



# BCEC

Bankwest Curtin Economics Centre

# LABOUR MARKET UPDATE

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

## Labour market recovery: a more positive outlook for Victoria will add strength

Economic and labour market recovery has been the subject of much discussion and commentary over the last six months. What shape will it take, how quickly will it happen and will there be a second impact? To date, there have been many signs of a stronger economic recovery. And while the September labour market figures show an overall decline in employment nationally, most states and territories have added rather than subtracted to employment in the last month. In fact, it's challenging to see what the key driver is to the overall national decline.

Nationally, while only just over 50% of employment and hours lost since the peak of the pandemic have been regained, removing Victoria lifts this to over 75%. In fact all states and territories except for Victoria have recovered around 67% and above of employment and hours lost since March 2020.

The large employment losses from Australia's second largest state will continue to place downward pressure on national statistics and introduces again the challenge of being able to place people within standard labour market definitions. A more positive outlook for Victoria's economy and labour market will add strength to the national recovery.

Along with additional virus outbreaks and shutdown responses, we need to also be aware of other constraints on labour market recovery. A key observation this month is that hours are recovering faster than jobs in some states – NSW, WA and Tasmania. This indicates that fewer workers are doing more hours, and suggests that JobKeeper could start to suppress labour market recovery as employers hold on to workers that attract the subsidy.

## How realistic are Budget Employment Forecasts?

Coming one week after the tabling of the Federal and WA State Budgets, the September labour force figures provide one of the first major pieces of economic data against which to assess the assumptions upon which the national and State economic outlooks are based.

The Commonwealth Treasury's assumptions of an Australia-wide COVID-19 vaccination program in place by 2021 and of 4.75% growth in GDP in 2021-22 were seen by many as being on the optimistic side. Under that scenario, the Budget Papers forecast the unemployment rate rising from 7.0% last financial year to 7.25% in 2020-21 and recovering to 6.5% in 2021-22. In contrast, the WA Treasury's outlook is for the unemployment rate to increase from 6.1% last year, to 8.0% and then 7.0% in 2020-21 and 2021-22.

September's minor seasonally-adjusted increase in the national unemployment rate should be seen as a positive outcome, given the unexpected fall in that series last month. The Budget's near-term expectation of an 8% unemployment rate in the December quarter of this year is thankfully looking increasingly unlikely.

Working backwards from the Commonwealth Treasury's assumptions on population growth and labour force participation already suggests slightly lower employment growth than forecast will be needed to keep unemployment to the forecast rates for 2020-21 and 2021-22. In this sense, the Budget's labour market forecasts seem reasonably conservative, but a key link in that calculus is the participation rate forecast: the projected 65.5 percent in 2021-22 is one-half of a percentage point below pre-COVID levels, and higher participation as the economy recovers could easily translate into a higher unemployment rate.

The recent data are at odds with projections for the national unemployment rate to be significantly lower than WA's, certainly in the current financial year. The WA Treasury seem to have adopted a considerably more conservative set of labour market assumptions – we estimate that total employment would need to actually fall by 2.5% over the remainder of 2020-21 for the annual unemployment rate to reach its forecast 8.0%.



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Employment falls nationally but challenging to see the key driver

Table 1: Employment changes – states and territories

A peculiar feature of the September labour force survey results is the challenge to align the overall national decline in employment with what is happening across states and territories.

The national seasonally adjusted figures tell us that there has been a loss of almost 30,000 employed persons between August and September. But trying to discern exactly where this overall loss stems from is more challenging. In fact adding up all of the state losses and gains returns an overall gain in employment of around 1,600 people. The 35,500 loss in Victoria and 32,200 gain in Queensland effectively cancel each other out.

Similarly, it's difficult to identify where the loss of around 20,000 full-time workers stems from in the national seasonally adjusted estimates, with state totals recording an overall gain of 12,000 full-time workers.

This is not necessarily an entirely unusual feature of the seasonally adjusted estimates – state totals will generally not add to the national. However, in general while totals may be different, they are typically pointing in the same direction. When the pandemic broke, the ABS responded quickly to remove trend estimates from any series and also moved to modify the seasonal adjustment measure in a similar way to what was done during the Global Financial Crisis. But it does highlight the challenge in the application of methodological adjustments to atypical labour markets.

