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Bankwest Curtin Economics Centre

LABOUR MARKET UPDATE

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

Lockdowns hammer the east coast labour market

That employment fell in the August 2021 labour force figures for Australia came as no surprise – it was always just a question of 'by how much'. The answer ended up being a loss of 146,000 jobs. To put that into perspective, employment fell by 855,000 jobs nationally through the two months of April and May 2020 when the pandemic first hit the labour market, and it took until March 2021 to fully recover those jobs. Aside from those two months in 2020, the most recent drop in employment is the next largest monthly fall ever recorded in the labour force estimates since the current ABS data series commenced in 1978. With this latest decline, we are now roughly back on par with pre-pandemic employment levels.

The reference weeks for the August survey were the first two weeks of the month, with lockdowns in force in Sydney and some regions of New South Wales. Accordingly, NSW fully accounted for the reduction in employment in August, with the decline shared evenly between full-time and part-time employment. Ominously for the September figures, the Australian Capital Territory went into lockdown at the very end of the reference period, and restrictions have since been extended throughout regional NSW and Victoria.

Why has unemployment continued to fall?

The national unemployment rate fell slightly to 4.5 per cent in the month to August, which given the fall in employment seems somewhat counterintuitive. However, while people withdrew from the labour force in significant numbers during the first two months of COVID-19, this is the first time since the onset of the pandemic that a negative shock to employment during August (146,000) has been more than offset by a greater number of people (168,000) dropping out of the labour force – almost all (165,000) from NSW.

Total monthly hours worked also fell by some 66 million in aggregate, or by 3.7 per cent, while underemployment rose by a full percentage point to 9.3 per cent. We can expect an ongoing suppression of total hours worked in September, but by which time we anticipate reduced aggregate working hours to be filtering through to a rising headline unemployment rate.

WA bubbling well behind closed borders....

In a mirror image to national developments, Western Australia saw strong employment growth in August, but with no improvement in the unemployment rate as the participation rate rose and underemployment fell. The number of people employed in WA increased by 12,300 (+0.9%). Although monthly figures can be erratic, there's no questioning the strength of recovery of WA's labour market.

The ABS has discontinued trend series estimates due to volatility from the impact of COVID-19. However, employment increased by an average of 10,000 jobs per month for the three months to August. That translates an annualised rate of employment growth of almost nine per cent, which would be unsustainable even with open state borders and international immigration.

At 4.6 per cent, Western Australia's unemployment rate is at its lowest in almost eight years, but actually marginally higher than the national rate of 4.5 per cent. You can bank on that reversing in the September figures.

...but budget forecasts hard to rationalise

It's very hard to rationalise WA's state budget forecast of 2.5 per cent employment growth over the 2021-22 year – the equivalent of 35,500 more workers – with an unemployment rate of 4.75 per cent when the working population is forecast to grow by only 0.7 per cent and the participation rate is projected at 68.2 per cent – lower than it is now. If these projections for employment growth, population growth and participation rates eventuate, WA's unemployment rate over the next year would have to drop to 1.7 per cent – which is never going to happen.

There are two ways to achieve an unemployment rate of 4.75 per cent in 2021-22. Either the participation rate needs to rise to 70.4 per cent – something that has never been achieved in any of the big five states in nearly half a century – or the growth in WA's working population needs to be close to 4 per cent.

Skills shortages are a significant challenge for WA's businesses, with high labour demands not matched by an adequate flow of workers. And we're starting to see these demand pressures push wages higher. A falling iron ore price may take some steam out of the State's economy, but vaccination rates and how well WA navigates reopening state borders remains the biggest wildcard.

But given that international border restrictions are unlikely to relax before September 2022, the WA government will need a more assertive population growth strategy than laid out in this year's budget to hit its labour market targets for 2021-22 and beyond.

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Nationwide growth halted as NSW employment plummets

The number of employed persons fell by 146,300 (1.1ppt) in August, as a series of lockdowns across NSW, VIC, QLD and the ACT hampered the nation's labour market. August marked the end of a three-month streak of nationwide employment gains, but the total number of employed persons in Australia remains above 13 million.

Both full-time and part-time work suffered heavily over August, with over 78,000 part-time jobs and 68,000 full-time jobs lost, primarily caused by the strict lockdown measures in NSW over the month. In NSW alone, nearly 98,000 full-time jobs were lost in August along with 75,000 part-time jobs, accounting for nearly the entirety of the nation's employment losses.

Amongst the other states and territories, part-time work saw mixed growth in August, with WA and VIC (+11,000 jobs each) as well as TAS (+1,400) seeing a rise in part-time jobs. In contrast, the ACT (-7,100), QLD and SA (-6,700 and -6,100 respectively) recorded the greatest falls in part-time work outside of NSW.

