FairWork Commission

Research report 4/2021

An assessment of the economic effects of COVID-19 – Version 4

Jeff Borland, University of Melbourne

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The contents of this paper are the responsibility of the author and the research has been conducted without the involvement of members of the Fair Work Commission.

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1 Background

This report uses data from the Australian Bureau of Statistics (ABS) Weekly Payroll Jobs and Wages in Australia to describe changes in the number of jobs in Australia from late March to late April 2021. It can be read as an addendum to Version 3 in this series of reports (Borland, 2021), which provided a comprehensive overview of recent developments in the Australian labour market using a variety of ABS data sources. Between the publication of Version 3 by the Fair Work Commission and this report (Version 4), the only new data released by the ABS to allow an update on the labour market situation in Australia are the releases of the Weekly Payroll Jobs and Wages in Australia for the weeks ending 10 April 2021 and 24 April 2021.

The report uses those recent releases of these ABS Payroll dhavata to address three main issues:

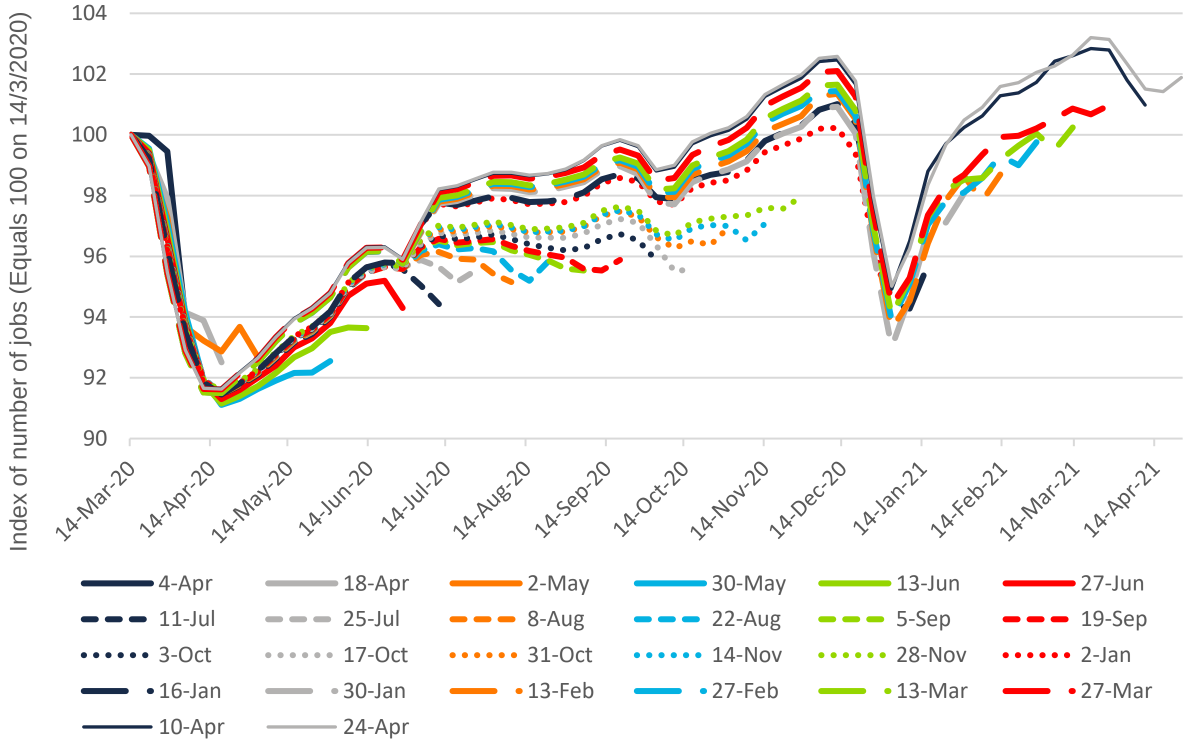
- What is the overall state of the Australian labour market?
- How did the end of JobKeeper affect the number of jobs in Australia?
- Have any significant changes occurred in the number of jobs by industry?

2 The overall state of the Australian labour market

Data on the number of jobs from the recent releases of the ABS Payroll series suggest that the Australian labour market had recovered even more strongly by February and March 2021 than was evident from previous releases.

Chart 1 shows changes in the number of jobs in Australia from 14 March 2020 onwards—including data from each individual release of the ABS Payroll series to give a feel for how subsequent updating might affect the series. It can be seen how the number of jobs in February and March 2021 was subject to a large upward revision in the most recent releases. For example, in the release for the week ending 27 March 2021, the number of jobs in the week ending 13 March 2021 was 0.9 per cent higher than a year earlier. But in the release for the week ending 24 April 2021, that number has been revised upward to show the number of jobs to be 2.6 per cent higher than a year earlier.