	Employed Persons ('000)	Change from:		Change from August 2020 ('000)		Change (%) from September 2019			
		September 2020	August 2020 ('000)	Rank	September 2019 (%)	Rank	Full-Time	Part-time	Full-Time
Australia	12,571.9	▼ -29.5	---	▼ -2.8%	---	-20.1	-9.4	▼ -3.4%	▼ -1.4%
NSW	4,028.2	▲ +3.3	3	▼ -2.4%	6	+9.9	-6.6	▼ -3.6%	▲ +0.3%
VIC	3,224.7	▼ -35.5	8	▼ -5.8%	8	+0.6	-36.1	▼ -4.1%	▼ -9.5%
QLD	2,518.0	▲ +32.2	1	▼ -1.5%	5	+19.9	+12.3	▼ -3.4%	▲ +2.4%
SA	843.7	▲ +8.7	2	▼ -1.4%	4	-1.5	+10.2	▼ -3.1%	▲ +1.6%
WA	1,352.8	▲ +2.9	4	▼ -0.3%	3	-2.5	+5.4	▼ -2.1%	▲ +3.6%
TAS	252.0	▼ -2.5	6	▲ +0.4%	2	-0.9	-1.6	▼ -0.7%	▲ +2.3%
NT	125.5	▼ -6.7	7	▼ -5.1%	7	-4.1	-2.6	▼ -7.0%	▲ +1.6%
ACT	239.8	▼ -0.8	5	▲ +1.6%	1	-9.3	+8.6	▲ +1.1%	▲ +2.8%

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

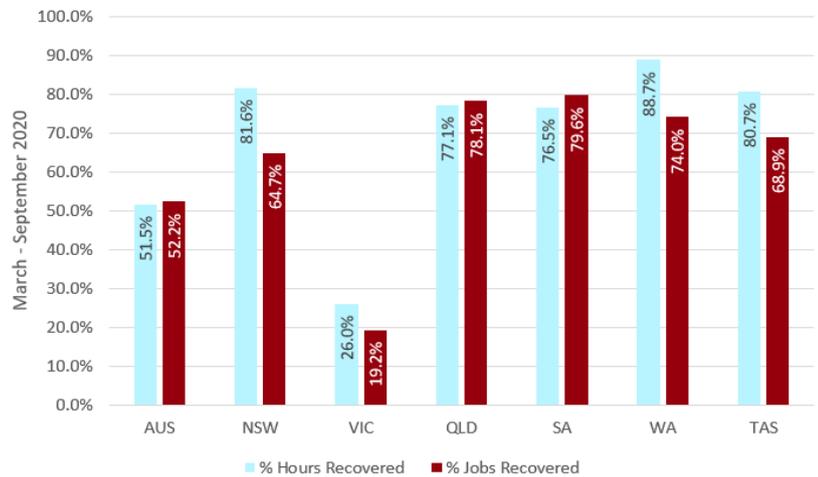
Employment and hours recovering well: VIC the exception

Figure 1: Employment and hours lost and recovered March-September

Of the 900,000 employment losses since March, just over half has been recovered to date, with further losses in Victoria in July and August slowing the national recovery.

All states and territories (not shown) have been able to recover a significant amount of employment lost over the past months, with South Australia leading the way with almost 80% of employment recovered and 77% of hours. This is in stark contrast to only one-fifth of employment recovered to date in Victoria and around a quarter of hours.

Several states including NSW, WA and Tasmania are showing higher rates of recovery in hours compared to employment. NSW for example has recovered over 80% of hours lost yet only 65% of employment. This suggests that fewer workers are doing longer hours. This is likely to be linked to the JobKeeper payment, where 'higher value' employees that are linked to JobKeeper are retained and their hours increased rather than employing new workers that do not attract the subsidy. The new Job Hiring subsidy may change these patterns, but they are likely to hold for some time.



