



Research report 1/2021

An assessment of the economic effects of COVID-19 – Version 2

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Report prepared for the Fair Work Commission

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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 Summary

This version of the report presents an update on labour market outcomes following the Australian Bureau of Statistics (ABS) release of the Labour Force Survey (LFS) December 2020 and the Weekly Payroll Jobs and Wages (week ending 16 January 2021).

Having reviewed the data on weekly payroll jobs and wages, discussion regarding industry clusters covers the period from mid-March to early December, as this period is likely to be subject to minimum updating. This period is also 2 months on from the end date chosen in Version 1 of this report.

1.1 Aggregate outcomes

The evolution of economic activity and labour market outcomes in Australia in 2020 primarily reflected the impact of COVID-19. With the onset of the pandemic, real GDP decreased by 7 per cent between the March and June quarters. As COVID-19 was brought under control in Australia, GDP rebounded by about 3 per cent in the September quarter. Aggregate employment followed the same pattern. Monthly hours worked decreased by 10.5 per cent from March to May, but by December were back to 1.4 per cent below the level in March.

As well as being reflected in the timing of changes in national macroeconomic aggregates, the impact of COVID-19 in Australia is evident in state-level economic activity—with recovery in output and employment in Victoria lagging other states due to a second wave of COVID-19; and in the concentration of negative effects on output and employment on industries where there is greater risk of transmission of COVID-19, such as Accommodation and food services.

1.2 Industry-level

The majority decision by the Fair Work Commission's (Commission) Expert Panel for annual wage reviews (Expert Panel) classified industries into three clusters according to the impact of COVID-19 on labour market outcomes. Data from the ABS Weekly Payroll data series, Labour Accounts and National Accounts are used to evaluate labour market outcomes in the three clusters since the onset of COVID-19.

Having three clusters remains a useful way to summarise the experience by industry. However, I propose that—with recovery having been underway for several months since the Expert Panel's decision—it is appropriate to reclassify several industries. The revised set of clusters is in Table 1. Recovery has also meant that differences in the impact of COVID-19 between the clusters are narrowing.

Table 1: Industry clusters based on impact of COVID-19, 14 March 2020 to 5 December 2020

Upper cluster (industries most adversely affected)	
Accommodation and food services	Information, media and telecommunications
Arts and recreation services	
Central cluster (industries adversely affected, but not to same degree as upper cluster)	
Mining	Manufacturing
Construction	Wholesale trade
Transport, postal and warehousing	Rental, hiring and real estate services
Professional, scientific and technical services	Education and training
Other services	
Lower cluster (industries less affected)	
Agriculture, forestry and fishing	Electricity, gas, water and waste services
Retail trade	Financial and insurance services
Administrative and support services	Public administration and safety
Health care and social assistance	

Source: My classification; Revised from Fair Work Commission (2020), [Information note – Update to payroll jobs and wages \(week ending 17 October 2020\)](#), 6 November.

1.3 Other labour market outcomes

The impact of COVID-19 has differed between workers according to their characteristics and the type of job they do. The largest negative impacts have been on young workers, casual employees and workers in Community and personal service, Sales and Labourer occupations. Part-time employment was initially severely affected by COVID-19, but has recovered more strongly than full-time employment. The impact on employment by gender has been relatively even.

How COVID-19 has affected workers in different types of jobs has depended on a range of factors. Because the impact has been uneven by industry, workers concentrated in the industries that have been most adversely affected have experienced the largest employment losses (such as the young in Accommodation and food services). But other factors such as government policy (especially eligibility conditions for JobKeeper), the scope for jobs to be performed at home, and the stage of economic recovery, have also been important.

1.4 Business performance

A majority of businesses experienced decreased revenue due to the initial onset of COVID-19, but with the reopening of economic activity, that situation has reversed. From July to November, the proportion of businesses reporting a decrease in revenue in the past month fell from 47 to 22 per cent, while the proportion of businesses with the same or higher revenue rose from 48 to 73 per cent. Labour costs of employers decreased by 14.7 per cent from March to September quarters. This was partly due to lower employment, but also from a reduced cost per hour worked by employees, reflecting the impact of the JobKeeper program.

Gross operating surplus of corporations increased by 13.0 per cent from the March to September quarters, entirely driven by an increase for private non-financial businesses. The rise in gross operating surplus appears to reflect the financial support provided to businesses by governments, such as the JobKeeper program and business grants.

At the industry-level, substantial increases in gross operating profits occurred for companies in industries in the upper cluster and some industries in the central cluster in the June and September

quarters, compared to the same quarter in previous years. Other industries have seen much smaller changes in company gross operating profits; and in the case of Financial and insurance services there was a large decrease in profits in those quarters.

The financial support provided to businesses following the onset of COVID-19 appears to have placed them in a position where their expectations of capital spending are similar to previous years.

The onset of COVID-19 caused a large decrease in new hiring by employers. With the reopening of economic activity, new hiring resumed, and by the end of the year the numbers of new jobs and the vacancy rate were returning towards the same levels as prior to COVID-19. But lower numbers of temporary immigrants are likely to cause short-term labour shortages in the main occupations where they usually work, primarily Accommodation and food services, Retail and Wholesale trade, and Agriculture.

2 Overview: a macroeconomic perspective

2.1 Economy-wide perspective

The Australian economy and labour market in 2020 evolved at the behest of COVID-19.¹ With the spread of the pandemic to Australia in March, consumers and governments responded by seeking to limit activities involving high levels of personal contact among workers and consumers. Households voluntarily decreased their consumption of goods and services involving high levels of personal contact—such as eating out and attending public events—to avoid contracting COVID-19.² Commonwealth and state governments introduced restrictions intended to limit activities with high personal contact.³ Once it was recognised that there had not been major outbreaks of COVID-19 in some states, and that the virus being brought under control in other states, from May onwards government restrictions began to be gradually relaxed and the willingness of consumers to spend on activities with high levels of personal contact increased. A second wave of outbreak of COVID-19 in Victoria meant, however, that restrictions in that state were reimposed in July and only began to be removed in late September. The situation in Victoria (and subsequent mini outbreaks in other states) has also delayed full reopening of interstate borders. International travel remains highly restricted.

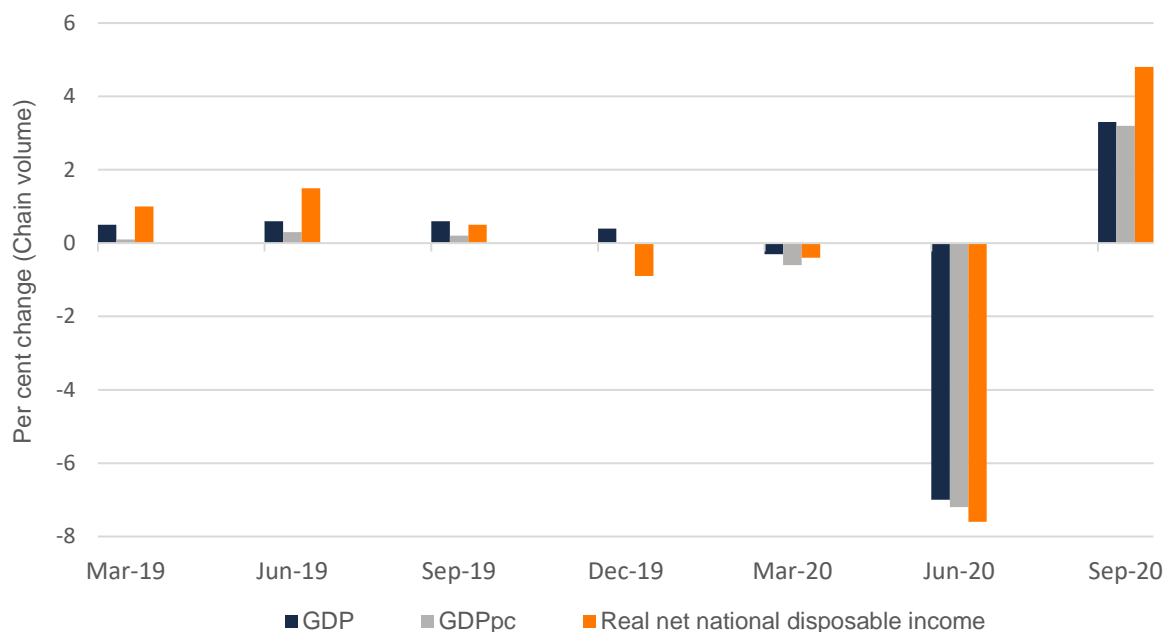
The pattern of shutdown and recovery in economic activity is evident in the main macroeconomic aggregates in Australia. Charts 1a and 1b show changes in measures of national output and income in Australia from the March to September quarters in 2020. The measures decreased by about 7 per cent in the June quarter compared to March quarter; and then rebounded by 3 to 4 per cent in the September quarter. The scale of the decrease in output and income in a single quarter with the onset of COVID-19 is far in excess of what has happened historically. Equally striking is the recovery in economic activity, with a substantial share of lost output and income made up in a single quarter (at a time when the Victorian economy was still in shutdown).

¹ For an overview of the initial impacts of COVID-19 on the Australian labour market, see Borland and Charlton (2020).

² For a review of evidence on the relative impact on household spending of government restrictions and voluntary withdrawal from consumption, see Borland (2020a).

³ Lists of government COVID-19 policies are available at state government websites accessed via <https://www.australia.gov.au/>

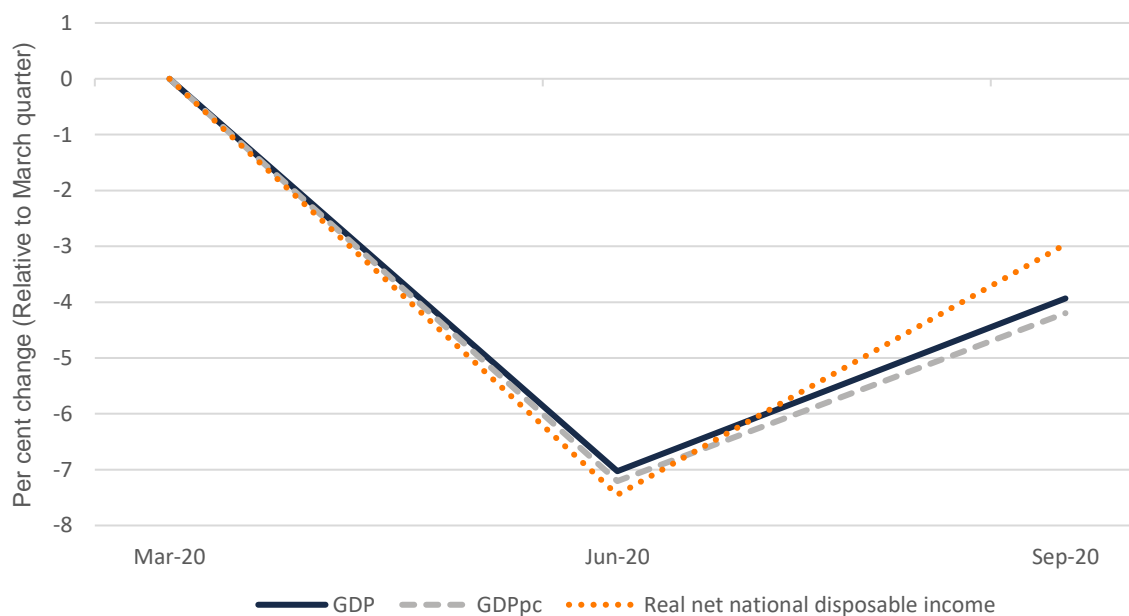
Chart 1a: Rates of growth in real output and income, Australia, March quarter 2019 to September quarter 2020



Note: Data are seasonally adjusted.