Full-time work was also mixed across the nation, with the largest gains recorded in VIC (+17,900) and the ACT (+6,700), whilst QLD (-23,700) recorded a significant fall in full-time employment due to lockdown measures over August, along with a smaller fall in TAS (-2,000 jobs).

Notably, only VIC and WA recorded gains in both full-time and part-time work for the month. WA's run of lockdown-free months has contributed to steady employment growth, whilst regional VIC saw a brief respite from lockdown restrictions during the middle of August.

Ratio of unemployed persons per job vacancy rises as TAS, NSW hit

The ratio of unemployed people to job vacancies in Australia rose in August 2021, increasing by 0.1 persons to 2.9 unemployed persons for every one job vacancy. The primary contributors to the rise were the various lockdowns across the nation, particularly in NSW and QLD, as well as job shortages in TAS over the month.

Across the states and territories, TAS was the hardest hit in the unemployed persons per job vacancy ratio, rising from 4.3 persons to 5.3 persons for one job vacancy, the highest nationally. The driving factor for the rise in TAS is a significant increase in unemployment over the month, particularly in full-time employment for women, along with a marginal decrease in job vacancies (-700).

The effects of extended lockdown periods have also impacted on NSW job seekers, with the number of unemployed persons per job vacancy rising 0.4 persons to 3.2 persons. This fall was driven almost exclusively by a fall in job advertisements, which fell by 9 per cent (-6,400 advertisements).

Elsewhere across the nation, the ACT currently holds the lowest ratio at 1.4 unemployed persons per job vacancy, followed by the NT (1.7 persons) and WA (2.5 persons). Since July 2020, the ratio of unemployed persons to job vacancies has improved significantly, falling from 7.5 persons to 2.9 persons nationally.

Nationwide hours recovered takes a dive, job recovery stable

Various lockdown measures across over half of the nation in August have resulted in the national hours recovered since the onset of the COVID pandemic slipping significantly below 100 per cent to 84.8 per cent. Hours recovery is now significantly behind the 108 per cent recovery achieved in February.

NSW (64.5%), QLD (94.7%) and VIC (99.6%) have now fallen below full hours recovery, as workers had their hours reduced to adjust to lockdown restrictions over August. The greatest concern lies with NSW workers, who will continue to see their hours restricted over the coming months. In contrast, hours recovery across the nation has been led by SA (128.7%), TAS (118.4%) and WA (118.4%).

More encouragingly, jobs recovered nationwide since the pandemic remains strong at 116 per cent, with all states maintaining a stable level of jobs recovered, with QLD (140.9%) and WA (126.2%) leading all states, whilst NSW (109.1%) and VIC (100.4%) have also kept employment afloat, despite lockdowns spanning July and August.

Although TAS (113.2%) has recorded full jobs recovery since the onset of the pandemic, job shortages remain a concern for the state, particularly for women seeking full-time employment.

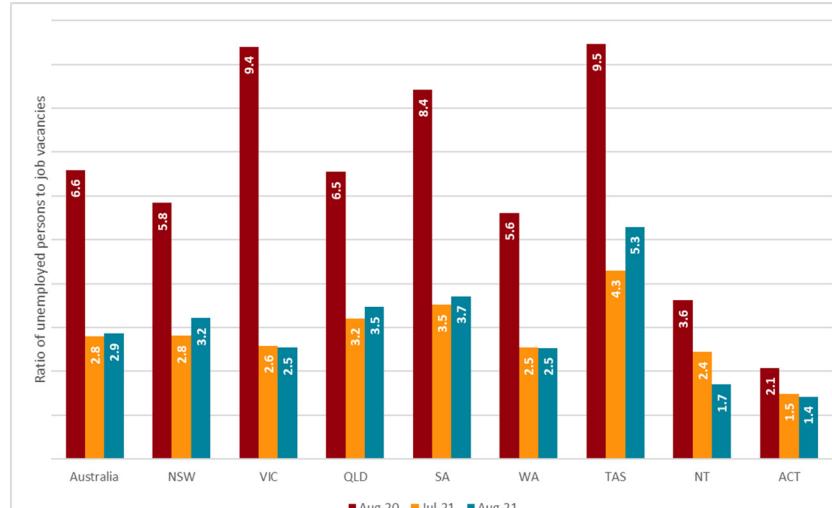
Table 1: Employment changes – states and territories: seasonally adjusted