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

Women recover more employment than men

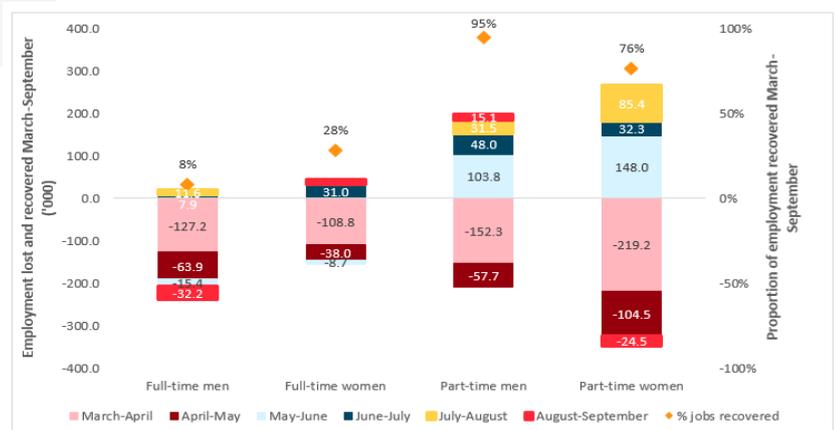
Figure 2: Proportion of employment recovered since March

Overall, women have regained employment at a faster rate than men to date, recovering just over 60% of employment lost and men 45%.

Comparing employment recovery between men and women and full and part-time work, there are contrasting patterns. Men have regained 95% of part-time employment lost between March and September, whereas women have regained 76% in part-time work. The large contraction in part-time work among women in the last period has slowed this recovery down and is likely driven almost entirely by Victoria.

Full-time employment recovery is still struggling to make any ground, and in fact has gone backwards on latest data among men, with over 30,000 jobs lost, which is again likely attributed to Victoria. A meagre 8% of full-time employment among men has been recovered to date.

The lack of traction in recovering full-time employment again points to a more permanent loss of jobs here rather than a temporary outcome of the pandemic and business trading closures. More job losses are likely in the October survey with Victoria again being the key driver.



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

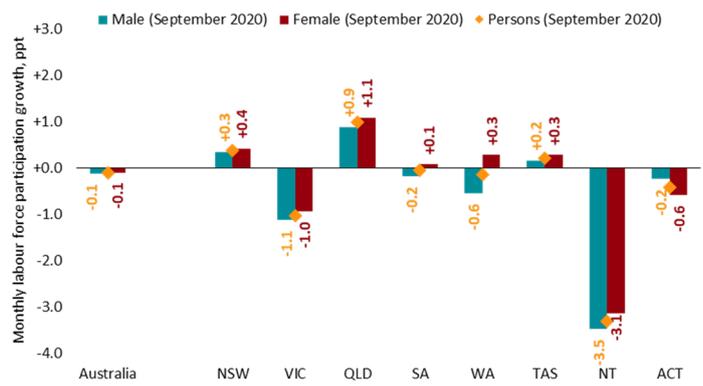
## Victoria continues to place downward pressure on national participation

The labour force participation rate (LFPR) for Australia saw a marginal fall of 0.1ppt over the month and currently stands at 64.8%. Both men and women saw a fall in participation rates of around 0.1ppt, with the overall participation rate among women remaining around 10ppt below that of men (60.1% compared to 69.6%). **On year-to-date measures, participation rates are down by 1.3ppt, with men seeing a larger fall than women (-1.5ppt compared to -1.1ppt).**

**Five of the eight states and territories recorded a fall in participation rates over the month to September 2020**, with the NT seeing the largest fall by a significant margin (-3.3ppt), followed by VIC (-1.0ppt). QLD recorded the largest rise in participation since this time last month (+1.0ppt), followed by NSW (+0.4ppt) and TAS (+0.2ppt).

**Participation among men followed fell in five of the states and territories.** The largest fall in male participation rates was recorded in the NT (-3.5ppt), followed by VIC (-1.1ppt) and WA (-0.6ppt). QLD recorded the most significant rise in male participation (+0.9ppt), while NSW and TAS saw relatively smaller growth (+0.3ppt and +0.2ppt respectively). **The story for women is the opposite, with participation rising in five of the eight states and territories.** The largest rise in female participation was recorded in QLD (+1.1ppt), while the remaining four states with positive changes saw relatively small increases of 0.4ppt and below. Female participation fell strongly in the NT (-3.1ppt) and VIC (-1.0ppt), with a noticeable fall also being recorded in the ACT (-0.6ppt).

## Figure 3: Change in labour force participation



Notes: Seasonally Adjusted values used.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0

## Unemployment rate rises to 6.9%

**There are currently 937,400 unemployed people in Australia, an increase of 11,300 over the past month.** This translates to an unemployment rate (u/e rate) of 6.9%, which is 0.1ppt higher than in August 2020.