Source: ABS, *Australian National Accounts: National Income, Expenditure and Product*, September 2020, Table 1.

Chart 1b: Real output and income, per cent change in GDP relative to March quarter 2020



Note: Data are seasonally adjusted.

Source: ABS, *Australian National Accounts: National Income, Expenditure and Product*, September 2020, Table 1.

Components of the changes in GDP that have taken place are shown in Table 2. The decrease in GDP from the March to June quarters was caused mainly by a decrease in household consumption and investment, offset slightly by an increase in government consumption and improvement in

external balance. The recovery to the September quarter was driven by a reversal in household consumption and investment, together with a continued small contribution from government consumption.

Table 2: Contributions to change in GDP, March quarter to September quarter 2020

By quarter	Change in GDP	Contribution of:			
	%	Household consumption (ppts)	Government consumption (ppts)	Exports – Imports (ppts)	Investment (ppts)
March to June	–7.03	–6.66	+0.65	+0.75	–1.77
June to September	+3.10	+3.68	+0.32	–1.79	+0.89
Total					
March to September	–3.93	–2.98	+0.97	–1.04	–0.88

Note: Data are seasonally adjusted. Calculation of per cent change from June to September is done with the March level as the numerator (so that the per cent changes for the two quarters add up to the total change).

Source: ABS, Australian National Accounts: National Income, Expenditure and Product, 5206.0, Table 2.

The evolution of economic activity has translated into a similar pattern in aggregate labour demand. Chart 2a shows changes in persons employed and monthly hours worked relative to March (from the ABS Labour Force Survey (LFS)) on a per capita basis. Chart 2b shows changes in the number of jobs relative to March 14 (from the ABS Payroll job series). Chart 2c compares the LFS data on persons employed and Weekly Payroll data on number of jobs.⁴

LFS data show that large decreases in employment and hours worked occurred from March to May. With the reopening of economic activity, there was a rapid recovery from May to June; and thereafter steady recovery through to December. Monthly hours worked decreased by 10.4 per cent from March to May and then increased by 3.7 per cent in the month to June. By December, monthly hours worked were back to 1.4 per cent below March.⁵

Jobs data from the Weekly Payroll series show a similar overall pattern. In interpreting these data, it is important to be aware that some updating of recently released numbers is likely to occur in subsequent releases, as is evident from the upward movement of the series over time.⁶ Hence, in my

⁴ Appendix 1 provides background information on the ABS Weekly Payroll and Labour Force Survey data sources.

⁵ Monthly hours worked is the preferred measure of labour demand from the ABS Labour Force Survey for the period in which JobKeeper is in place; rather than persons employed. This is because the ABS definition of employment (following ILO convention) includes persons who worked zero hours but are receiving pay from an employer. This group of employed persons is artificially increased by JobKeeper. For further details, see ABS, *Labour Force, Australia*, March 2020 – Classifying people in the Labour Force Survey during the COVID-19 period.

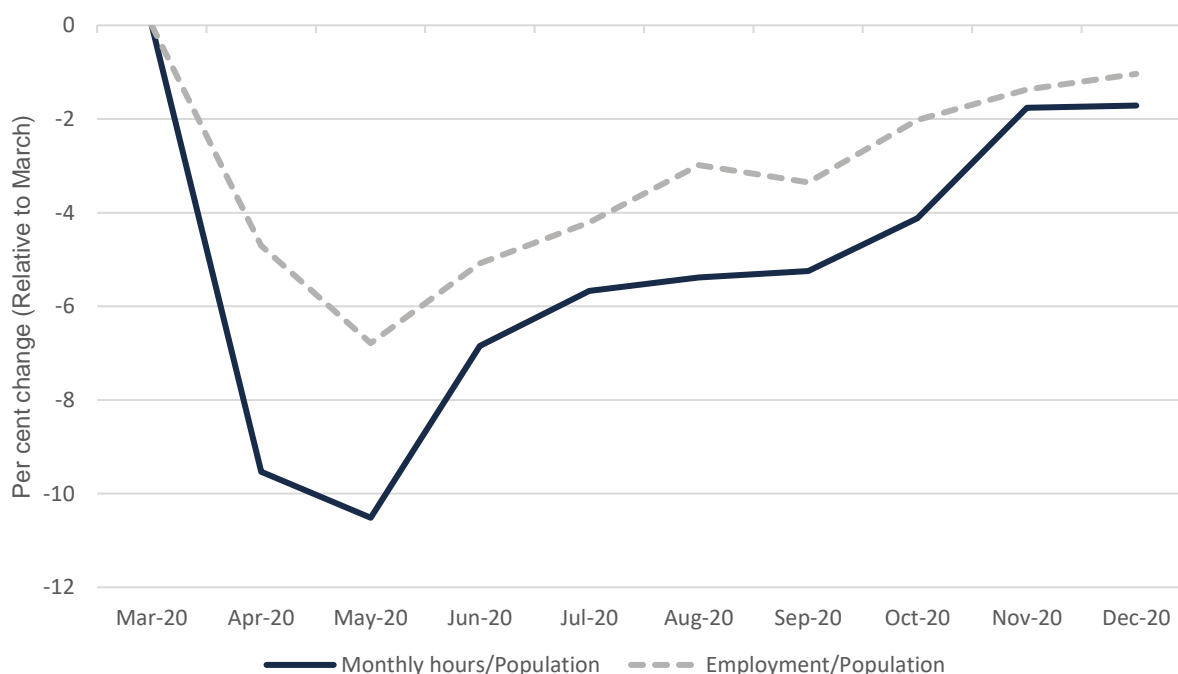
⁶ Payroll data for the weeks ending January 2 and 16 brought a quite large upward revision of 1 to 2 ppts in the index for number of jobs for the period from July 2020 onwards, compared to previous releases. There are several explanations: first, that data for the week ending January 2 incorporated five extra weeks of data; second, jobs for which it has not been possible to assign an industry were added to the total jobs series; and third, improvements to the method used to backcast data for new businesses reporting through Single Touch Payroll. See: <https://www.abs.gov.au/methodologies/weekly-payroll-jobs-and-wages-australia-methodology/week-ending-16-january-2021#data-limitations-and-revisions>

commentary on the ABS Payroll jobs data, I mainly focus on a period not likely to be affected by subsequent updating—from mid-March to early December. A large decrease in the number of jobs occurred from mid-March to mid/late-April, about 8.5 per cent. Strong recovery to early July followed, which restored the number of jobs to about 2 to 3 per cent below mid-March. By early December, the number of jobs had returned to the same level as mid-March.

The comparison of LFS and Weekly Payroll data in Chart 2c shows that the series track relatively closely, especially from May onwards.

A further comparison can be made with data on employment and jobs from the ABS quarterly Labour Accounts. Table 3 shows a similar pattern of timing in and size of changes in those measures as the other data sources. An additional insight available from the Labour Accounts is that a large decrease in multiple jobholding occurred from the March to June quarter, followed by a partial reversal to the September quarter.

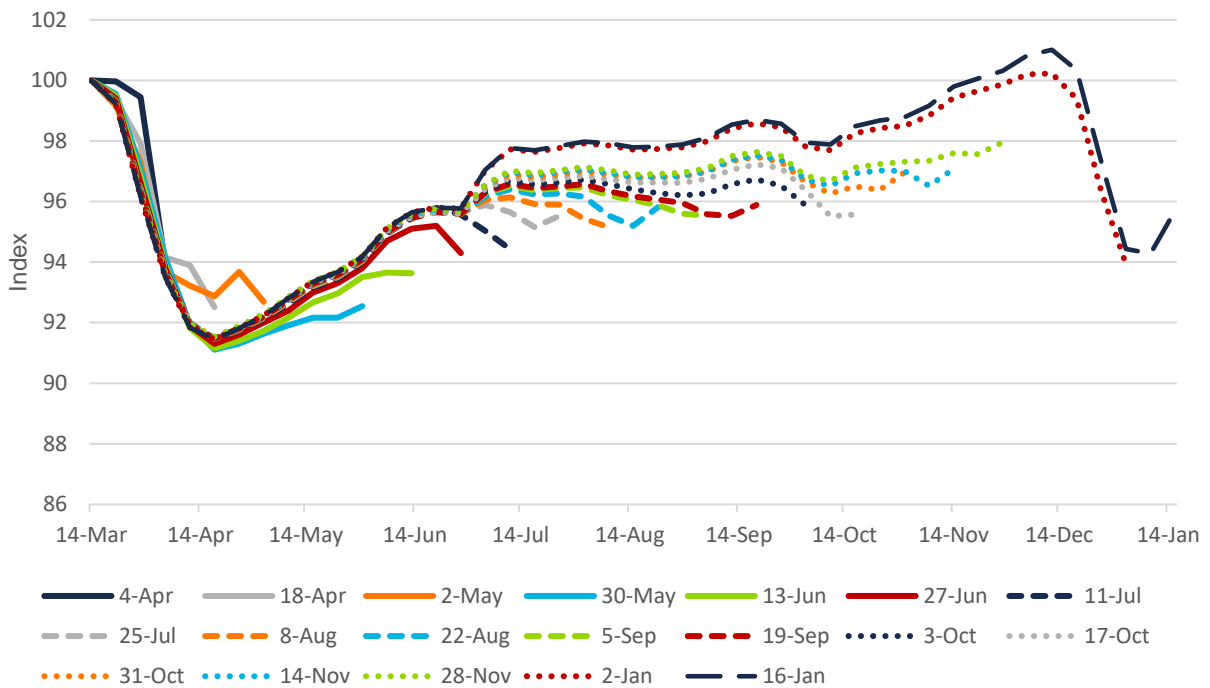
Chart 2a: Change in employment and monthly hours worked, per capita, Australia, March to December 2020



Note: Data are seasonally adjusted.

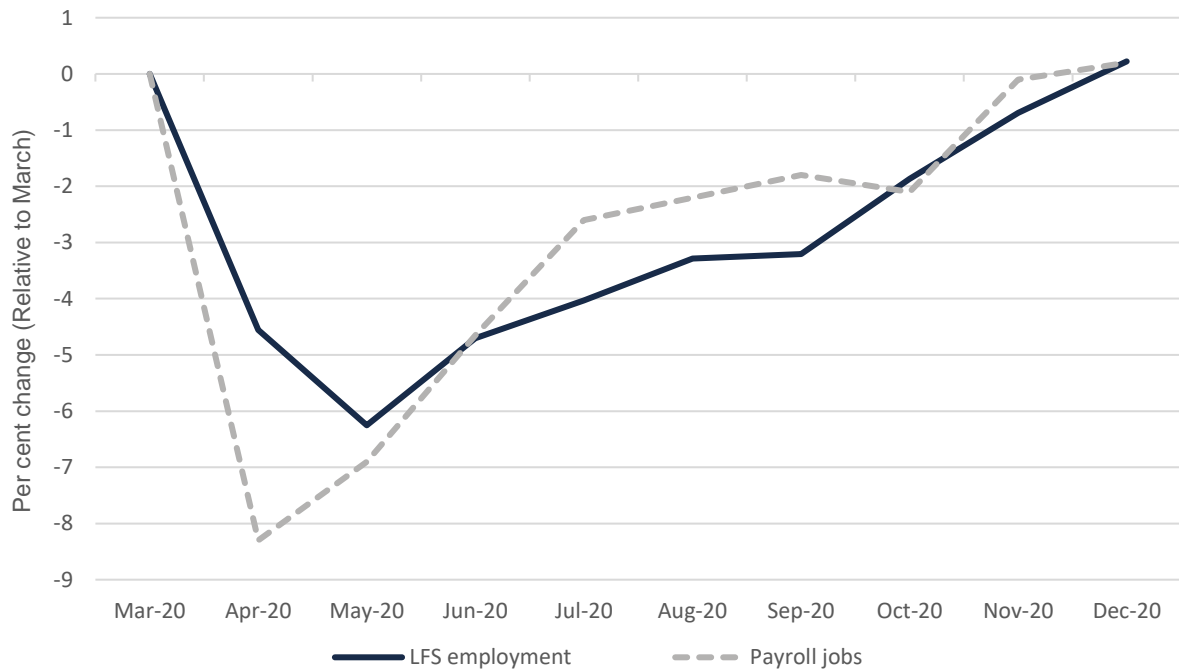
Source: ABS, *Labour Force, Australia*, December 2020, Tables 1 and 19.