Employed Persons ('000)	Change from:			Change from July 2021 ('000)		Change (%) from August 2020			
	August 2021	July 2021 ('000)	Rank	August 2020(%)	Rank	Full-Time	Part-time	Full-Time	Part-time
Australia	13,022.6	-146.3	---	▲ +3.1%	---	-68.0	-78.2	▲ +4.3%	▲ +0.6%
NSW	3,956.3	-172.8	8	▼ -2.1%	6	-97.9	-74.9	▲ +0.2%	▼ -7.5%
VIC	3,489.3	+29.1	1	▲ +7.4%	1	+17.9	+11.3	▲ +7.3%	▲ +7.6%
QLD	2,626.7	-29.8	7	▲ +4.6%	3	-23.7	-6.1	▲ +5.4%	▲ +2.9%
SA	874.1	-2.8	6	▲ +3.7%	4	+3.9	-6.7	▲ +5.0%	▲ +1.5%
WA	1,423.6	+12.3	2	▲ +5.4%	2	+1.0	+11.3	▲ +5.3%	▲ +5.7%
TAS	262.2	-0.7	5	▲ +2.4%	5	-2.0	+1.4	▲ +4.8%	▼ -1.3%
NT	130.5	+0.6	3	▼ -2.2%	7	-0.0	+0.6	▼ -2.1%	▼ -2.5%
ACT	233.3	-0.5	4	▼ -2.6%	8	+6.7	-7.1	▼ -1.5%	▼ -6.0%

Notes: Seasonally adjusted values are used.

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

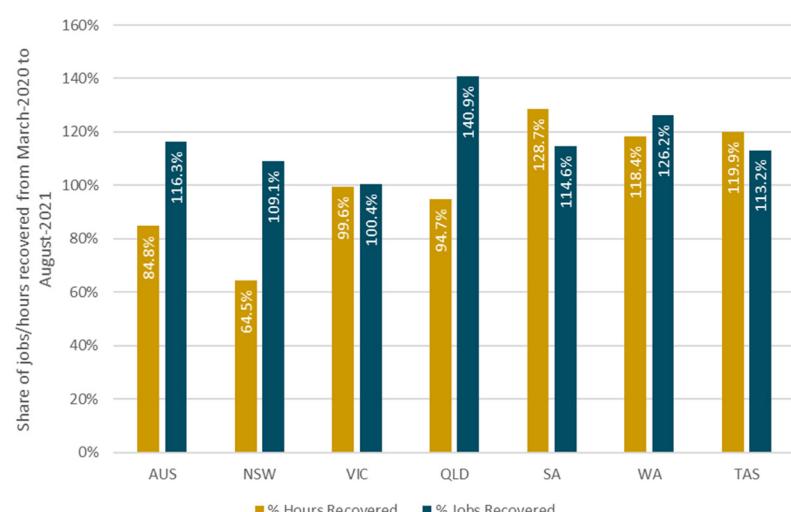
Figure 1: Unemployed persons per job vacancy February 2020-August 2021



Notes: Seasonally adjusted values are used.

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

Figure 2: Employment recovered since March 2020 - August 2021



Notes: Seasonally adjusted values are used.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Government National Skills Commission.

Men and women suffer widespread job losses

Both men and women recorded sizeable decreases in employment over the month of August, with employment losses totalling nearly 77,000 for men and over 69,000 for women.

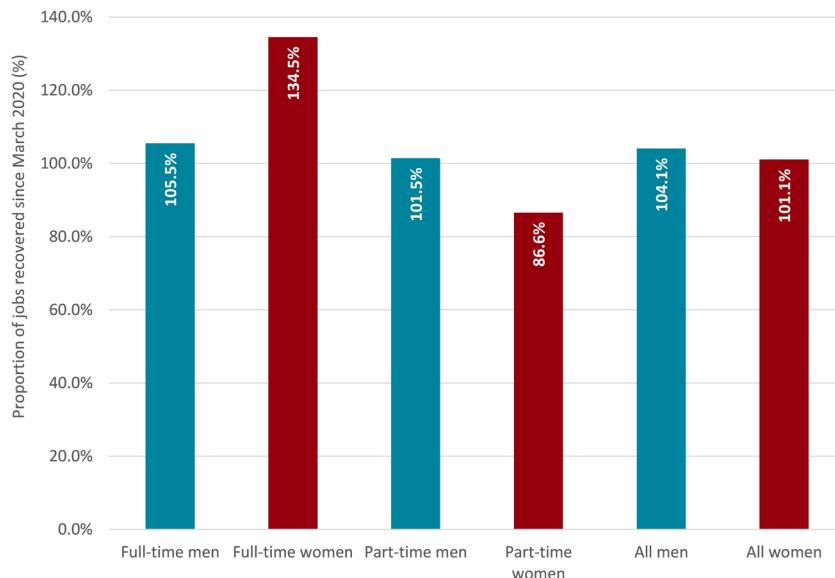
Full-time jobs dropped over 45,500 for men in August, whilst women suffered a second consecutive month of heavy full-time employment losses, losing an additional 22,500 jobs. Despite these blows to full-time work, both men and women remain above 100 per cent of full-time jobs recovered since the onset of the pandemic.

Part-time employment followed a similar trajectory to full-time work, with men losing over 31,000 part-time jobs whilst women's part-time work decreased by a staggering 47,000 jobs in August.