Half of the states and territories have seen an increase in their u/e rate over the past month, with the largest increase being recorded in TAS (+1.2ppt), followed by the NT (+0.6ppt), NSW (+0.5ppt), and QLD (+0.3ppt). On the other side, SA has seen the largest decrease in u/e rates over the month (-1.0ppt), followed by VIC (-0.4ppt), and WA (-0.3ppt). In absolute figures, NSW is the key contributor to the increase in the number of unemployed people nationwide, contributing an additional 22,400 unemployed people over the month. QLD also added a significant number of unemployed people (+11,100), with TAS and the NT seeing relatively smaller increases (+3,600 and +500 respectively). **VIC has seen the largest decrease in the number of unemployed over the month (-19,800) despite recording the largest falls in employment.** This is because people that have lost work cannot be counted as unemployed if they are not actively seeking employment and available to start work. A definition very challenging to meet in Stage 4 lockdowns. Significant falls in the number of unemployed were also seen in SA and WA over the **past month (-9,400 and -5,300 respectively).**

**On year-to-date measures the story remains negative, with the national u/e rate sitting 1.7ppt higher than in September 2019.** All states and territories have seen a rise in u/e rates over the year, with the exception of the NT which recorded a fall of 1.0ppt, which is likely linked to falling participation rates. NSW has seen the largest increase in u/e rates over the year (+2.7ppt), followed by VIC (+2.0ppt), TAS (+1.4ppt), QLD (+1.1ppt), and WA (+1.0ppt). Nationally, the number of unemployed is up by 228,000 since September last year, with around half of this increase from NSW (+115,100). VIC has seen the second largest absolute rise in the number of unemployed over the year (+61,300), followed by QLD (+29,800), and WA (+14,300). The NT is the only region which has seen in the number of unemployed since this time last year (-1,800).

## Table 2: Unemployment changes - states and territories

	Unemployment Rate	Rank	Change (ppt) from:		Unemployed ('000)		Change ('000) from:	
			August 2020	September 2019	September 2020	August 2020	September 2019	
Australia	6.9%	--	▲ +0.1	▲ +1.7	937.4	▲ +11.3	▲ +228.1	
NSW	7.2%	6	▲ +0.5	▲ +2.7	311.8	▲ +22.4	▲ +115.1	
VIC	6.7%	3	▼ -0.4	▲ +2.0	230.6	▼ -19.8	▲ +61.3	
QLD	7.7%	8	▲ +0.3	▲ +1.1	209.2	▲ +11.1	▲ +29.8	
SA	7.1%	5	▼ -1.0	▲ +0.8	64.6	▼ -9.4	▲ +7.4	
WA	6.7%	4	▼ -0.3	▲ +1.0	97.0	▼ -5.3	▲ +14.3	
TAS	7.6%	7	▲ +1.2	▲ +1.4	20.8	▲ +3.6	▲ +4.3	
NT	4.8%	2	▲ +0.6	▼ -1.0	6.3	▲ +0.5	▼ -1.8	
ACT	3.8%	1	▼ -0.2	▲ +0.5	9.4	▼ -0.7	▲ +1.4	

Notes: Seasonally adjusted values are used.

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## Underemployment among men increasing: women's stabilising

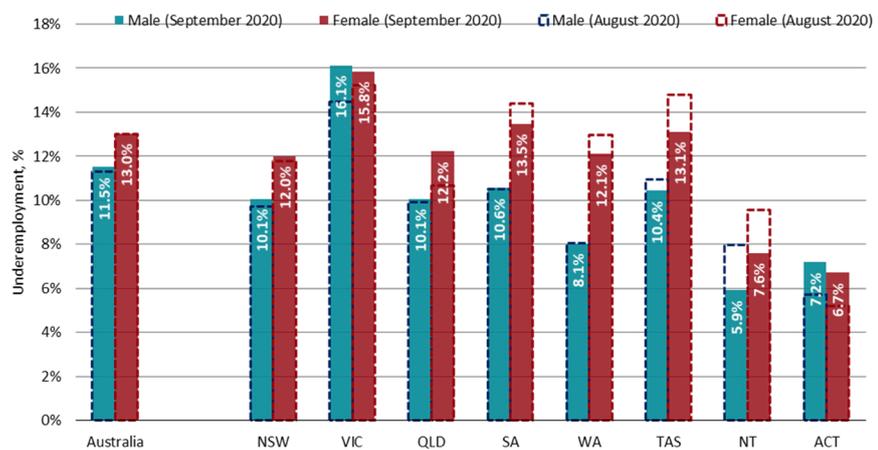
Over the month of September 2020 the national underemployment ratio has risen marginally by 0.1ppt to 12.2%. **This increase was entirely driven by an increase in the male underemployment ratio by 0.2ppt**, with female underemployment remaining unchanged from August. Despite this increase, men still have a considerably lower underemployment ratio than women (11.5% compared to 13.0%). **This trend can be seen in all states and territories aside from VIC and the ACT, where men currently have slightly larger underemployment ratios.**

