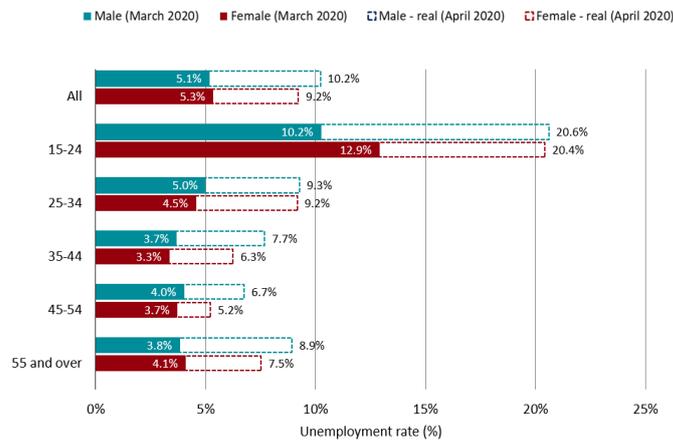
Women in WA are shown to face the highest estimated unemployment rate, at 11.2%. This is double the rate in March 2020. For men, we see unemployment rising especially strongly in SA, where rates have increased by 5.4ppt from 6.5% to 11.9% over the last month alone. The real unemployment rate for men in NT remains relatively low, at 6.7%. However, the picture for NT women is far bleaker, with unemployment rates rising by 5.1ppt to 9.2% over the last month.

Figure 4: Real unemployment changes: gender and states



Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0. Notes: Seasonally Adjusted values are used. We estimate 'real' unemployment by reclassifying a share of the 878K workers who have moved from being 'employed' or 'unemployed' to 'not in the labour force' into unemployment, taking account of previous flows between employment statuses.

Young men and women face the highest unemployment rates

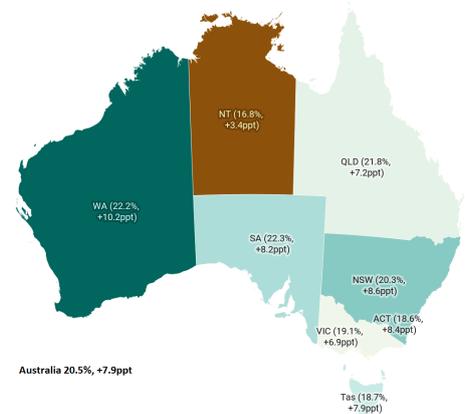


Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0. Notes: Seasonally Adjusted values are used. We estimate 'real' unemployment by reclassifying a share of the 878K workers who have moved from being 'employed' or 'unemployed' to 'not in the labour force' into unemployment, taking account of previous flows between employment statuses.

Young Australians have seen a huge rise in unemployment as a result of the COVID-19 pandemic. **Unemployment among men aged 15-24 has doubled from 10.2% to 20.6% over the last month, and women aged 15-24 now face an effective unemployment rate of 20.4% in April 2020 – an increase of 7.5ppt since March 2020.** Unemployment rates have effectively doubled among the middle age cohorts too, with rates of 9.3% and 9.2% respectively for men and women aged 25 to 34.

It is worth noting that the financial impact on those in younger age groups may well be less severe, given the enhanced protection afforded by the JobSeeker payment and the fact that a significant share of those in the 15-24 age bracket are likely to have been on lower wages and hours.