Lockdown measures in NSW are the primary cause of the regression in part-time work, and whilst they continue both part-time and full-time work growth across the nation will continue to struggle.

Another aspect of concern is that recovery of part-time jobs for women since the pandemic has dropped to 86.6 per cent. This is well below full recovery and is a significant fall from its peak of over 108 per cent in March 2021.

Figure 3: Employment recovered since March 2020: men and women



Notes: Seasonally adjusted values are used.

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

Participation rate falls heavily again as NSW lockdown takes effect

The national labour force participation rate fell 0.8ppt in August, decreasing to 65.2 per cent, its lowest level since 11 months ago in September 2020.

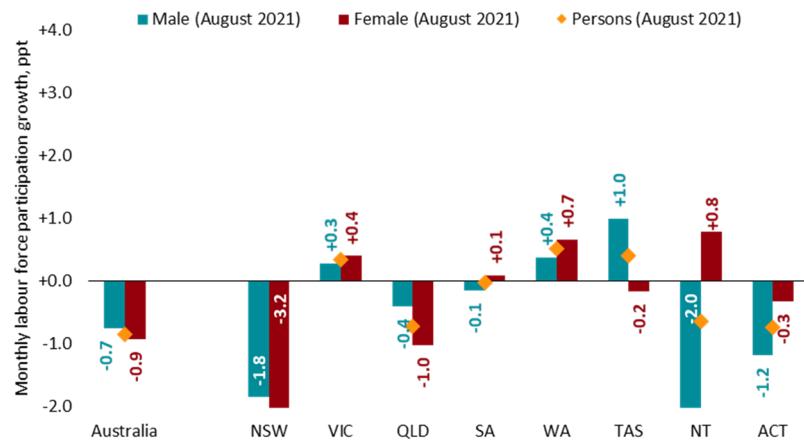
Women recorded a 0.9ppt decrease in participation, whilst men saw a 0.7ppt decrease.

As expected, NSW drove the nationwide participation rate fall, recording a fall of 2.5ppt, translating to a decrease of 1.8ppt for men and 3.2ppt for women. The effect of the extended lockdown in NSW is that many people are unable to work or to look for work due to the associated restrictions, or discouraged from looking for work knowing employers aren't hiring.

Outside of NSW, QLD and the ACT both recorded large falls in participation of 0.7ppt, whilst WA (+0.5ppt), TAS (+0.4ppt) and VIC (+0.3ppt) all saw a rise in their participation rate in August.

Year-to-date participation figures have weakened slightly in August, but remain slightly higher (0.2ppt) than August 2020. Over the year, men saw a 0.2ppt increase in the participation rate, whilst women recorded a 0.3ppt increase. The participation rate gap between men and women rose in August, increasing 0.2ppt to 9.5ppt.

Figure 4: Monthly change in Labour Force Participation



Notes: Seasonally adjusted values are used.

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

Nationwide unemployment falls as participation rate plummets

The national unemployment rate (u/e rate) decreased by 0.1ppt in August to 4.5 per cent, its lowest level since November 2008, and the number of unemployed people in Australia fell to 617,100, a decrease of almost 22,000 over the month.

Similar to last month, the restrictions from the NSW lockdown are resulting in NSW residents becoming excluded from the labour market, causing the labour force participation rate to fall. Subsequently, the amount of people unemployed (i.e. those looking for work), also falls and therefore the unemployment rate does not reflect the true state of the labour market.

Four of eight states experienced an increase in their unemployment rate over the month, with TAS (+0.9ppt), NSW and SA (+0.4ppt each) seeing the greatest rise rises. Meanwhile, the NT and ACT (-1.2ppt and -0.8ppt respectively) and VIC (-0.3ppt) all recorded a fall in the unemployment rate in August.

5 out of 8 states experienced an increase in unemployed persons, with notable changes in unemployed persons coming from NSW (+7,500 persons), SA (+2,900) and QLD (+2,600), whilst VIC (-11,400) recorded a strong fall, followed by the ACT and the NT (-1,900 and 1,600 respectively). Year-to-date figures remain strong, with the national unemployment rate sitting 2.3ppt lower than a year ago and all states and territories recording a lower unemployment level than August 2020.