Chart 2b: Change in number of jobs, 14 March 2020 to 16 January 2021



Source: ABS, *Weekly Payroll Jobs and Wages, Australia (week ending 16 January 2021)*, Table 4.

Chart 2c: Change in employment, LFS and Weekly Payroll jobs measures, Australia, March to December 2020



Source: (i) Employed persons - ABS, *Labour Force, Australia*, December 2020, Table 1; (ii) Jobs - ABS, *Weekly Payroll Jobs and Wages, Australia (week ending 16 January 2021)*, Table 4.

Table 3: Key labour market outcomes, changes from March quarter to September quarter 2020

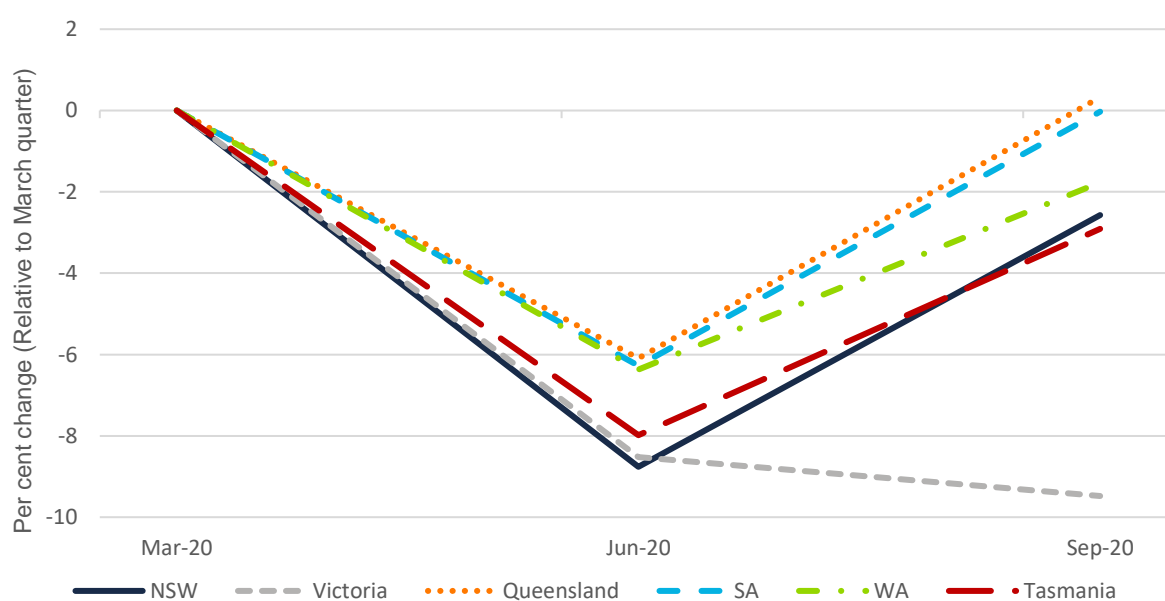
	By quarter		Total March qtr to September qtr %
	March qtr to June qtr	June qtr to September qtr	
	%	%	
Number of jobs	-6.8	+2.0	-4.8
Persons employed	-5.3	+0.7	-4.6
Multiple job holders	-22.6	+13.0	-9.06
Hours actually worked	-10.1	+4.0	-6.1

Note: Data are seasonally adjusted. Calculation of per cent change from June to September is done with the March level as the numerator (so that the per cent changes for the two quarters add up to the total change).

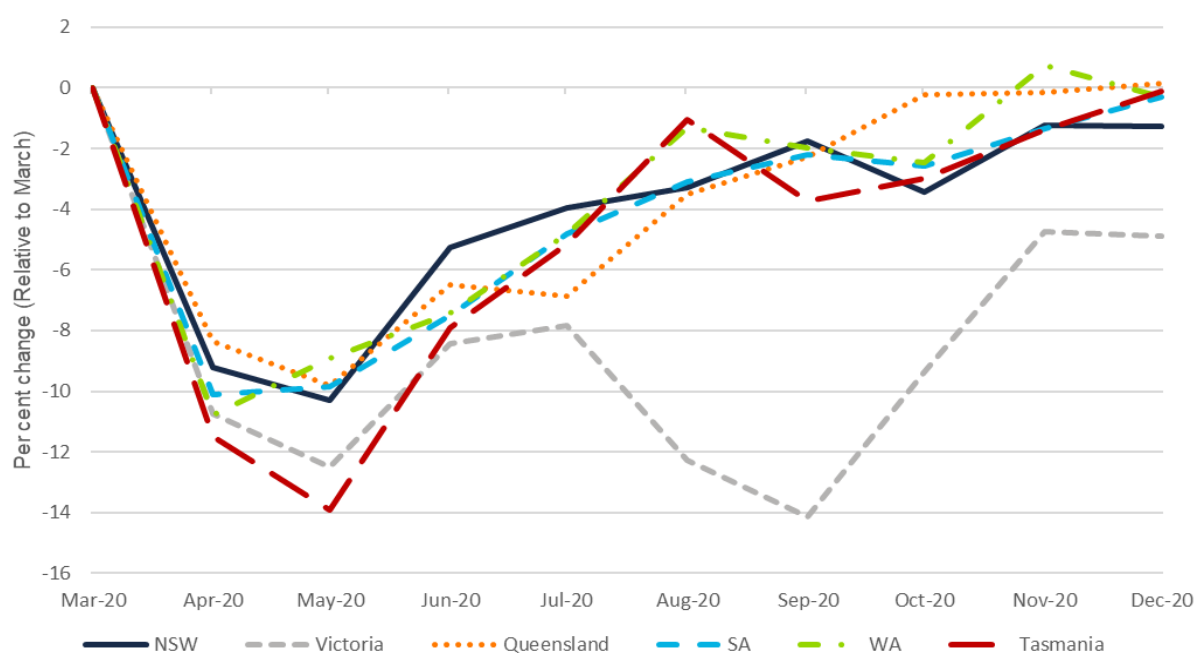
Source: ABS, *Labour Account Australia*, September 2020, Table 1.

2.2 State-level perspective

A further perspective on the dominant influence of COVID-19 on economic activity in 2020 is from the evolution of state-level output and employment. Charts 3 and 4 show, respectively, changes in state final demand and monthly hours worked by state. All states experienced large decreases in final demand and employment from the March to June quarters, albeit with some dispersion that seems to have been primarily related to severity of the initial COVID-19 outbreak (for example, larger decreases in final demand in New South Wales and Victoria than South Australia or Western Australia). Thereafter, all states except Victoria saw increased final demand and employment. By the September quarter, final demand in Western Australia, South Australia and Queensland had returned almost to March levels; and monthly hours worked in those states in December were higher than or back to being at most only 1 per cent behind March. By comparison, state demand in Victoria in September remained 9.5 per cent below March. Monthly hours worked in September in Victoria were 13.8 per cent below in March. With the commencement of relaxation of government restrictions, however, monthly hours worked improved in Victoria by December to be 4.9 per cent below in March.

Chart 3: Real final demand by state, per cent change relative to March quarter 2020

Source: ABS, *Australian National Accounts: National Income, Expenditure and Product*, September 2020, Table 25.

Chart 4: Change in monthly hours worked per capita, by state, March to December 2020

Note: Data are seasonally adjusted.

Source: ABS, *Labour Force, Australia*, December 2020, Table 19.

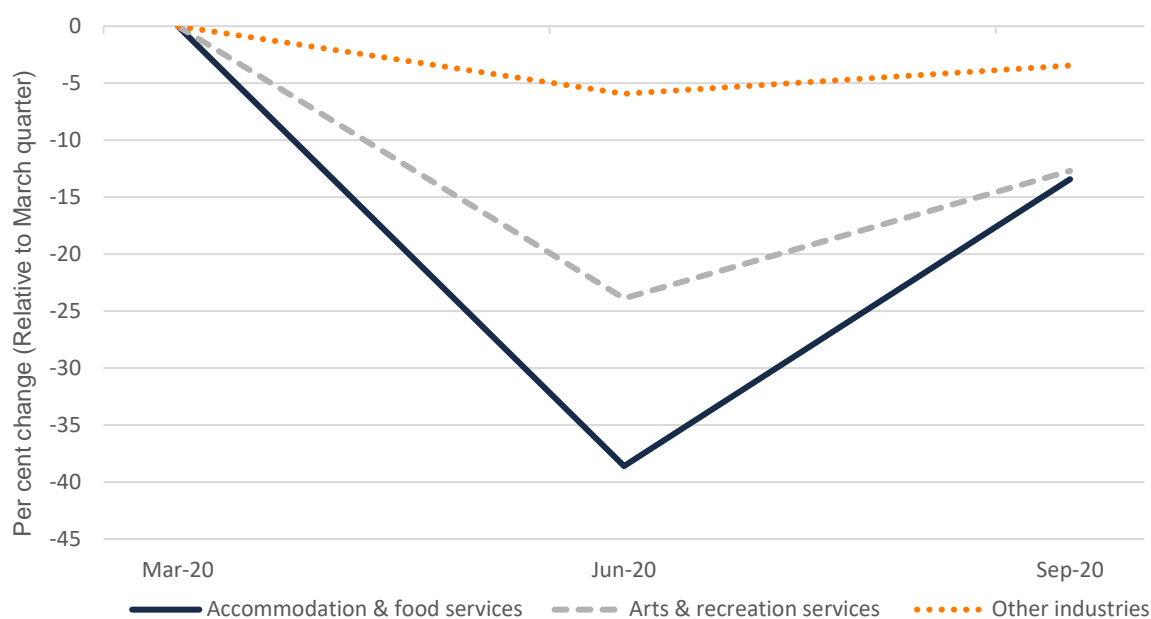
2.3 Industry-level perspective

Because the impact of COVID-19 has derived from governments seeking to control its spread and consumers wanting to avoid contracting it, the impact has been concentrated in industries with high levels of personal contact among staff and customers. The industries most adversely affected in proportionate terms by the onset of COVID-19 were Accommodation and food services and Arts and recreation services.

Chart 5 shows changes in real Gross Value Added (GVA) for the two most affected industries, and all other industries. Real GVA between the March and June quarters fell by 38.6 per cent in Accommodation and food services and by 23.9 per cent in Arts and recreation services. In other industries, the decrease in real GVA was 5.9 per cent. With COVID-19 being brought under control and the relaxation of government restrictions, economic activity in the two most affected industries increased in the September quarter, with real GVA restored to about 13 per cent below in March. Other industries also recovered to the September quarter, with real GVA returning to 3.5 per cent below in March.