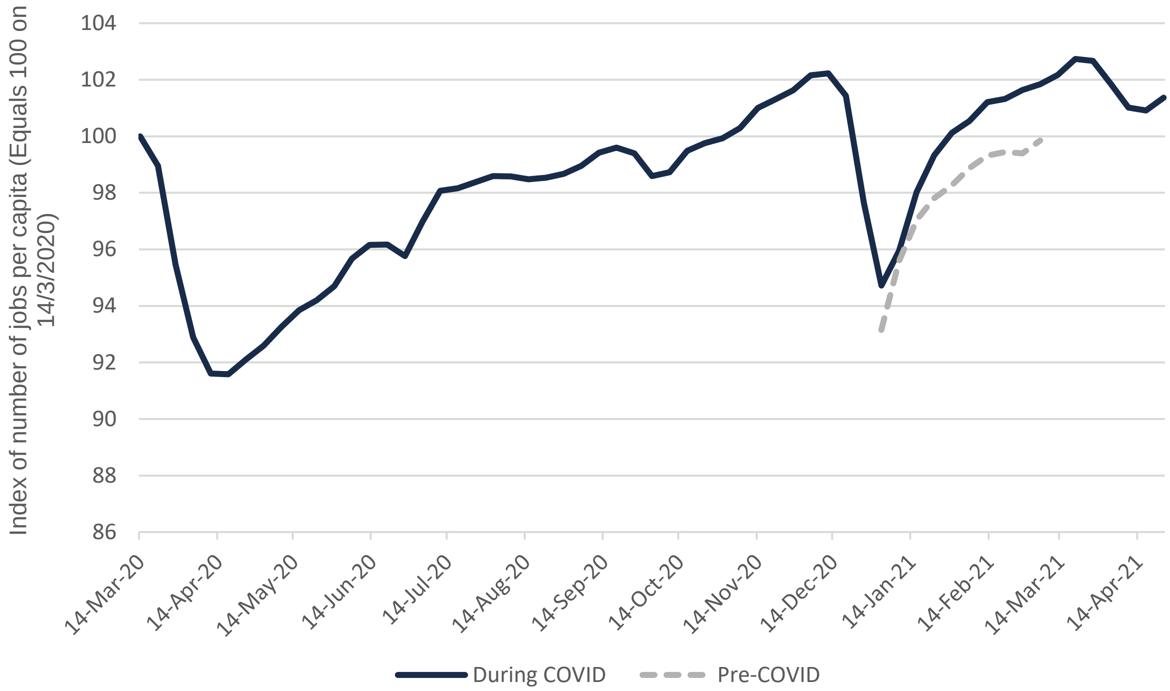
Chart 1: Changes in number of jobs, 14 March 2020 to 24 April 2021



Source: ABS, *Weekly Payroll Jobs and Wages, Week Ending 14 April 2021*, Table 4

The same conclusion comes from a comparison that adjusts for population growth and seasonal factors. Chart 2 shows the number of jobs per capita (from the most recent release of the ABS Payroll data for the week ending 24 April 2021), with data from January to mid-March in 2020 and 2021 overlaid. This overlaying allows a comparison between employment during and pre-COVID-19 for identical times of year (January to mid-March), which is valuable as the Weekly Payroll data are not seasonally adjusted. In this chart, an adjustment for growth in population size during 2020–21 has also been made. The series for during COVID (January to mid-March 2021) is always above the series for the same time period pre-COVID in 2020. This can be interpreted as showing that the number of jobs per capita in Australia in 2021 was above the number at the same time as in 2020 (prior to COVID-19). In fact, at the start of March in 2021 the number of jobs per capita was about 2 per cent above in 2020.

Chart 2: Change in number of jobs per capita, 4 January 2020 to 24 April 2021



Source: ABS, *Weekly Payroll Jobs and Wages, Week Ending 24 April 2021*, Table 4.