Table 2: Unemployment changes - states and territories

Unemployment Rate	Change (ppt) from:		Unemployed ('000)	Change ('000) from:			
	August 2021	Rank		July 2021	August 2020		
Australia	4.5%	--	▼ -0.1	▼ -2.3	617.1	▼ -21.9	▼ -298.0
NSW	4.9%	5	▲ +0.4	▼ -1.6	201.9	▲ +7.5	▼ -79.6
VIC	4.1%	3	▼ -0.3	▼ -2.9	149.1	▼ -11.7	▼ -95.1
QLD	5.3%	7	▲ +0.1	▼ -1.8	148.0	▲ +2.6	▼ -43.8
SA	5.0%	6	▲ +0.4	▼ -2.7	45.6	▲ +2.9	▼ -24.2
WA	4.6%	4	0.0	▼ -2.2	68.1	▲ +0.4	▼ -30.4
TAS	5.5%	8	▲ +0.9	▼ -0.7	15.3	▲ +2.6	▼ -1.6
NT	3.4%	1	▼ -1.2	▼ -0.9	4.6	▼ -1.6	▼ -1.3
ACT	3.5%	2	▼ -0.8	▼ -0.5	8.6	▼ -1.9	▼ -1.5

Notes: Seasonally adjusted values are used. Changes in July 2021 unemployed persons do not sum due to ABS seasonal adjustment methods.

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

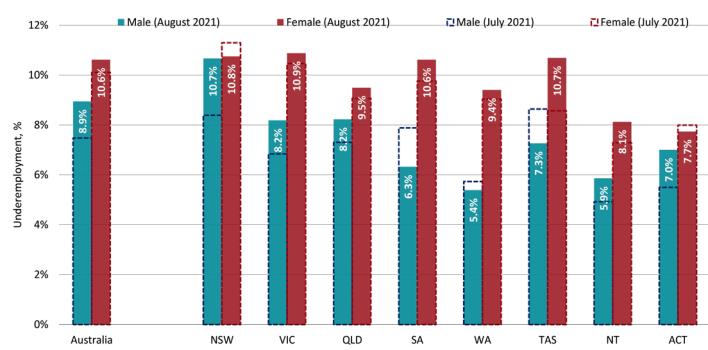
Ongoing lockdowns drive underemployment higher

Nationwide underemployment rose 1ppt to 9.3 per cent over August 2021 as the effects of lockdowns in NSW, QLD, VIC and the ACT contributed to workers having reduced hours or no work over the restriction periods. Over the month, men's underemployment rose 1.4ppt from 7.5 per cent to 8.9 per cent, whilst women's underemployment rose 0.5ppt to 10.6 per cent.

NSW recorded a 2.3ppt rise in underemployment for men, whilst women saw a 0.5ppt fall. Other contributors to the rising underemployment rate include the ACT (+1.5ppt for men), VIC (+1.3ppt for men and +0.4ppt for women), and QLD (+0.9ppt for men and +0.4ppt for women). Women's underemployment also rose considerably by 2.1ppt. For men, SA (-1.6ppt), TAS (-1.4ppt) and WA (-0.3ppt) were the only states to record an underemployment decrease.

Year-to-date measures remain strong, with women recording a 3.1ppt decrease from July 2020, with men falling 3.8ppt. All states and territories recorded a fall in the underemployment ratio, with the largest contributors to the year-to-date fall for women being TAS (-7.0ppt), WA (-5.1ppt) and VIC (-5.0ppt). For men, the highest contributors were VIC (-6.0ppt), QLD (-4.6ppt) and WA (-3.3ppt). Finally, the unemployment ratio gap between men and women rose took a sharp drop in August, falling 0.9ppt to 1.7ppt; the lowest since September 2020.

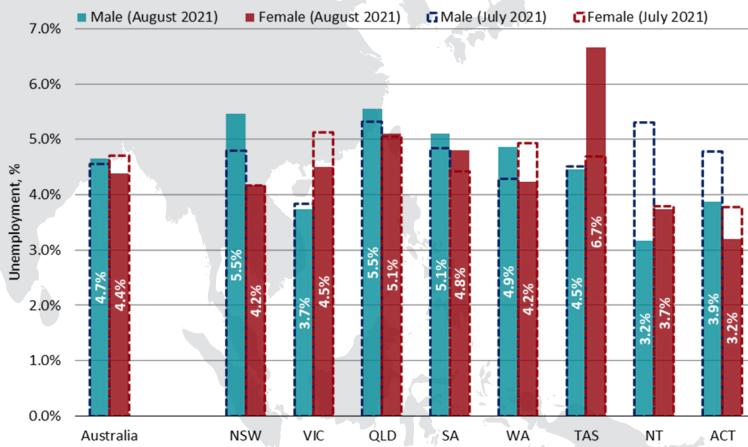
Figure 5: Underemployment ratio by gender, state and territories



Notes: Seasonally adjusted values are used.

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

Figure 6: Women's unemployment on the rise in Tasmania



Notes: Seasonally adjusted values are used.