Youth unemployment rises to 22.2% in Western Australia

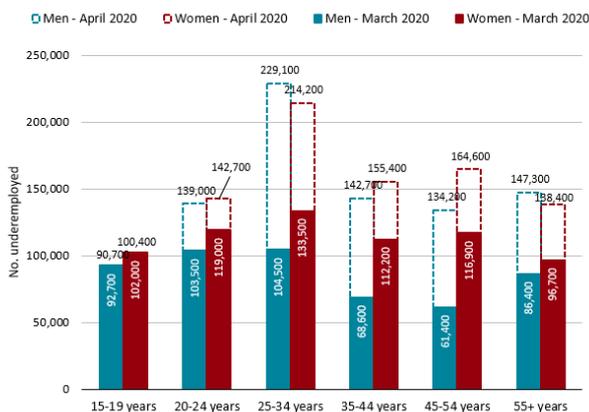


Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0. Notes: Seasonally adjusted values are used. Youth unemployment is generated by focusing on labour market outcomes for people aged 15 to 24 years. We estimate 'real' unemployment by reclassifying a share of the 878K workers who have moved from being 'employed' or 'unemployed' to 'not in the labour force' into unemployment, taking account of previous flows between employment statuses.

The 'real' youth unemployment rate projects a far larger issue than signalled by the most recent published figures, once excess flows out of the labour market are incorporated. On this basis, we estimate the youth unemployment rate to have risen by 7.9ppt in the last month, from 12.6% in March 2020 to 20.5% in April 2020.

WA has the highest youth unemployment rate, with more than one in five (22.2%) of young people now out of work. WA's youth unemployment rate has also increased by the largest margin over the past month (+10.2ppt), followed by NSW (+8.6ppt). SA and ACT also saw significant increases above the national average (+8.2ppt and +8.4ppt respectively).

Underemployment by gender and age



Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0. Notes: Seasonally Adjusted values are used.

Workers over 25yrs see greatest rise in underemployment

The number of underemployed persons grew from 1.2 to 1.8 million people between March and April 2020, lifting the national underemployment rate from 8.8% to 13.7%.

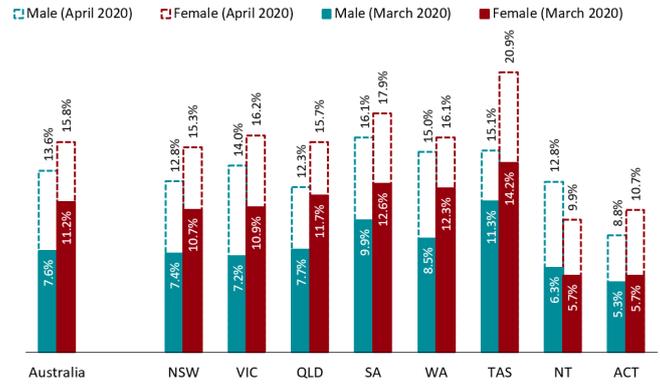
Workers aged over 25 years have experienced the largest absolute increases, with almost as many men added to the underemployment pile as women in the last month.

Men aged 25-34 years saw the biggest increase in absolute numbers, with 125,000 more workers classified as underemployed, taking the total to almost 230,000 for this age group. This group also saw their underemployment ratio more than double from 6.4% to 14.6%. Women in this age group experienced the second largest increase, with the number of underemployed increasing by just over 80,000 taking the total to just over 214,000 workers.

While the underemployment ratio among women is higher than men across nearly all states and territories, the underemployment ratio has grown by a greater margin among men. The underemployment ratio grew nationally by 6.3ppt for men and 4.9ppt for women compared to the same time last year. The female underemployment ratio currently stands at 15.8%, larger than the male underemployment ratio of 13.6%.

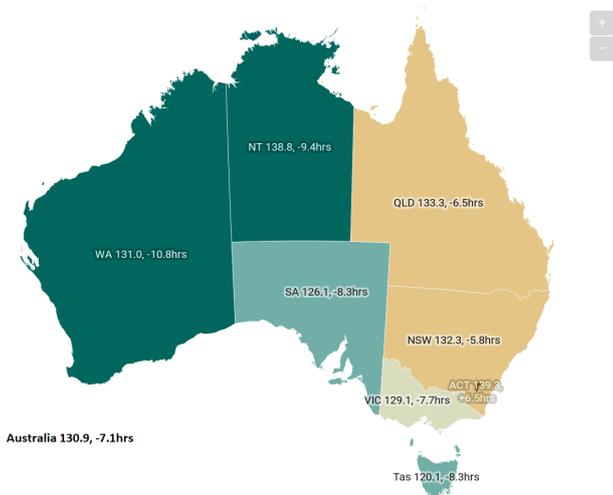
The underemployment ratio for women has increased across all states and territories over the year, with the largest increase in SA (+6.6ppt), followed closely by TAS (+6.5ppt). TAS continues to hold the highest female underemployment ratio, having increased significantly to 20.9% in April 2020.