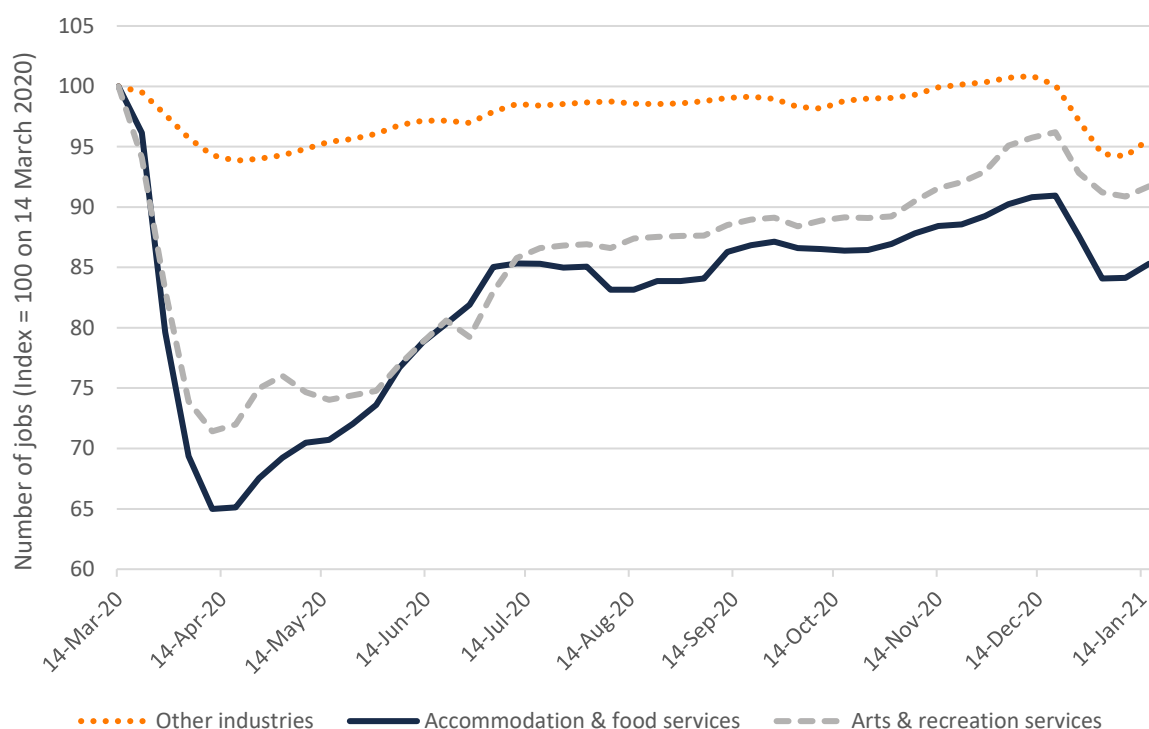
Chart 6 shows changes in the numbers of jobs for the most affected industry categories. Jobs decreased in Accommodation and food services and in Arts and recreation services from mid-March to late April by 35 per cent and 28 per cent, respectively; whereas in other industries, jobs were 6 per cent lower in that period. Stronger bounce-back in economic activity in the most affected industries has also meant stronger growth in recovery. By mid-July jobs in Accommodation and food services and in Arts and recreation services were back to about 15 per cent below mid-March; and by early December, were respectively 10 per cent and 5 per cent below in mid-March. By early December, the total number of jobs in other industries was back to about the same level as mid-March.

Chart 5: Real Gross Value Added, by industry, per cent change relative to March quarter 2020



Source: ABS, *Australian National Accounts: National Income, Expenditure and Product*, September 2020, Table 6.

Chart 6: Change in number of jobs, 14 March 2020 to 16 January 2021



Source: ABS, *Weekly Payroll Jobs and Wages, Australia (week ending 16 January 2021)*, Table 4.

2.4 The role of government policy

Recognising the severe impact of COVID-19 on aggregate demand and employment, Commonwealth and state governments quickly introduced policies intended to buttress economic activity and to underpin household spending and business viability. Government fiscal policy has therefore been another main driver of economic activity and labour market outcomes in the COVID-19 recession.

Table 4 shows sources of changes in gross disposable income from the March to September quarters. Notwithstanding the impact of COVID-19, gross disposable income increased strongly, by about 3 and 3.5 per cent each quarter. From the March to June quarters, that growth was due to increases in social assistance benefits from government and in gross mixed income, offset partly by decreases in employee compensation and net property income. Growth from the June to September quarters then came from recovery in employee compensation and net property income, together with continued growth in gross mixed income.

Despite the growth in real gross disposable income, final consumption expenditure fell by 10.8 per cent from the March to June quarters, explaining why household consumption was the major source of the decrease in GDP in that time. The difference was made up by an increase in net saving of 13.8 per cent. From the June to September quarters, final consumption expenditure grew, due both to a continued increase in gross disposable income and to dissaving.

Table 4: Contributions to change in household income, March quarter to September quarter 2020

	By quarter		Total March qtr to September qtr
	March qtr to June qtr	June qtr to September qtr	
Gross disposable income	+3.02	+3.50	+6.52
Sources			
Compensation of employees	-1.49	+1.64	+0.15
Gross mixed income	+2.59	+0.97	+3.56
Social assistance benefits	+4.52	-0.25	+4.27
Net property income	-2.67	+1.78	-0.89
Income tax	+0.70	-0.72	-0.02
Other	-0.63	-0.08	-0.71
Effects			
Final consumption expenditure	-10.82	+5.82	-5.00
Net saving	+13.79	-2.57	+11.42

Note: Calculation of per cent change from June to September is done with the March level as the numerator (so that the per cent changes for the two quarters add up to the total change).

Source: ABS, *Australian National Accounts: National Income, Expenditure and Product*, September 2020, Table 20.

3 By industry

3.1 Background

The impact of COVID-19 has differed by industry, reflecting variation in the extent of personal contact between and among customers and workers across industries. That variation was recognised by the majority decision of the Expert Panel in the Annual Wage Review 2019–20 (2019–20 Review) (2020a) by classifying industries into three clusters:

- Lower cluster: comprising industries less affected by the pandemic and those covering frontline services and other essential workers.
- Central cluster: comprising industries adversely impacted by the pandemic but not to the same extent as sectors identified in the upper cluster.

- Upper cluster: comprising industries which have been most adversely affected by the pandemic.

The classification of industries into the clusters considered in this report is a revised version of the classification reported by staff of the Commission for October (2020b). Table 5 shows the classification by staff (Fair Work Commission, 2020b) and the revised classification I use in this report.⁷

Table 5: Classification of industries by cluster

	Version 1	Revised classification in this report
Upper cluster	Accommodation and food services Arts and recreation services	Accommodation and food services Information, media and telecommunications Arts and recreation services
Central cluster	Agriculture, forestry and fishing Mining Manufacturing Construction Wholesale trade Retail trade Transport, postal and warehousing Information, media and telecommunications Rental, hiring and real estate Professional, scientific and technical services Administrative and support services Education and training Other services	Mining Manufacturing Construction Wholesale trade Transport, postal and warehousing Rental, hiring and real estate Professional, scientific and technical services Education and training Other services
Lower cluster	Electricity, gas, water and waste Finance and insurance services Public administration and safety Health care and social assistance	Agriculture Electricity, gas, water and waste Retail trade Finance and insurance services Administrative and support services Public administration and safety Health care and social assistance

The classification of industries into clusters—and analysis of economic activity and labour market outcomes by cluster—is done using three main data sources:

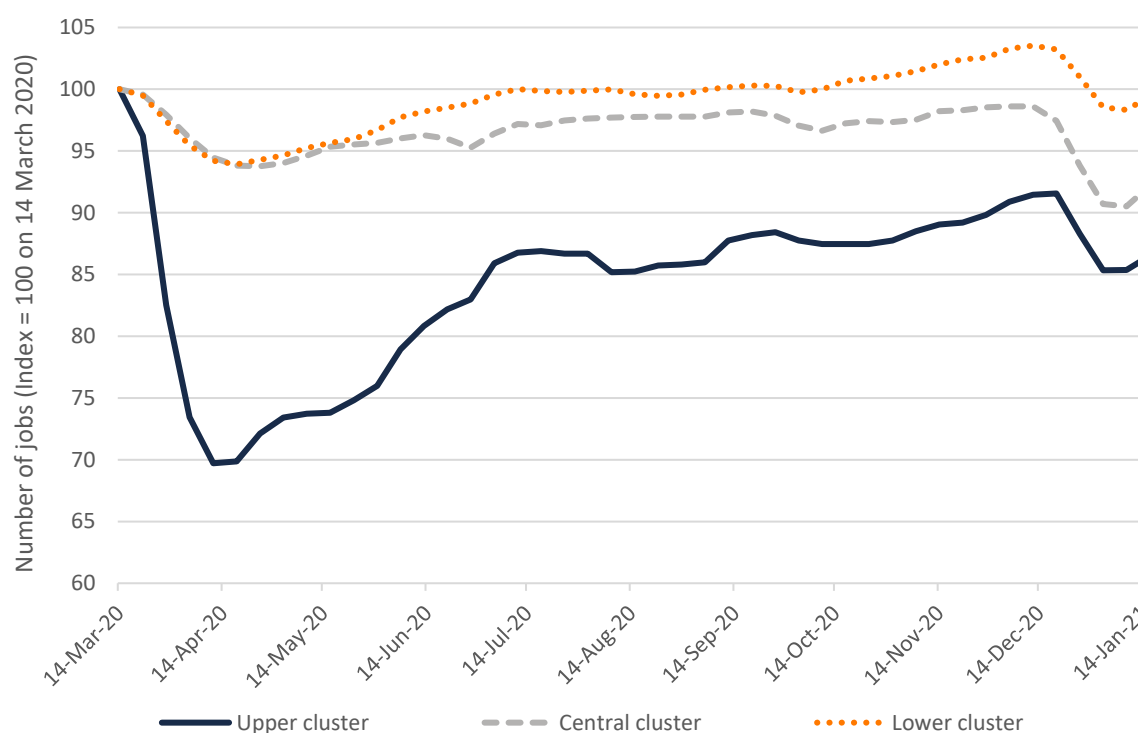
- ABS payroll—weekly data on the number of jobs and total wages;

⁷ Version 1 of this report – published on 23/12/2020 – used the classification of industries to clusters reported by staff of the Commission (2020b).

- ABS Labour Accounts—quarterly data on the number of jobs and hours worked; and
- ABS National Accounts—quarterly data on real GVA.

Chart 7 uses ABS Weekly Payroll data to show changes in the numbers of jobs by cluster from 14 March to 16 January. Tables 6 and 7 present a detailed investigation of economic activity and jobs/employment within each cluster using industry-level data on changes in the number of jobs, actual hours worked, total wage payments and real GVA. Table 6 presents data from the ABS Weekly Payroll series, and Table 7 presents data from ABS Labour Accounts and National Accounts. Table 8 provides a summary of the data on economic activity and labour market outcomes by industry.