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

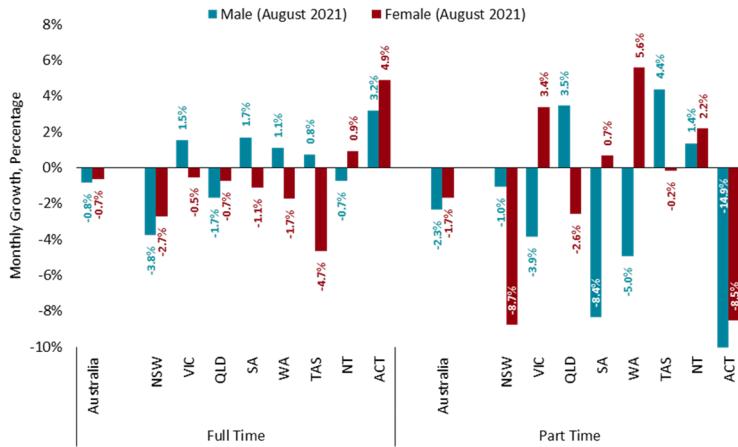
In July, the unemployment rate increased by 0.1ppt for men, whilst falling 0.3ppt for women, with men rising to 4.7 per cent and women falling to 4.4 per cent. However, as both part- and full-time employment went down for August, this was likely due to women leaving the labour force as opposed to more women being hired.

The falling unemployment rate for women was driven by 3 out of 8 states in the month of August, with WA (-0.7ppt), VIC and the ACT (-0.6ppt respectively) recording the largest falls. In contrast, TAS saw a very large jump in women's unemployment, rising by 2ppt, to 6.7 per cent, the highest it has been since November 2020.

Four out of 8 states also recorded a decrease in unemployment rates for men. The NT (-2.1ppt) led with a significant fall, followed by the ACT (-0.9ppt), as well as VIC and TAS (-0.1ppt for both). NSW saw its unemployment rate rise (+0.7ppt), followed by a rise in WA (+0.6ppt).

On year-to-date figures, both the men's and women's unemployment figures are performing well, with men down 2.3 ppt and women down 2.2ppt from August 2020.

Figure 7: Employment figures down across the nation



Notes: Seasonally adjusted values are used. Figures show growth from July to August 2021. ACT and NT values are generally more volatile than other states.

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

Employment levels fell across the board in August, with full-time employment falling 0.8 per cent for men and 0.7 per cent for women, and part-time employment also falling by a further 2.3 per cent for men and 1.7 per cent for women.

Six out of eight states and territories recorded a decrease in full-time employment for women in July, with the largest drop being in TAS (-4.7%) and NSW (-2.3%), with the ACT (+4.9%) and the NT (+0.9%) being the only areas to report a rise. For men, full-time employment falls were primarily driven by falling employment in NSW (-3.8%) as the state's lockdown continues, as well as a drop in QLD (-1.7%) as the state also enters lockdown in several areas.

Similarly, part-time employment for women took a huge dip in NSW; falling by 8.8%, but also being rivaled by a 8.5 per cent drop in part-time employment for women in the ACT. WA (+5.6%) saw an increase in August, followed by VIC (+3.4%) and the NT (+2.2%).

Year-to-date figures are still positive for women and men in full-time and part-time employment. Full-time employment is up 3.4 per cent for men and 5.9 per cent for women over the year to August 2021, with part-time work up 1.4 per cent for men and 0.3 per cent for women.

Youth unemployment rises in August, led by WA re-adjustment

The national youth unemployment (u/e) rate increased by 0.5ppt to 10.7 per cent over the month of August.

WA had the largest increase in youth unemployment this month, rising by 2.4ppt to 10.7 per cent after recording a 3.0ppt drop last month. Outside of WA, NSW (+0.9ppt) saw a moderate rise in their youth u/e rate as more of the state went into lockdown, whilst TAS (+0.6ppt) also saw a small rise.

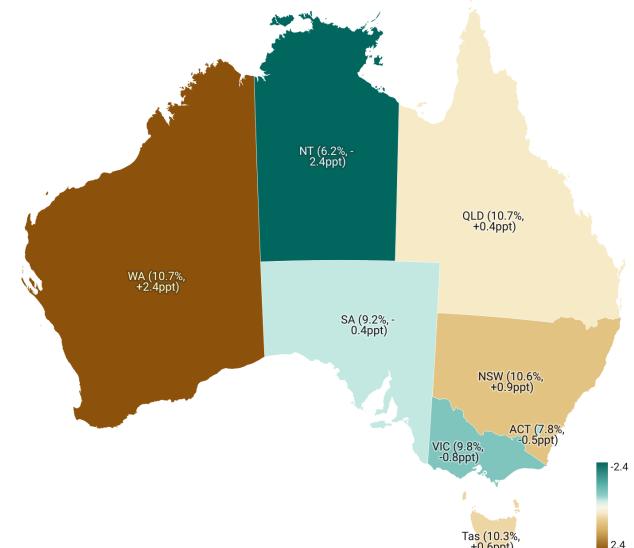
In contrast, the NT saw a sizeable fall of 2.4ppt, dropping to a 6.2% youth u/e rate for August; which continued a trend of large falls in youth unemployment for the territory. VIC (-0.8ppt) also recorded a strong fall in the youth u/e rate over the month.