**The underemployment ratio for women has fallen in half of the states and territories over the past month.** The largest fall was recorded in the NT (-2.0ppt), followed closely by TAS (-1.7ppt), then SA and WA (-0.9ppt each). QLD and the ACT saw the largest increase in the female underemployment ratio over the month (+1.5ppt each), with VIC and NSW seeing smaller increases (+0.6ppt and +0.2ppt respectively).

**Among men, the underemployment ratio only fell in the NT (-2.0%) and TAS (-0.5%).** Only VIC and the ACT saw significant increases in underemployment among men (+1.7ppt and +1.5ppt respectively), with SA, WA and QLD seeing practically no change, and NSW seeing a minor increase of 0.3ppt.

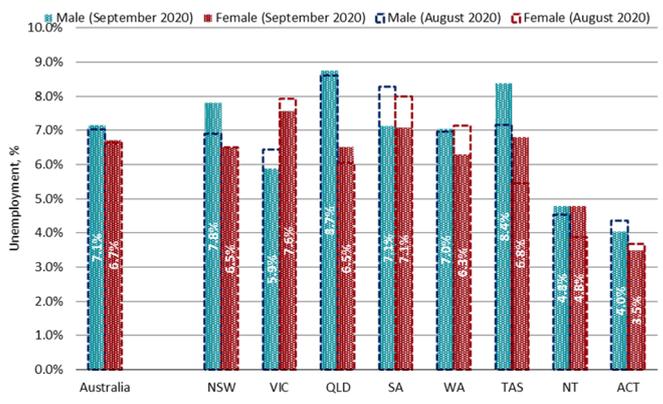
**When compared to September last year, both male and female underemployment ratios are still up significantly** – with men seeing the larger increase (+4.3ppt compared to +2.4ppt).

## Figure 4: Underemployment ratio by gender, states and territories



Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Figure 5: Unemployment rate higher among men



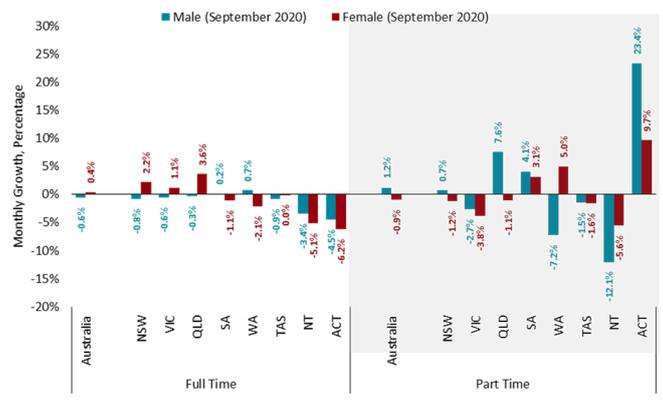
Notes: Seasonally adjusted values are used. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0

Nationally, the u/e rate for men currently sits above that for women (7.1% compared to 6.7%), with both men and women seeing a small increase over the past month (+0.1ppt). Over the month to September 2020, male u/e rates have risen in 5 of the states and territories. TAS has recorded the largest increase in male u/e rates (+1.2ppt), followed by NSW (+0.9ppt) and the NT (+0.3ppt), while QLD and WA have only seen a very small increase of 0.1ppt each. SA recorded the largest decrease in male u/e rates over the month (-1.2ppt), this was followed by VIC (-0.6ppt) and the ACT (-0.3ppt).

Female u/e rates have fallen in half of the states and territories and remained unchanged in NSW at 6.5%. SA recorded the largest fall in female u/e rates (-0.9ppt), followed closely by WA (-0.8ppt). The ACT and VIC also saw a decrease in ue among women, but these were relatively small (-0.2ppt and -0.3ppt respectively). On the negative side, TAS saw the largest rise in female u/e rates (+1.3ppt), followed by the NT (+0.9ppt), and QLD (+0.5ppt).