Chart 7: Change in number of jobs, by industry cluster, 14 March 2020 to 16 January 2021



Source: ABS, *Weekly Payroll Jobs and Wages in Australia*, (week ending 16 January 2021): (i) Indices of number of jobs – Table 4; (ii) Weights for proportion of jobs by industry on 14 March, Table 1

In reporting data from the ABS Weekly Payroll series, it is important to reiterate that these series alter with updating over time—and hence it is necessary to choose an end point for analysis that will not be too much affected by that updating. Having reviewed the data, I have chosen 5 December as an end date that can be regarded as likely to be subject to minimal updating—and two months on from the end date which I chose for version 1 of this report. Reviewing the updating of the job series for each industry shows that there are some industries, such as Manufacturing, Retail trade and Public administration and safety, where updating has little impact. But for other industries, including Agriculture forestry and fishing, Construction and Other services, the impact of updating is substantial.⁸

Another aspect of the ABS Weekly Payroll data that needs to be noted is that it is not seasonally adjusted. This also means that some caution is required in interpreting data on the number of jobs. As

⁸ Appendix 4 presents data on number of jobs by industry for the set of release dates.

a way of checking how much difference seasonal adjustment might make, it is possible to estimate seasonal factors associated with other ABS industry-level employment data.⁹ There are some industries—such as Health care and social assistance and Finance and insurance where there is minimal seasonal variation. But for a small group of industries, seasonal variation is relatively large. For example, the seasonal change in employment in Retail trade is over 3 per cent between the September and December quarters; and is over 4 per cent in Public administration and safety between the March and June quarters.

3.2 The new clusters

The changes I have made to the cluster groupings attempts to match updated information on labour market outcomes by industry with the original definitions of the clusters made in the 2019–20 Review. I have reclassified those industries where by 5 December there is evidence of a sustained change in the position of an industry. Information, media and telecommunications has seen a consistent decrease in jobs; and by early December the number of jobs was 10 per cent below mid-March. Hence it has been reclassified to the upper cluster. Agriculture, forestry and fishing, Retail trade and Administrative and support services have all had steady increases in the number of jobs during recovery; and by early December the number of jobs in each of those industries had for some time been above the level in mid-March. Hence all these industries have been reclassified to the Lower cluster.¹⁰

3.3 Economic activity and labour market outcomes by cluster

A clear separation in trajectories of economic activity and labour market outcomes between clusters is evident. Through to late April, decreases in the number of jobs of respectively 6, 7 and 30 per cent occurred for the lower, central and upper cluster. Jobs in the upper cluster then recovered rapidly to early July to about 15 per cent below the level in mid-March. The numbers of jobs in the middle and lower clusters increased respectively by about 3 per cent and 5 per cent to mid-July. Hence, the pattern between the clusters from March to July was one of divergence and convergence.

By mid-April the gap in the percentage of jobs lost between the upper and lower clusters was almost 35 percentage points; but by late July that gap was only 13 percentage points. However, since mid-July there has not been much further convergence between the clusters, with the gap between Upper and Lower clusters still being 13 percentage points in early December. During the time from late July to early December, the number of jobs in both of these clusters increased by about 3 to 4 percentage points; but jobs in the central cluster increased by only about 1.5 percentage points.

⁹ Appendix 3 presents data on the ratio of seasonal adjusted employment to original employment by industry from the ABS Labour Accounts using quarterly data from 2010 to 2019.

¹⁰ Appendix 2 presents more details on the reclassification. Three other industries appear to be heading for reclassification. It is likely that the number of jobs in the Construction and Other services industries by early December had returned to the same level as in mid-March—but the long updating lag for Construction and the short time period for which the level of jobs in Other Services has fully recovered means that I did not reclassify them at this time. The number of jobs in Transport, postal and warehousing remains about 5 per cent below the level in mid-March. Earlier in 2020 this was not an exceptional decrease; but as the recovery proceeds, it is marking this industry out as much slower to regain jobs than other industries.

Table 6: Changes in number of jobs and total payroll, by industry, 14 March to 5 December 2020, ABS Weekly Payroll data

Industry	Jobs			Total wages		
	Sub-periods		Total	Sub-periods		Total
	14 March to 18 April	18 April to 5 December	14 March to 5 December	14 March to 18 April	18 April to 5 December	14 March to 5 December
Upper cluster						
Accommodation and food services	-34.9	+25.1	-9.8	-25.9	+20.0	-5.9
Information, media and telecommunications	-8.6	-2.1	-10.6	-2.1	-7.9	-10.0
Arts and recreation services	-28.0	+23.1	-4.9	+2.0	-4.5	-2.5
Central cluster						
Mining	-8.1	+5.1	-3.0	-26.4	+5.1	-19.3
Manufacturing	-5.0	+2.6	-2.4	-7.6	+5.6	-2.0
Construction	-4.4	+3.1	-1.3	-5.2	+5.4	+0.2
Wholesale trade	-5.0	+4.3	-0.7	-10.4	+5.1	-5.3
Transport, postal and warehousing	-5.0	+0.5	-4.5	-3.5	-2.5	-6.0
Rental, hiring and real estate services	-10.3	+8.3	-2.0	-6.7	+9.6	+2.9
Professional, scientific and technical services	-3.6	+2.9	-0.7	-3.4	+4.6	+1.2
Education and training	-9.2	+9.1	-0.1	-3.2	+9.9	-6.7
Other services	-10.5	+10.4	-0.1	-3.2	+8.5	+5.3
Lower cluster						
Agriculture, forestry and fishing	-3.7	+6.7	+3.0	-0.4	+10.9	+10.5
Electricity, gas, water and waste services	-0.9	+1.2	+0.3	-1.0	+3.6	+2.6
Retail trade	-8.5	+12.2	+3.7	-3.4	+9.2	+5.8
Financial and insurance services	-0.4	+5.1	+4.7	-6.1	+8.5	+2.4
Administrative and support services	-10.9	+12.3	+1.4	-9.4	+16.2	+6.8
Public administration and safety	-4.9	+9.3	+4.4	-4.3	+10.3	+6.0
Health care and social assistance	-4.8	+7.9	+3.1	-0.5	+4.6	+4.1

Source: ABS, *Weekly Payroll Jobs and Wages, Australia (week ending 16 January 2021)*, Table 4.

Table 7: Changes in real GVA, number of jobs and actual hours worked, by industry, March qtr to September qtr 2020, ABS Labour Accounts data

Industry	Real GVA		Jobs		Actual hours worked	
	March qtr to June qtr	March qtr to September qtr	March qtr to June qtr	March qtr to September qtr	March qtr to June qtr	March qtr to September qtr
Upper cluster						
Accommodation and food services	-38.6	-13.4	-16.3	-9.3	-36.9	-12.3
Information, media and telecommunications	-8.7	-2.9	-6.9	0.0	-6.5	-0.7
Arts and recreation services	-23.9	-12.7	-19.9	-12.1	-35.8	-22.4
Central cluster						
Mining	-0.1	-1.6	-7.0	-4.5	-4.5	-2.2
Manufacturing	-9.1	-5.4	-4.2	-2.8	-4.4	-2.2
Construction	-7.6	-5.5	-9.1	-6.5	-13.1	-9.6
Wholesale trade	-6.4	-1.9	-8.9	-4.0	-11.2	-5.4
Transport, postal and warehousing	-21.4	-17.7	-8.7	-10.2	-16.3	-11.4
Rental, hiring and real estate services	-15.7	-9.2	-3.0	-3.4	-7.6	-8.7
Professional, scientific and technical services	-6.0	-3.6	-6.0	-5.9	-9.4	-6.6
Education and training	+0.2	+0.4	-7.9	-8.2	-8.8	-9.0
Other services	-16.0	-12.5	-11.5	-11.9	-27.4	-21.3
Lower cluster						
Agriculture, forestry and fishing	-1.9	-2.5	-1.7	-0.5	-4.0	-4.7
Electricity, gas, water and waste services	-1.4	-0.4	-4.6	-0.5	-7.4	-2.7
Retail trade	-4.6	+0.8	-1.0	+0.1	-5.2	-2.0
Financial and insurance services	+0.8	+1.2	+2.6	-1.8	+3.9	-1.0
Administrative and support services	-18.9	-18.3	-13.8	-5.4	-16.0	-7.7
Public administration and safety	+0.9	+2.4	-3.6	-2.3	-1.5	+1.3
Health care and social assistance	-8.2	+0.3	-3.6	-1.9	-4.1	-0.8

Source: ABS, *Australian National Accounts: National Income, Expenditure and Product*, September 2020, Table 6; ABS, *Labour Account Australia*, September 2020, Tables 2 to 20.

Table 8: Labour market outlook by industry: a summary of trends to 5 December 2020

Industry	Overview of data on output, jobs, employment and wages paid (Tables 6 and 7)
Upper cluster	
Accommodation and food services	Jobs: initial decrease to mid-April; recovery from mid-April to mid-July; steady to mid-October; some further recovery to early December. Remained 10 per cent below level in mid-March. Labour Accounts: GVA and employment data consistent with activity being well below norm in September quarter.
Information, media and telecommunications	Jobs: initial decrease to mid-May; recovery to mid-July; steady decrease thereafter. In early December, number of jobs about 10 per cent below level in mid-March. Labour Accounts: data differ in showing that GVA, hours worked and jobs recover by September quarter to same or near to pre-COV-19 level.
Arts and recreation services	Jobs: initial decrease to mid-April; recovery from mid-April to mid-July; thereafter slower but steady recovery to early December. Number of jobs remained 5 per cent below level in mid-March. Labour Accounts: GVA and employment data consistent with activity being well below norm in September quarter.
Central cluster	
Mining	Jobs: initial decrease to mid-April; strong recovery from mid-April to mid-June; since then steady/slightly decreasing. Number of jobs remained about 3 per cent below level in mid-March. Consistent with data from Labour Accounts. Jobs and hours worked about 2 to 4 per cent below pre-COVID-19 level in September quarter.
Manufacturing	Jobs: initial decrease to mid-April; recovery to mid-July; no recovery since then to early December at which time number of jobs remained about 2 per cent below level in mid-March. Consistent with data from Labour Accounts. Jobs and hours worked about 2–3 per cent below pre-COVID-19 level in September quarter.
Construction	Jobs: initial decrease to mid-April; steady recovery from mid-April to late July. Likely that number of jobs had returned to same level as mid-March by early December taking into account long updating lag for this industry job series. Labour Accounts: GVA, jobs and hours worked data indicate larger negative impact of 6 to 10 per cent in September quarter.
Wholesale trade	Jobs: initial decrease to mid-April; thereafter little recovery until mid-November after which some further recovery to early December to reach about 1 per cent below level in mid-March. Consistent with data from Labour Accounts. In September quarter, measures of jobs and hours worked were 4 to 5 per cent below pre-COVID-19 levels.
Transport, postal and warehousing	Jobs: initial decrease to mid-April; no recovery since then. In early December, number of jobs remained about 5 per cent below level in mid-March. Labour Accounts: GVA, jobs, hours worked in September quarter remained 10 to 18 per cent below pre-COVID-19 levels.
Rental, hiring and real estate services	Jobs: initial decrease to mid-April; steady recovery to early December. In early December, number of jobs remained about 2 per cent below level in mid-March. Consistent with data from Labour Accounts. Show jobs 3 to 4 per cent below pre-COVID-19 levels in September quarter, with larger decrease in hours worked.