As it stands, WA (10.7%) and QLD (10.7%) have the highest youth u/e rate, followed by NSW (10.6%) and TAS (10.3%).

Youth unemployment continues to be lower on year-to-date measures, with all states and territories recording a lower youth u/e rate than August 2020- save for Tasmania, which recorded a 3 percentage point rise. Leading the year-to-date youth u/e rate statistics is VIC (-6.8ppt), along with QLD (-5.2ppt) and QLD (-3.8ppt).

Figure 8: Youth unemployment - monthly change, states and territories

Youth unemployment rate - Australia: (10.7%, +0.5ppt)



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

Average monthly hours down as lockdowns in the east continue

Australia lost a total of 66 million hours of work over the month of August (a reduction of 3.7% in total monthly hours), from a combination of fewer people employed, and reduced monthly hours among those remaining in work. Average monthly hours worked by Australians fell sizeably in August, decreasing to 131.6 hours (the equivalent of 3.5 hours per month for every working Australian), as Greater Sydney, Victoria, and parts of Queensland all went into lockdown during the survey period for August.

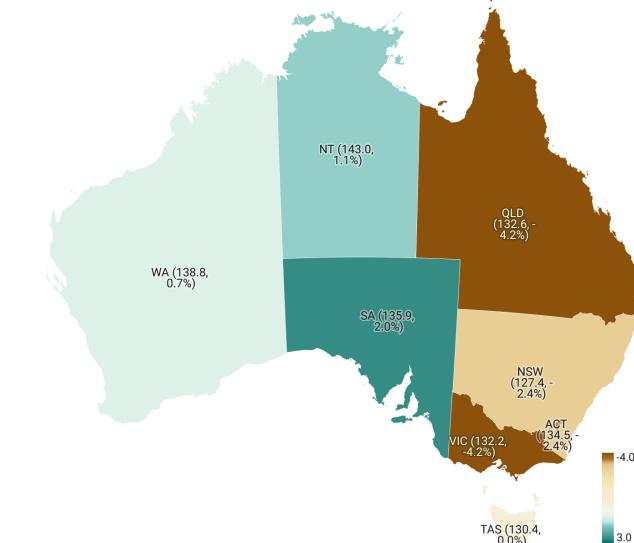
Five of the eight states and territories saw a decrease in the average monthly hours worked between July and August. The largest decrease was recorded in VIC and QLD, falling 4.2 per cent each, followed by NSW and the ACT (-2.4 per cent each). In contrast, the largest rise in monthly hours was recorded in SA (+2 per cent), along with the NT (+1.1 per cent) and WA (+0.7 per cent).

The NT remains the leader in average hours worked per month (143 hours), with WA in second place (138.8 hours), followed by SA with 135.9 hours.

Compared to this time last year, average monthly hours worked are down nationwide, having fallen by 2 hours from August 2020. This is primarily being driven by a large drop in NSW, which recorded an 8.1 hour drop in yearly figures, followed by a 2.1 hour drop in QLD. Meanwhile, SA saw a significant jump in monthly year-on-year figures, rising by 3.8 hours on average.

Figure 9: Monthly hours worked and monthly change - states and territories

Average monthly hours - Australia: (131.6 hrs, -2.6%)



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

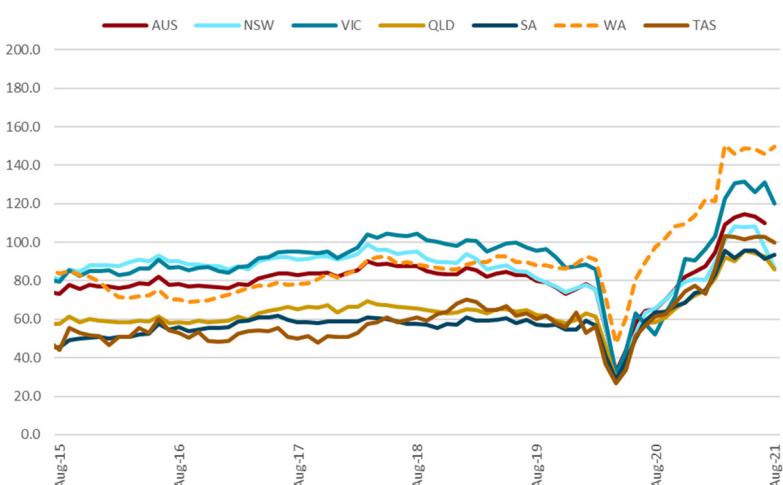
Nationwide labour demand continues to fall

The internet vacancy index, which provides detailed data on newly advertised job vacancies during the month, took a heavy drop in August, falling by 7.1 per cent nationwide. The index now sits at 102.3, having risen 57 per cent from a year ago, but the gap between labour demand in the initial lockdown and now is starting to shrink.