3 How did the end of Job Keeper affect the number of jobs in Australia?

The JobKeeper program ended on 28 March 2021. Data on the number of jobs in Australia prior to, and following, the end of March 2021 therefore can provide information about the impact of the program ending. However, a comparison of data on the number of jobs in Australia immediately prior to and after the program ending—in March and April—cannot be interpreted as an exact measure of the impact of JobKeeper ending. First, changes in the number of jobs between March and April will reflect the net impact of all factors that influenced job creation and destruction over that time period—not just JobKeeper. For example, it might be that the ending of JobKeeper did cause some employers to dismiss employees who had been covered by the payment, but that at the same time, other employers were adding new workers to their businesses. In that case, the change in jobs between March and April will reflect the net impact of job destruction due to JobKeeper ending and job creation in other businesses. Second, a comparison of data from just March and April will not show whether there is any deviation from a longer-run trend in the number of jobs. Third, the ABS has pointed out that due to seasonal variation (specifically, school holidays in April) it is not valid to directly compare the ABS Payroll data on the number of jobs in March and April.[1] Fourth, in making a comparison at this point in time, it is necessary to be aware that data on the number of jobs for April are more likely to be subject to future upward revision than data for March.

Chart 3 presents data on the number of jobs from early February to late April 2020. Two series are presented: the original series from the ABS Payroll data; and a series that is adjusted for the impact of April school holidays using school holiday impacts for July and September 2020 holidays reported by the ABS. It is the latter series that I will use in analysis of the data.

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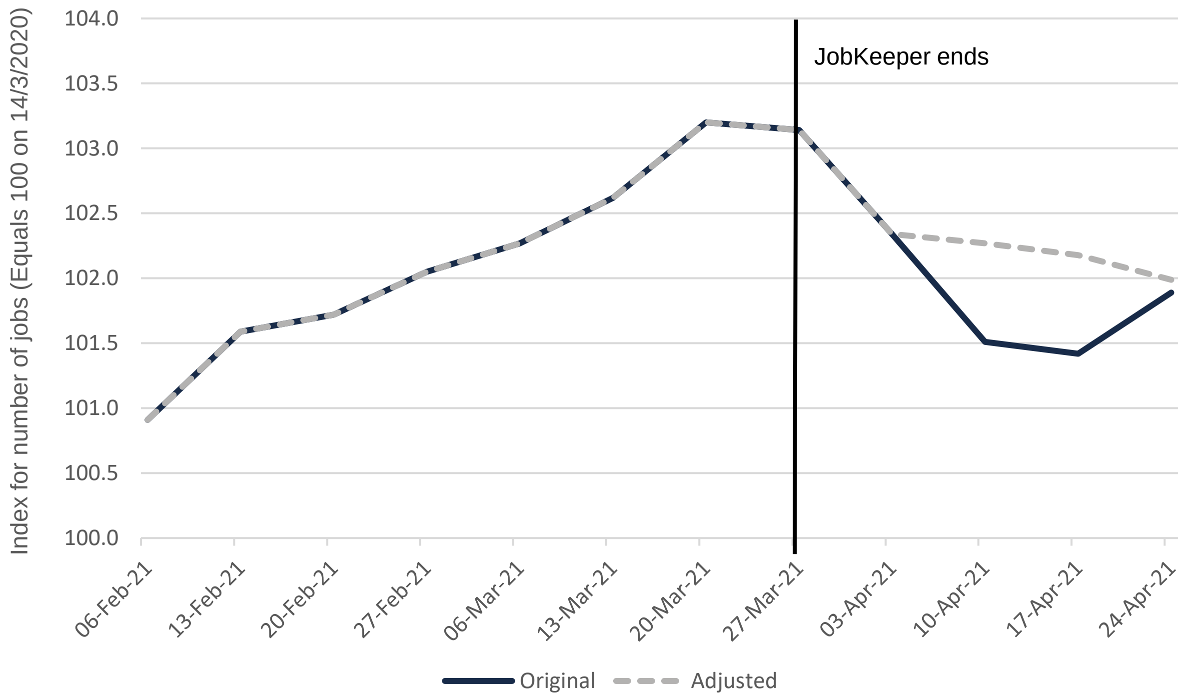
[1] https://www.abs.gov.au/media-centre/media-releases/payroll-jobs-rise-after-seasonal-fall

In February and March, the number of jobs in Australia increased by about 1 per cent per month. During April, however, after the end of JobKeeper, the most recent release of the ABS Payroll data suggests that the number of jobs decreased by 1 per cent.

As described above, there are reasons for thinking that the data reported in Chart 3 may over-estimate the actual decrease in jobs in April—for example, if my adjusted series has not corrected fully for seasonal factors and due to the likelihood of subsequent updating of the job numbers for April. Nevertheless, even taking into account those factors, at this stage it does seem likely that the ending of JobKeeper caused at least a slowing of growth in jobs in Australia.