Industry	Overview of data on output, jobs, employment and wages paid (Tables 6 and 7)
Professional, scientific and technical services	Jobs: initial decrease to mid-April; steady from mid-April to mid-June; increase from mid-June to mid-July; steady thereafter. In early December, number of jobs remained about 1 per cent below level in mid-March. Labour Accounts: Data indicate jobs and hours worked below pre-COVID-19 levels in September quarter—about 5 to 6 per cent.
Education and training	Jobs: Have displayed a relatively high degree of variability with cyclical decreases appearing to coincide with school holiday periods. Initial decrease to mid-April; thereafter a slow upward trend interrupted by short-term decreases. In early December, number of jobs was 1–2 per cent below level in mid-March. Consistent with data from Labour Accounts. No change in GVA apparent. But jobs and hours worked in September quarter remained 6 to 10 per cent below pre-COVID-19 levels.
Other services	Jobs: initial decrease to mid-April; recovery to mid-July; steady until mid-October; thereafter recovery, with number of jobs in early December reaching same level as in mid-March (and also need to take account relatively long updating lag for this industry job series). Labour Accounts: Data on jobs and hours worked suggest larger persistent negative impacts—about 10 to 20 per cent in September quarter.
Lower cluster	
Agriculture, forestry and fishing	Jobs: initial decrease to mid-April; slow and steady recovery since mid-April. By early December, number of jobs had recovered to be above level in mid-March. Labour Accounts: Jobs and GVA about 1 to 2 per cent below pre-COVID-19 levels by September quarter. Hours worked about 4–5 per cent below.
Electricity, gas, water and waste	Jobs: little initial decrease; slow increase to mid-August; thereafter some decrease. In early December, number of jobs were at about same level as mid-March. Consistent with data from Labour Accounts. Data on GVA and hours worked suggest zero or some small negative impact from COVID-19 in September quarter.
Retail trade	Jobs: initial decrease to mid-April; recovery from mid-April to mid-July; steady from mid-July to mid-October; further recovery from mid-October to early December. Likely that number of jobs has reached same or higher level than mid-March, even correcting for seasonal influences. Consistent with data from Labour Accounts. Indicate recovery of GVA, jobs, hours worked to pre-COVID-19 levels by September quarter.
Financial and insurance services	Jobs: steady from mid-March to end of June; then appear to have increased through to early December. Labour Accounts: Data on GVA, jobs and hours worked are consistent with improved conditions, or only minimal negative impacts of COVID-19, in September quarter.
Administrative and support services	Jobs: initial decrease to mid-April; recovery from mid-April to mid-June; steady to end of September, after which further strong recovery. By early December, number of jobs had returned to be slightly above level in mid-March. Consistent with data from Labour Accounts. Jobs 4 to 5 per cent below pre-COVID-19 levels in September quarter; and hours worked 7 to 8 per cent below.

Industry	Overview of data on output, jobs, employment and wages paid (Tables 6 and 7)
Public administration and safety	Jobs: initial decrease to mid-April; steady recovery since then to early December. In early December, number of jobs was about 5 per cent above mid-March. Consistent with data from Labour Accounts. Small increase in jobs and hours worked by September quarter.
Health care and social assistance	Jobs: initial decrease to mid-April; recover to end of June; steady thereafter. In early December, number of jobs was about 3 per cent above level in mid-March. Consistent with data from Labour Accounts. Strong recovery in GVA, jobs and hours after initial decrease. By September quarter, GVA and employment had returned to about pre-COVID-19 levels.

4 Labour market outcomes and worker/job characteristics

With the impact of COVID-19 on employment being so concentrated by industry, changes in the industry composition of employment are an important window to understand the broader labour market impacts of COVID-19.

Table 9 shows the composition of employment in the three industry clusters—by worker characteristics and type of job. The gender composition of employment is quite evenly distributed between the clusters. Young workers are over-represented in industries in the upper cluster, whereas above-average shares of older workers work in industries in the central and lower clusters. The incidence of part-time employment is higher in the upper cluster than other clusters. The incidence of permanent employment is highest in industries the central and lower clusters, whereas the incidence of casual employment is highest in industries in the upper cluster. Professionals and Clerical and administrative workers are relatively concentrated in the central and lower clusters, whereas Labourers and Technicians and trade workers are over-represented in the upper and central clusters, respectively. Community and personal service workers are concentrated in the upper and lower clusters.

Table 9: Composition of employment by industry cluster, February 2020

	Upper cluster	Central cluster	Lower cluster
Gender			
Females	52.2	36.7	58.8
Age			
15–24	37.7	11.0	13.7
25–34	23.2	24.7	22.9
35–54	27.4	45.0	42.0
55 plus	11.7	19.3	21.4
Hours of work			
Part-time	52.9	22.2	36.4
Employment status			
Permanent employee	40.5	64.8	67.6
Casual employee	46.5	14.6	19.8
Owner/Manager	12.8	20.4	12.4
Occupation			
Managers	15.5	11.3	13.2
Professionals	11.6	26.9	25.3
Technicians and trade workers	13.9	21.0	5.2
Community and personal service workers	25.9	4.6	14.6
Clerical and administrative workers	6.4	12.5	16.3
Sales workers	10.6	4.3	13.5
Machinery operators and drivers	1.2	10.6	2.4
Labourers	14.9	8.8	9.5

Source: ABS, *Labour Force Australia – Detailed*: (i) Gender: EQ06; (ii) Age: EQ12; (iii) Hours of work: EQ11; (iv) Employment status: EQ05; (v) Occupation: EQ09.

The clusters order industries according to the extent of impact of COVID-19 on jobs and employment. Hence, it is not surprising that the patterns in the composition of employment by cluster described in Table 9 play out in how COVID-19 has affected employment by worker characteristics and type of job.

Table 10 presents changes in employment by gender and hours worked. COVID-19 has had a relatively even impact on the employment of males and females. At the outset, decreases in employment for females were larger than for males. For example, from March to April, monthly hours worked decreased for females by 12.0 per cent and for males by 7.7 per cent. This difference seems to have mainly reflected that females were more likely to move out of the labour force; or if they remained employed were more likely to have reduced hours of work (for example, a disproportionately large share of zero hours workers). After the initial months, however, the relative impact by gender evened up and reversed. For several months, decreases in employment were larger for males than females.¹¹ By December, the impact on females and males was relatively even.

The initial negative impact of COVID-19 was much larger for part-time than full-time employment, but recovery in part-time employment has equally been stronger. By December, part-time employment was 1.4 per cent above its level in March, whereas full-time employment remained 1.9 per cent below that level. The difference in the initial impact of COVID-19 by hours of work mainly reflects the industry composition of that impact. The subsequent strength of recovery in part-time employment is therefore partly the reversal of the initial effects of COVID-19. With the reopening of economic activity, the same industries that were worst affected have recovered most strongly, and with that part-time jobs in those industries have been restored. The stronger growth in part-time than full-time hours is also likely to reflect the stage of recovery in the economy. In the initial stage of recovery, employers responded to the gradual growth in demand by creating part-time rather than full-time jobs, to match with the amount of extra labour they needed.

Table 10: Per cent change in monthly hours worked, persons, Australia, March to December 2020

	March to May	May to December	March to December
Gender			
Female	-11.8	+10.2	-1.6
Male	-9.5	+8.5	-1.0
By hours of work			
Part-time	-19.9	+21.3	+1.4
Full-time	-8.5	+6.6	-1.9

Note: Data are seasonally adjusted.

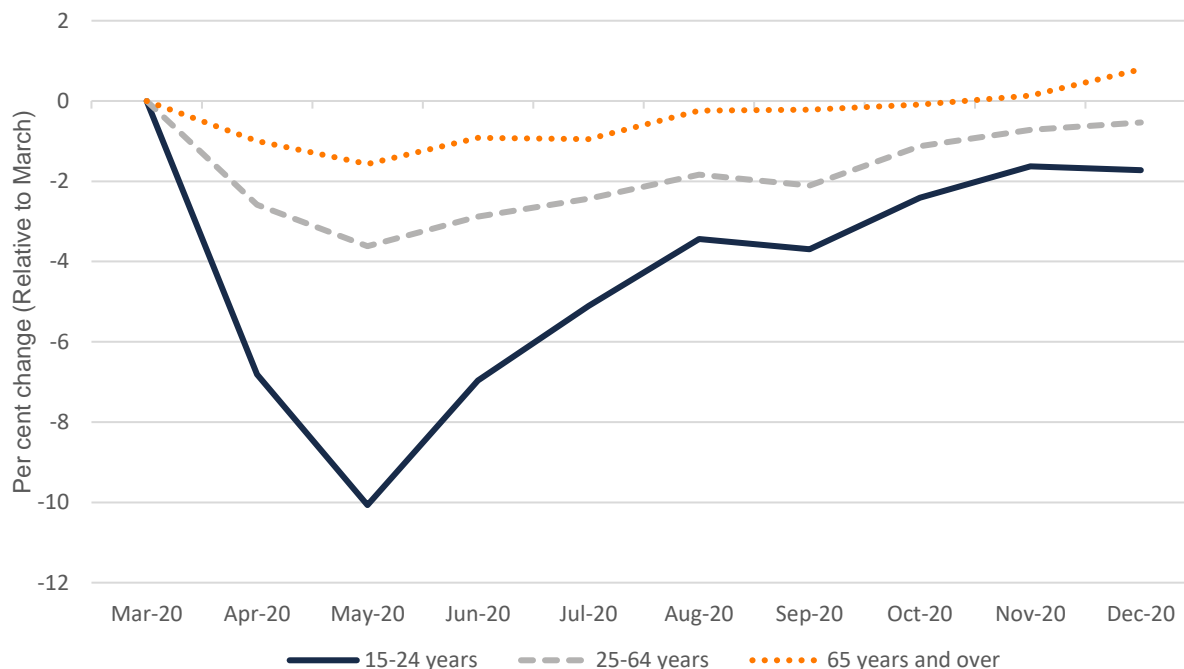
Source: ABS, *Labour Force, Australia*, December 2020, Table 19.

Chart 8 shows changes in the employment/population rate by age group. The initial negative impact of COVID-19 was strongly ordered by age, with the young being hit hardest. While recovery has then been stronger for younger than older workers, large differences in the size of the impact on employment between age groups remained by October. The employment/population rate for the

¹¹ For analysis of how recessions in Australia have usually affected employment by gender, see Borland (2020b).

young (15–24 years) was still 1.7 percentage points below March; whereas, for the older population (aged 65 years and above) it was 0.8 percentage points higher than in March.

Chart 8: Change in employment/population rate, by age, persons, Australia, March to December 2020



Note: Data are seasonally adjusted.

Source: ABS, *Labour Force Australia – Detailed*, December 2020, Table 01.

Table 11 shows changes in employment by job status for employees. There was a much larger initial negative impact on employment for casual than permanent employees; and despite a stronger recovery, a difference still existed in November. The greater impact on casual employment likely reflects a combination of the industry-level impact of COVID-19, the relative ease of dismissing casual employees in a downturn, and eligibility conditions for JobKeeper which excluded employees in casual jobs for less than 12 months.

Table 11: Per cent change in employment, employees by status, persons, Australia, February to November 2020

	February to May	May to November	February to November
Actual weekly hours			
Permanent	-6.1	+4.1	-2.0
Casual	-27.6	+22.9	-4.7
Persons employed			
Permanent	-2.6	+3.0	+0.4
Casual	-20.6	+15.3	-5.3

Source: ABS, *Labour Force Australia – Detailed*, November 2020, EQ04.

Table 12 shows changes in employment by occupation. The largest decreases in employment have been for Community and personal services workers, Sales workers and Labourers. There has been minimal impact on white collar occupations—Managers, Professionals and Clerical and administrative workers. The differing impact by occupation reflects the shutdown of jobs involving high levels of personal contact with customers and co-workers; and greater scope to undertake white collar jobs from home, compared to other jobs such as labouring or operating plant equipment.