The number of job advertisements fell in five out of eight states over August, with NSW and the ACT (-10.7%) being the main drivers of the fall, with VIC (-8.2%) also contributing as employers close advertisements during lockdown. The NT (+2.6%) recorded an increase in job advertisements over the month, as well as WA (+2.5%) and SA (+2.0%).

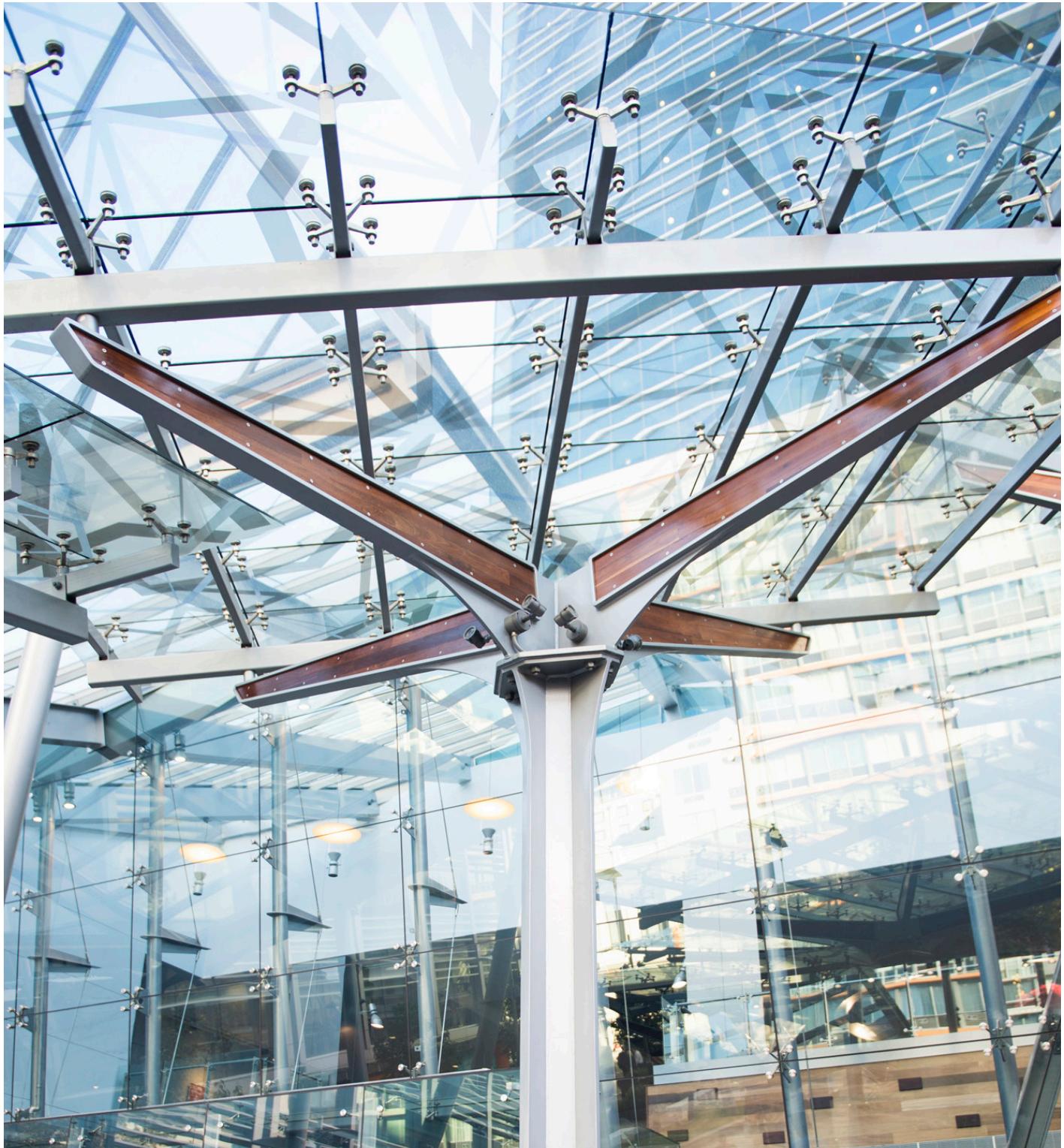
On year-to-date figures, job advertisements are 57% higher (+79,000) since August 2020, with all states and territories recording a sizeable increase in job advertisements. VIC (+131%) is the year-to-date leader with 33,300 additional job advertisements since last year, followed by TAS (+62%), and the NT (+59%). ACT now has the lowest year-to-date recovery (+25%) amongst all states and territories, reflecting the effects of the lockdown in the territory.

Figure 10: Change in Internet Vacancy Index: August 2015-2021



Notes: Seasonally Adjusted values are used. ACT and NT figures not shown.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Government National Skills Commission.



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