The story among men is the same, with underemployment increasing significantly in all states and territories. SA has seen the largest increase in male underemployment over the year (+8.6ppt), followed by WA (+8.2%). SA currently has the highest male underemployment ratio at 16.1%, followed by WA and TAS (15% and 15.1% respectively).



Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0. Notes: Seasonally Adjusted values are used. The underemployment ratio is generated by calculating those part-time workers who would prefer more hours, as a share of the total number employed.

Average monthly hours fall in every state except the capital



Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0. Notes: Seasonally Adjusted values are used.

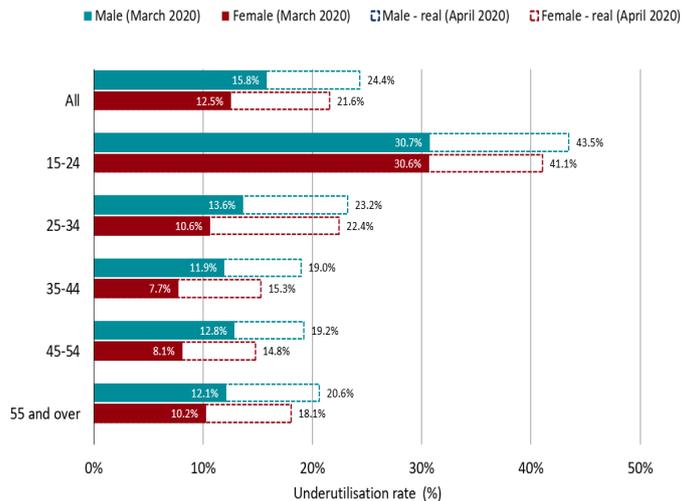
Australians worked significantly fewer hours in April 2020 than they did in April 2019, averaging 130.9 hours worked per employee. This represents a decrease of 7.1 hours compared to April 2019.

The ACT was the only region to see an increase in hours worked (+6.5 hours) taking average monthly hours to 139.3 hours. The critical mass of public servants and their increased workloads, along with a concentration of office workers with greater ability to work from home, is likely to be driving this trend.

All other states and territories recorded significant decreases in average hours worked, with the largest fall being recorded in WA (-10.8hrs).

This was followed by the NT, where hours fell on average by 9.4 hours, however, it still retained the largest weekly hours in the nation averaging 139 hours per worker per month. SA saw average monthly hours fall by 8.3, VIC by 7.7 and QLD by 6.5. NSW had the smallest decrease in hours among the states, dropping by 5.8 hours on average.