Table 12: Change in employment, by occupation, February to November 2020

	By quarter		Total February to November
	February to May	May to November	
Managers	-2.1	+1.1	-1.0
Professionals	-1.7	+5.3	+3.6
Technicians and trade workers	-6.0	+4.6	-1.4
Community and personal service workers	-21.9	+13.4	-8.5
Clerical and administrative workers	-1.0	+3.4	+2.4
Sales workers	-13.0	+9.1	-3.9
Machinery operators and drivers	-2.6	+0.9	-1.7
Labourers	-13.0	+7.1	-5.9

Source: ABS, *Labour Force Australia – Detailed*, December 2020, Table 07.

Table 13 shows that occupations with a low scope to be performed at home experienced the largest decreases in employment from February to May—with the impact being most pronounced for jobs that also involve a high level of social contact. High level of social contact implies greater likelihood of being shutdown by COVID-19; and there is no way to get around this when a job also cannot be done at home. There was minimal negative impact on employment for jobs that could be done at home. Increases in employment during recovery from May to November extended across all job categories, and were less correlated with the level of social contact and whether a job could be performed at home. Hence, overall in 2020, those occupations with low scope to be performed at home saw decreased employment, whereas occupations with high scope to be done at home had employment growth.

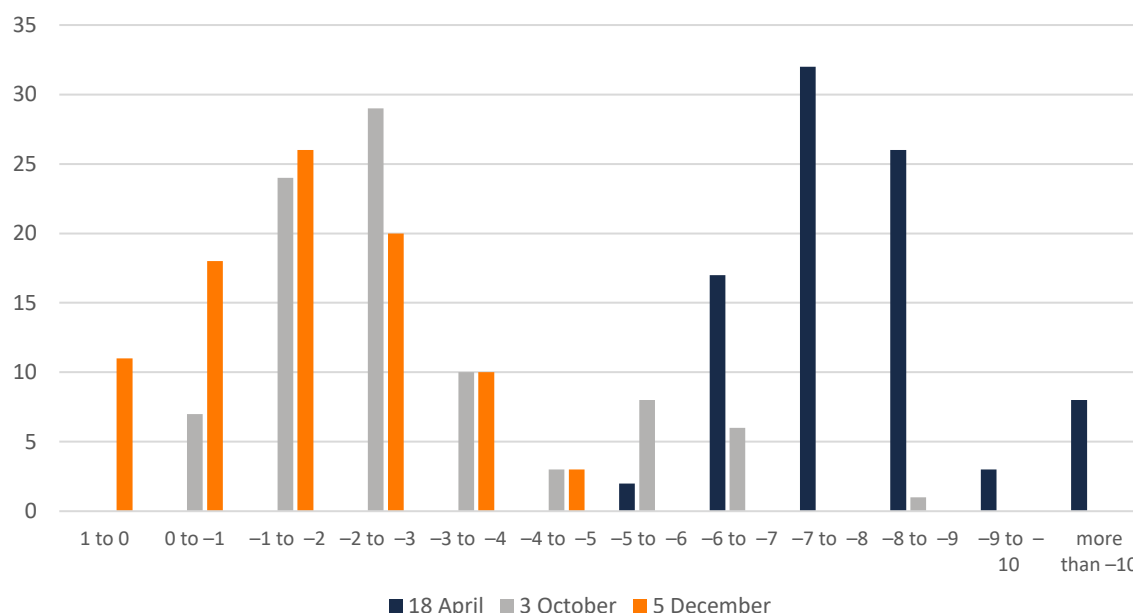
Table 13: Per cent change in persons employed, By level of social contact at work and ability to work at home, February to November 2020

	February to May	May to November	February to November
Low social contact + Low scope to work at home	-6.8	+4.0	-2.8
High social contact + Low scope to work at home	-13.3	+8.3	-5.0
Low social contact + High scope to work at home	-1.7	+5.1	+3.4
High social contact + High scope to work at home	-0.2	+4.2	+4.0

Source: 1] Employment by occupation ABS, Labour Force Australia, Detailed, EQ08; 2] Classification of occupations by level of social contact and scope to perform work at home – see Borland (2021).

A regional perspective on the impact of COVID-19 is provided in Chart 9. The chart shows the percentage decrease in the number of jobs within each SA4-level region in Australia for the weeks ending April 18, 3 October and 5 December. With the onset of COVID-19, most regions had lost from 7 to 9 per cent of their jobs. By the beginning of October, the distribution had shifted downwards, and job losses by region were concentrated at 2 to 4 per cent. The distribution had also become more dispersed, with an upper tail of regions with a high rate of job loss, reflecting the continuing impact of COVID-19 in Victoria. By early December, the distribution had shifted further downwards and become more concentrated again—reflecting extra overall recovery and the improvement in economic activity in Victoria.

Chart 9: Per cent change in number of jobs, distribution by SA4 region, 14 March to 5 December 2020



Note: SA4s are the largest sub-State regions in the Main Structure of the Australian Statistical Geography Standard (ASGS). See Australian Statistical Geography Standard (ASGS): Volume 1 - Main Structure and Greater Capital City Statistical Areas, July 2016, Catalogue No. 1270.0.55.001.

Source: ABS, *Weekly Payroll Jobs and Wages, Australia (week ending 14 November 2020)*, Table 4.

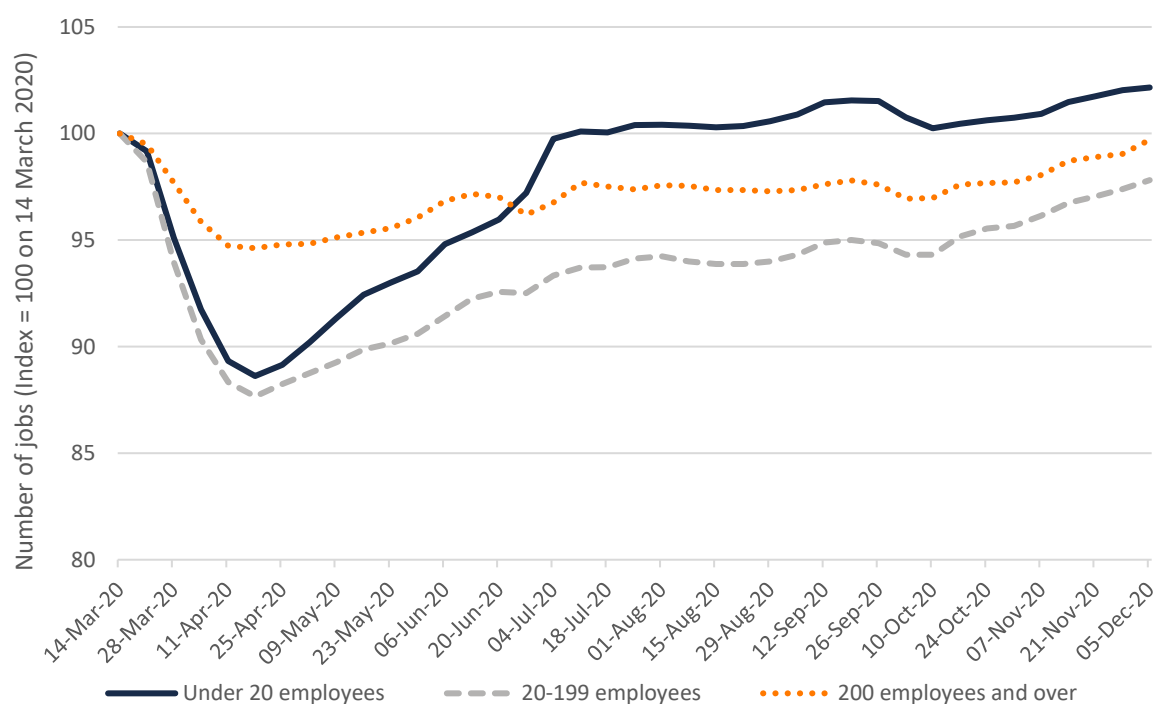
5 Outcomes for business

This section presents a variety of indicators of the impact of COVID-19 on businesses, primarily relating to effects on employment, financial impacts and the current outlook for hiring labour.

5.1 Size of business

Chart 11 shows changes in the number of jobs by business size. In interpreting the indices for jobs by business size, it is important to keep in mind that they represent proportionate rather than absolute job losses. Large businesses (200 employees plus) were least affected initially by COVID-19 in proportionate terms, with the number of jobs decreasing by 5 per cent to mid-April and with steady recovery thereafter so that by early December the number of jobs had returned to the same level as mid-March. Small (1–19 employees) and medium-sized (20–199 employees) businesses were worse affected initially, losing about 12 per cent of jobs. Recovery brought a strong increase in jobs in small businesses, so that by early December the number of jobs was about 2 per cent above in mid-March.¹² Recovery in the number of jobs in medium-sized businesses has been slower, by early December it remained about 2 per cent below the level in mid-March.

Chart 10: Number of jobs, by size of business, 14 March to 5 December 2020



Source: ABS, *Weekly Payroll Jobs and Wages, Australia* (week ending 16 January 2021), Table 7.

5.2 Financial performance

A majority of businesses experienced decreased revenue due to the onset of COVID-19, but with the virus being brought under control, that situation has reversed. Table 14 presents information on revenue from the ABS Business COVID-19 survey. It shows that from July to December, the proportion of businesses reporting a decrease in revenue in the past month had decreased from 47

¹² There is substantial updating of jobs data for this size category of business, so what seems to have been a decrease in number of jobs from early October onwards is likely to be revised upwards somewhat in subsequent releases of ABS Weekly Payroll data.

to 20 per cent, while the proportion of businesses with the same or higher revenue rose from 48 to 73 per cent.

Table 14: Change in revenue over the past month, July to December 2020

	Decreased	Stayed the same	Increased
December	20	48	25
November	22	49	24
October	31	49	16
September	38	45	13
August	41	38	16
July	47	32	16

Source: ABS, *Business Indicators, Business Impacts of COVID-19*, assorted Tables

Labour costs for businesses have decreased since the onset of COVID-19. Table 15 presents information on total labour costs for employees from the March to September quarters. Total labour costs decreased by 14.7 per cent between the March and September quarters. That decrease was entirely due to a decrease in other related costs to employers—presumably reflecting the impact of the JobKeeper wage subsidy program on labour costs. Average hourly labour costs decreased by 5.9 per cent. Compensation to employees remained constant while the number of employed persons decreased, also likely to due to the impact of the JobKeeper program. For some employees, the \$750 per week payment was above what they would otherwise have been paid.¹³ Average hourly income per employed person increased by 8.6 per cent between the March and September quarters.

Table 15: Labour costs of employees, March to September quarters 2020

	Total labour costs of employees	Compensation of employees	Other related costs to employers	Average labour cost per hour worked	Average hourly income per employed person
March qtr	257494.2	240347.2	17147.0	52.0	48.9
June qtr	213128.1	235135.6	-22007.5	49.5	54.0
September qtr	219595.5	240383.8	-20788.3	49.0	53.1

Note: Data are seasonally adjusted. Total labour costs of employees = Compensation of employees + Other related costs to employers.

Source: ABS, *Labour Accounts Australia*, September 2020, Table 1.

An overall perspective on business financial performance is available from the ABS National Accounts measure of gross operating surplus of corporations.¹⁴ Table 16 shows changes in gross

¹³ See Commonwealth Treasury (2020, pp. 27–28).