When looking at year-to-date changes, men and women have seen a similar rise in u/e rates (+1.8ppt and +1.7ppt respectively). All states and territories have recorded an increase in u/e rates for both genders, with the exception of the NT where male u/e is down 1.4ppt and female u/e down 0.6ppt. NSW is still the worst performer when it comes to changes in male u/e rates (+3.3ppt), while for women VIC is the worst performer (+2.6ppt).

Figure 6: Part-time employment growth strongest for men



Notes: Seasonally adjusted values are used. Figures show growth from August 2020 to September 2020. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0

Full-time employment growth over the month to September 2020 has been positive for women (+0.4ppt), and negative for men (-0.6ppt) at the national level.

For women, full-time employment increased in the three largest states of NSW, VIC and QLD and remained unchanged in TAS. QLD saw the largest rise in full-time female employment (+3.6ppt), followed by NSW (+2.2ppt), and then VIC (+1.1ppt). The ACT and the NT saw the largest fall in full-time employment among women over the month (-6.2ppt and -5.1ppt respectively), followed by WA (-2.1ppt), and SA (-1.1ppt). Full-time employment among men only increased in WA and SA, and these were relatively minor increases (+0.7ppt and +0.2ppt respectively). The two territories recorded the largest falls in male full-time employment, with the ACT recording the large fall (-4.5ppt compared to -3.4ppt). The remaining states recorded falls below 1%, with the largest among them being in TAS (-0.9ppt) and NSW (-0.8ppt).

The national part-time story is the opposite, with men seeing an increase over the past month (+1.2ppt), and women seeing a decrease (-0.9ppt).

Male part-time employment rose in half of the states and territories, with the largest increase being in the ACT (+23.4ppt), followed by QLD (+7.6ppt) and SA (+4.1ppt). The NT recorded the largest fall in part-time employment among men (-12.1ppt), followed by WA (-7.2ppt), VIC (-2.7ppt) and TAS (-1.5ppt). Among women, part-time employment rose in 3 of the states and territories, with the largest increase being in the ACT (+9.7ppt), followed by WA (+5.0ppt), and SA (+3.1ppt). The largest falls in female part-time employment were in the NT and VIC (-5.6ppt and -3.8ppt respectively). On year-to-date measures, employment is still down for all groups except part-time males (+1.2ppt).

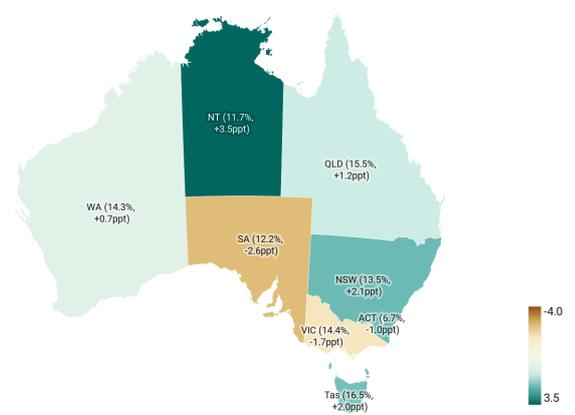
Figure 7: Youth unemployment - states and territories

Nationally, the youth u/e rate increased by 0.5ppt between August 2020 and September 2020 and currently stands at 14.1%. TAS currently has the highest youth u/e rate at 16.5%, followed by QLD (15.5%), VIC (14.4%), and WA (14.3%). The ACT continues to hold the lowest youth u/e rate by a large margin (6.7%), with the closest to this in the NT (11.7%). The remaining states all have youth u/e rates below the national average.