More than 4 in 10 people aged 15-24 unemployed or underutilised

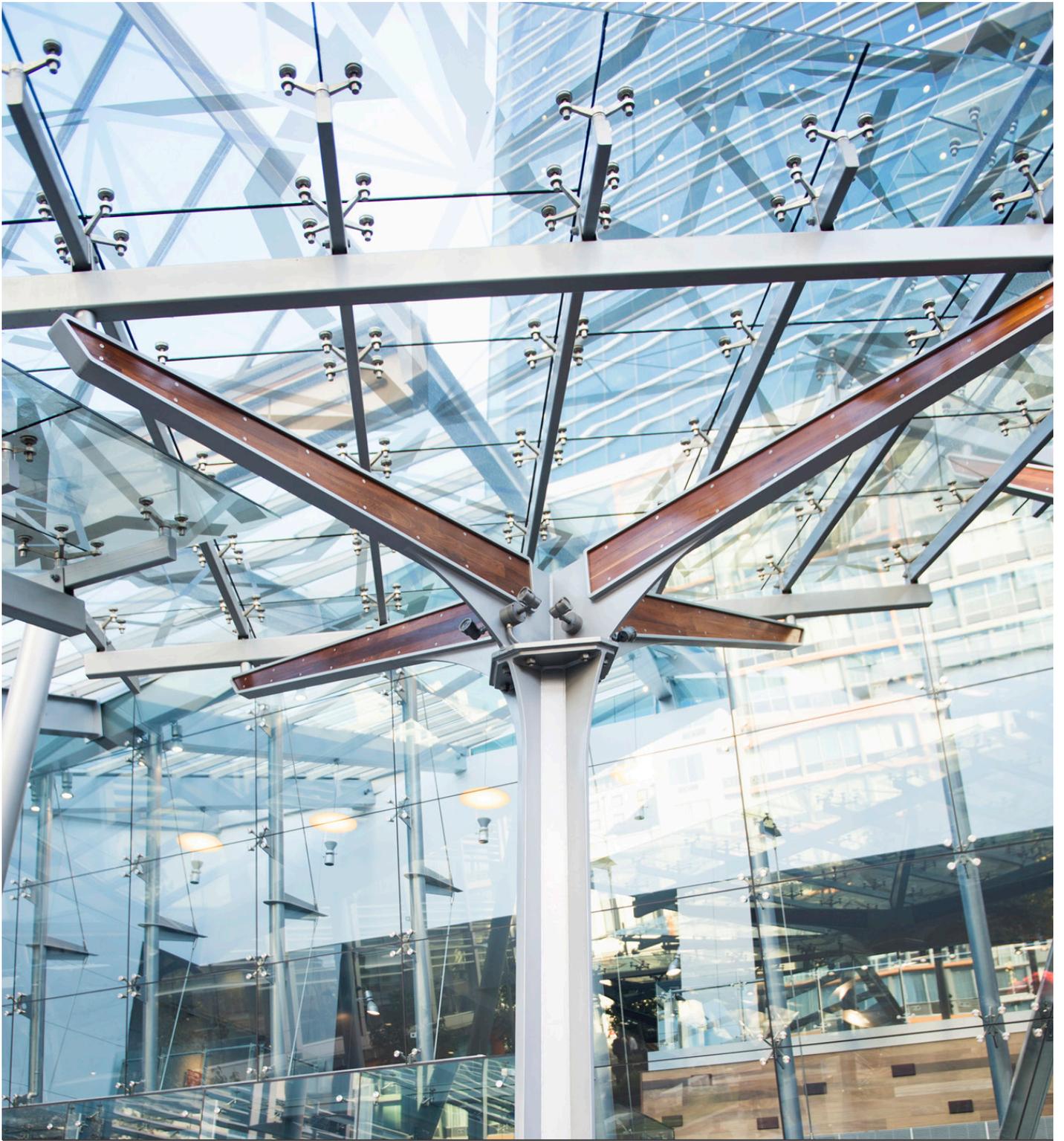


Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0. Notes: Seasonally Adjusted values are used. Underutilisation rates are calculated as the ratio of underemployed plus unemployed to the total labour force. 'Real' unemployment is estimated by reclassifying a share of the 878K workers who have moved from 'employed' or 'unemployed' to 'not in the labour force' into unemployment, taking account of previous flows between employment statuses.

Combining the number of workers who would prefer more hours with the number of unemployed, as a share of the total labour force, provides us with the labour market underutilisation rate as a broader measure of spare labour capacity.

As expected, the COVID-19 crisis has increased underutilisation to a huge extent. **Nearly a quarter of men (24.4%) and more than one in five women (21.6%) are either working fewer hours than they would like, or not working at all - equivalent to 3,145,000 people who are underutilised to some degree.**

The greatest underutilisation rates by far are among the youngest cohort of workers. More than four in ten men aged 15-24 (43.5%) are part of the labour force, but are either underemployed or unemployed. For young women, the underutilisation rate is at a similarly high level, at 41.1%.



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