Chart 3: Change in number of jobs, 6 February 2021 to 24 April 2021



Note: Adjusted series is constructed by adjusting for the seasonal school holiday factor described in the table on 'Comparison of payroll jobs across school holiday periods' in the Media Release accompanying the release of Payroll data for 24 April 2021; accessed at: https://www.abs.gov.au/media-centre/media-releases/payroll-jobs-rise-after-seasonal-fall

Source: ABS, *Weekly Payroll Jobs and Wages, Week Ending 24 April 2021*, Table 4.

4 Have any significant changes occurred in the number of jobs by industry?

The release of the new ABS Payroll data gives an opportunity to update the assessment of how the impact of COVID-19 has varied by industry. This seems especially important given that those releases had large upward revisions to the number of jobs in February and March 2021. Table 1 presents two comparisons of the number of jobs pre- and during COVID-19 by industry. The first column, which compares the number of jobs in late February in 2020 and 2021, using data from the release for the week ending 27 March 2021, is the same comparison that was included in Version 3 of this series of reports (Borland 2021, Table 6, column (1)). The second column compares the number of jobs between mid-March 2020 and end of March 2021, using the most recent release for the week ending 24 April 2021. The third column in Table 1 shows the per cent change in number of jobs between 27 March and 24 April 2021—that is, from immediately before the ending of JobKeeper to the most recent time period for which the data are available.

Calculating the per cent change in the number of jobs pre- and during COVID-19 using the most recent release of the ABS Payroll data (column (2)) increases the estimate of job growth for most industries compared to the changes calculated using the earlier release.

The changes in the numbers of jobs reported in column (2) also suggest the possibility that reclassification between the clusters, which were initially defined in the majority decision of the Expert Panel in the Annual Wage Review 2019–20 and to which I have suggested revisions in my earlier reports (Borland, 2021, Table 7), may be warranted for some industries. Specifically, the comparison suggests that Rental, hiring and real estate services; Arts and recreation services; and Other services might be shifted to the lower cluster, representing industries now less affected by COVID-19. However, at this stage I believe it would be premature to make such a reclassification. Column (3) shows that these industries (together with Accommodation and food services) all had relatively large decreases in the jobs between late March and late April. These decreases may represent seasonal effects—but may also show an effect of JobKeeper ending. Hence, it seems preferable to wait for extra data before recommending further reclassification of industries between clusters.

Table 1: Per cent changes in number of jobs, by industry, pre to during COVID

	29/2/20 to 27/2/21 (Release for week ending 27 March 2021) (1)	14/3/2020 to 27/3/2021 (Release for week ending 24 April 2021) (2)	27/3/2020 to 24/4/2021 (Release for week ending 24 April 2021) (3)
Agriculture, forestry and fishing	+0.1	+3.1	–5.4
Mining	–0.1	–0.5	+1.6
Manufacturing	–2.3	–1.7	–0.4
Electricity, gas, water and waste services	+3.4	+2.8	+0.4
Construction	–1.7	+0.3	–0.8
Wholesale trade	–2.2	–1.8	+0.2
Retail trade	–0.1	–0.8	–0.3
Accommodation and food services	–10.9	–6.6	–3.7
Transport, postal and warehousing	–5.6	–4.7	–2.1
Information, media and telecommunications	–6.9	–8.2	+1.5
Finance and insurance services	+5.9	+6.7	+1.1
Rental, hiring and real estate	–2.1	+0.7	–1.6
Professional, technical and scientific services	0	+1.7	–0.2
Administrative and support services	+0.4	+5.8	–3.8
Public administration and safety	+8.9	+11.3	–1.0
Education and training	–3.2	–0.7	–1.0
Health care and social assistance	+3.5	+6.1	–1.2
Arts and recreation services	–4.1	+2.5	–4.0
Other services	–1.4	+2.6	–3.8

Note: Per cent changes are calculated relative to 14 March 2020.

Source: ABS, *Weekly Payroll Jobs and Wages, Week Ending 27 March 2021*, Table 4; ABS, *Weekly Payroll Jobs and Wages, Week Ending 24 April 2021*, Table 4.

References

Borland, Jeff (2021), 'An assessment of the economic effects of COVID-19 – Version 3', Report prepared for the Fair Work Commission, April; accessed at: https://www.fwc.gov.au/documents/wage-reviews/2020-21/research/rr32021.pdf.

Fair Work Commission (2020), 'Determinations of the 2019-20 Annual Wage Review'; accessed at: https://www.fwc.gov.au/awards-agreements/minimum-wages-conditions/annual-wage-reviews/annual-wage-review-2019-20-5