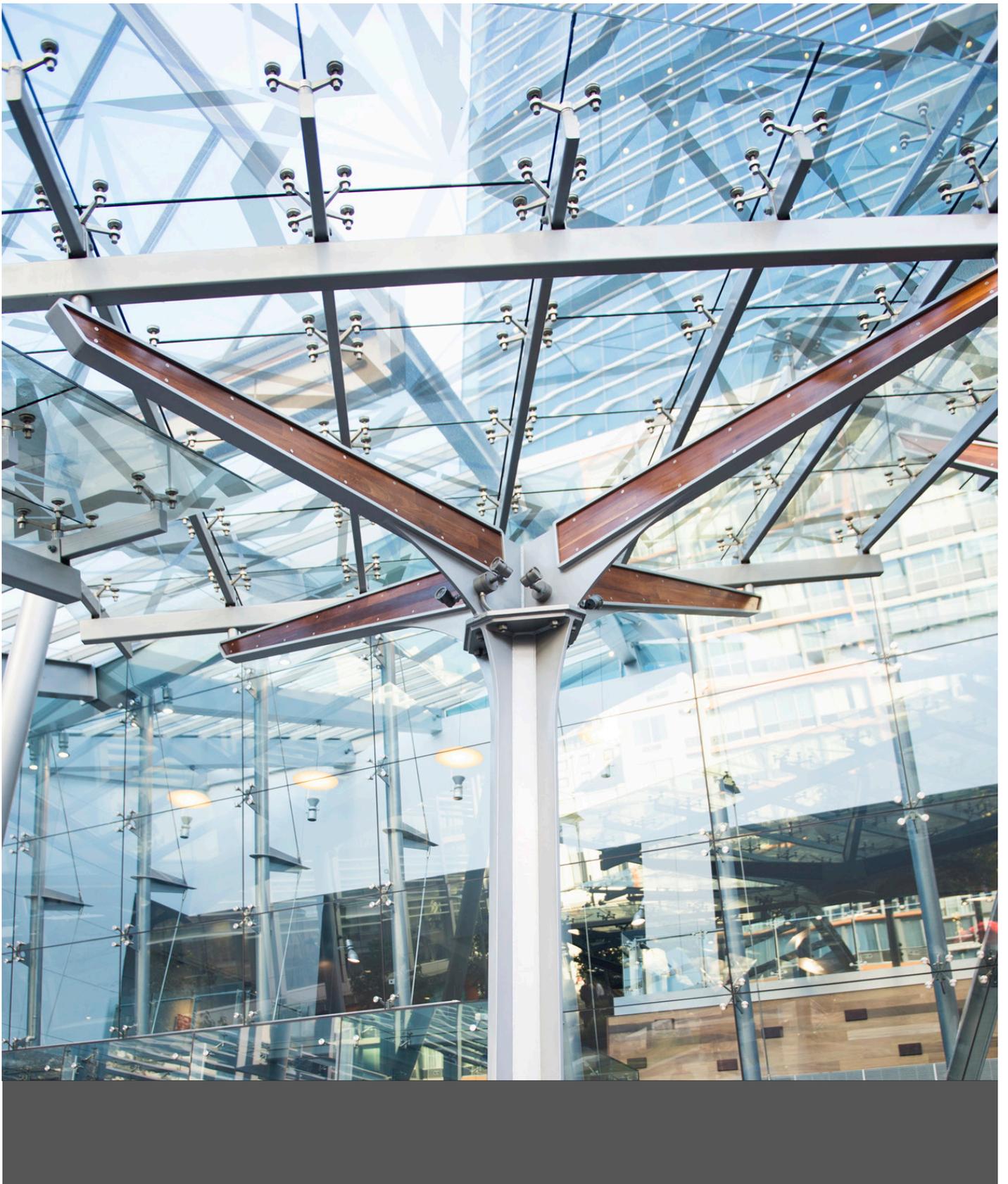
Compared to last month, only VIC, SA and the ACT have recorded falls in their youth u/e rate. SA has recorded the largest fall (-2.6ppt), followed by VIC (-1.7ppt), and then the ACT (-1.0ppt). On the other side, the NT has seen the largest rise in youth u/e rates over the month (+3.5ppt), followed by NSW (+2.1ppt), and QLD (+1.2ppt).

Over the year the two territories and SA have seen an overall decline in their youth u/e rates. The NT has recorded the largest fall (-6.0ppt), followed by the ACT (-1.6ppt), while SA has only recorded a marginal decrease (-0.3ppt). The largest increase in youth u/e rates over the year was seen in VIC (+5.2ppt), followed closely by TAS (+5.1ppt). NSW has also recorded a significant rise of 3.7ppt over the year, while QLD and WA both saw relatively small increases of 0.7ppt and 0.8ppt respectively.

Youth unemployment rate - Aust: (14.1%, +0.5ppt)



Source: Bankwest Curtin Economics Centre | Authors' calculations from ABS labour force data • Created with Datawrapper



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