¹⁴ Gross operating surplus is the operating surplus accruing to all enterprises, except unincorporated enterprises, from their operations in Australia. It is the excess of gross output over the sum of intermediate consumption, compensation of employees, and taxes less subsidies on production and imports. It is calculated before deduction of consumption of fixed capital, dividends, interest, royalties and land rent, and direct taxes payable, but after deducting the inventory valuation adjustment.

operating surplus and its main components since the onset of COVID-19. Gross operating surplus increased by 10.2 per cent between the March and June quarters, and then by another 2.8 per cent between the June and September quarters. That increase was driven wholly by increased gross operating surplus for private non-financial corporations. The large increase in gross operating surplus likely reflects the impact of the JobKeeper program, government grants to businesses and perhaps reduced expenses on rent and loan repayments over this period. Compensation of employees, by contrast, was unchanged across the period from March to September quarters.

Table 16: Gross operating surplus and employee compensation, per cent change relative to March quarter 2020

	March qtr to June qtr	June qtr to September qtr	March qtr to September qtr
Gross operating surplus	+10.2	+2.8	+13.0
Contribution to change in Gross operating surplus:			
Private non-financial corporations	+10.3	+2.5	+12.8
Public non-financial corporations	0	0	0
Financial corporations	-0.1	+0.1	0
General government	+0.1	+0.1	+0.2
Dwellings owned by persons	0	0	0
Compensation of employees	-2.3	+2.3	0

Source: ABS, *Australian National Accounts: National Income, Expenditure and Product*, 5206.0, Table 7.

An industry-level perspective on overall financial performance is presented in Table 17, which shows the change in company gross operating profits. The measure for each quarter is the percentage change in gross operating profits between 2020 and the average of 2017–19 for that quarter. Industries in the upper cluster and many industries in the central cluster have had very large increases in gross operating profits in the June and September quarters of 2020 compared to the previous three years.

The size of increases in gross operating profits for these industries in the June and September quarters are much larger than for the March quarter, suggesting that it is not just inflation explaining the increase over time. Other industries in the central cluster, and the two industries in the lower cluster for which the gross operating profits measure is available have not seen large increases in gross operating surplus—and in the case of Financial and insurance services, there was a substantial decrease in the June and September quarters.

Table 17: Company gross operating profits, by quarter in 2020 compared to average in same quarter in 2017–19, by industry, per cent change

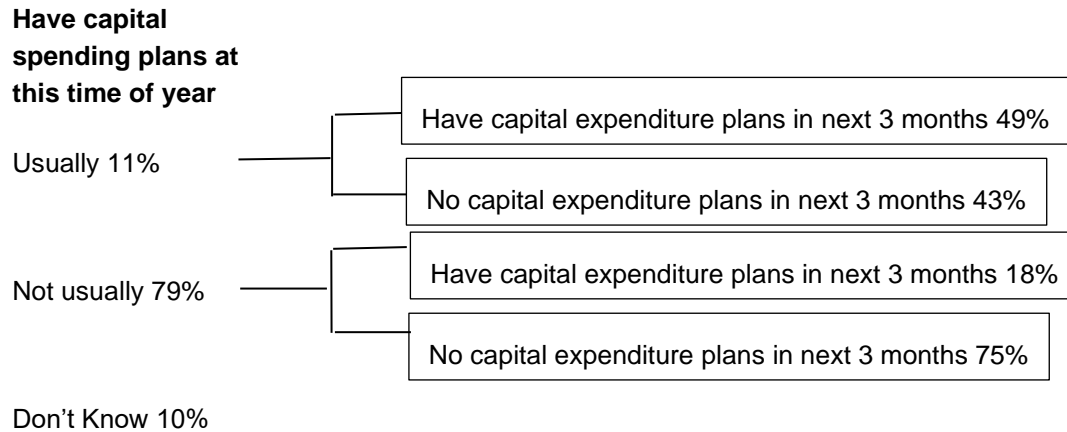
Industry	March qtr	June qtr	September qtr
Upper cluster			
Accommodation and food services	+11.5	+118.1	+181.3
Information, media and telecommunications	-2.4	-5.1	0
Arts and recreation services	-4.2	+89.9	+119.4
Central cluster			
Mining	+24.3	+16.7	+4.8
Manufacturing	+4.1	+17.0	+34.0
Construction	+10.9	+73.7	+67.4
Wholesale trade	+15.0	+23.5	+40.4
Transport, postal and warehousing	-6.4	+7.0	+18.3
Rental, hiring and real estate	-17.2	-3.5	+9.7
Professional, scientific & technical services	+20.7	+95.6	+107.1
Other services	+17.5	+279.6	+379.4
Lower cluster			
Agriculture, forestry and fishing			
Electricity, gas, water and waste	+17.1	+5.2	+1.8
Retail trade	+13.6	+55.3	+80.8
Financial and insurance services	-31.4	-56.2	-84.8
Administrative and support services	+7.4	+159.8	+173.1

Note: Calculated as the ratio of gross operating profits in 2020 to the average of gross operating profits in the same quarter in 2017 to 2019 (current prices). Excludes Education and training, Health care and social assistance and Public administration and safety as these are not in scope.

Source: ABS, *Business Indicators*, September 2020, Table 11.

The financial support provided following the onset of COVID-19 appears to have placed business in a position to be investing in a similar way to previous years. Chart 11 shows capital expenditure plans of businesses in November 2020. Almost half of businesses that usually have capital spending plans at this time of year have plans for spending in the next 3 months, and 18 per cent of businesses that do not usually spend on capital at this time of year, plan to do so in the next 3 months. Altogether, the responses suggest that about 19.5 per cent of businesses have plans to invest in the next 3 months, compared to 11 per cent who would usually have plans to invest at this time of year.

Chart 11: Capital expenditure plans of business, November 2020

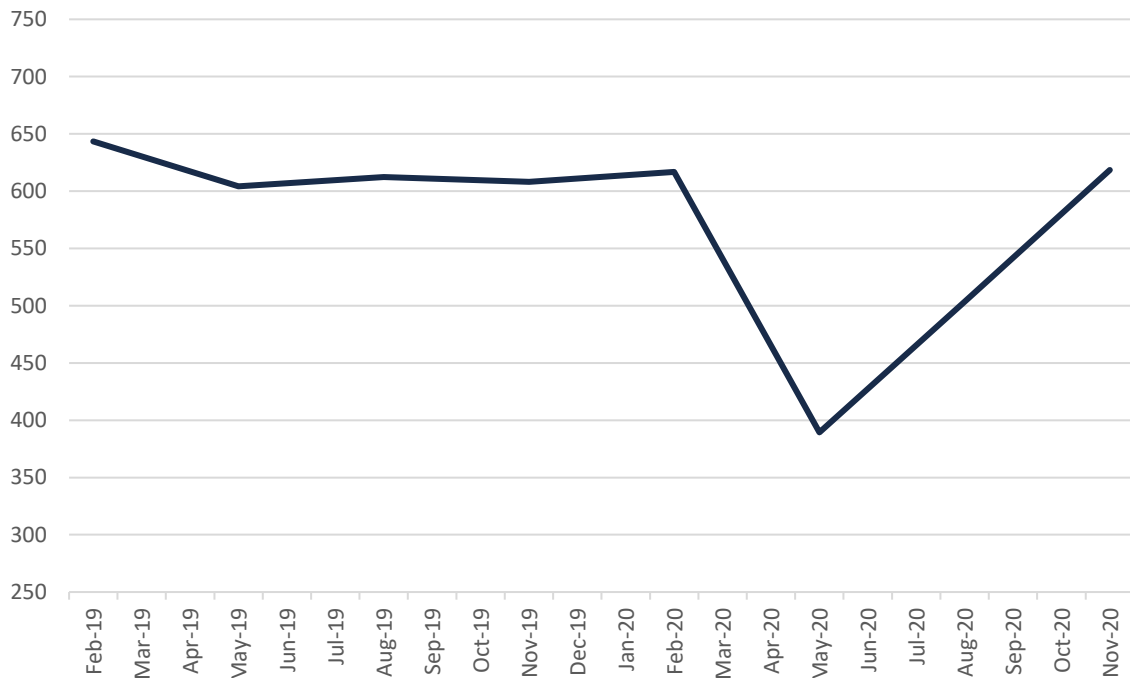


Source: ABS, *Business Indicators, Business Impacts of COVID-19*, November 2020, Tables 7 and 8.

5.3 Vacancies

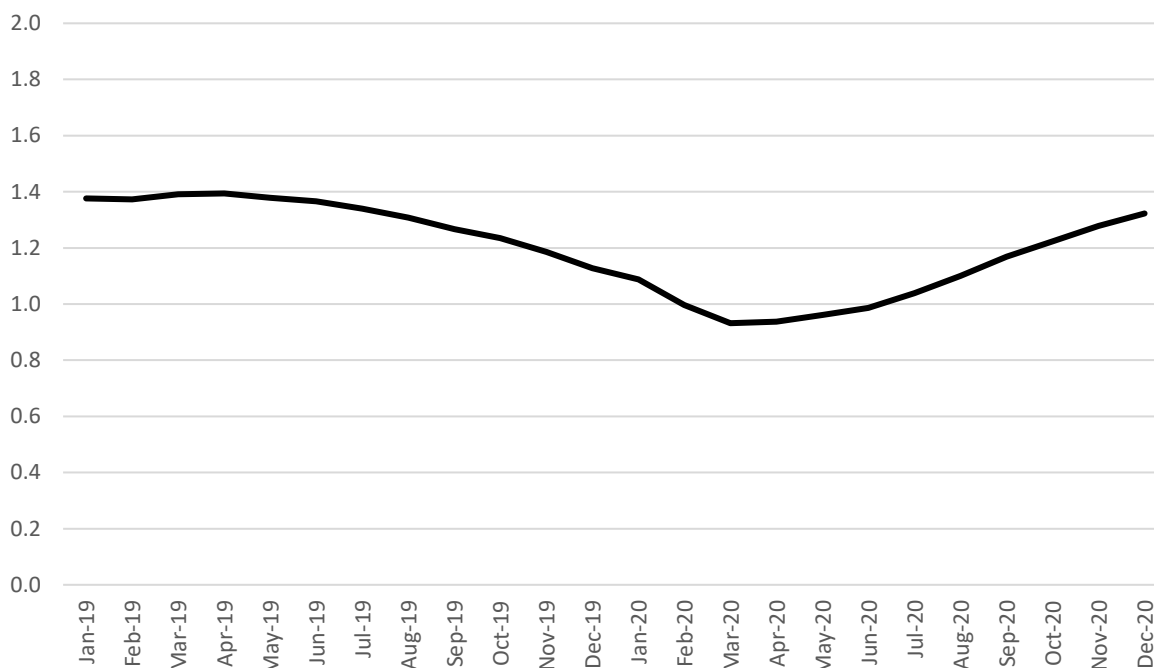
The onset of COVID-19 caused a large decrease in new hiring by employers. This is evident in the numbers of newly created jobs and in vacancy rate measures shown in Charts 12 and 13. Recovery has meant a resumption of new hiring, and by November the numbers of new jobs and vacancy rate had returned very close to levels prior to COVID-19.

Chart 12: Number of persons employed with current employer for 3 months or less, February 2019 to November 2020



Source: ABS, *Labour Force Australia - Detailed*, November 2020, EQ02.

Chart 13: Vacancy rate (DESE Internet ads), January 2019 to December 2020



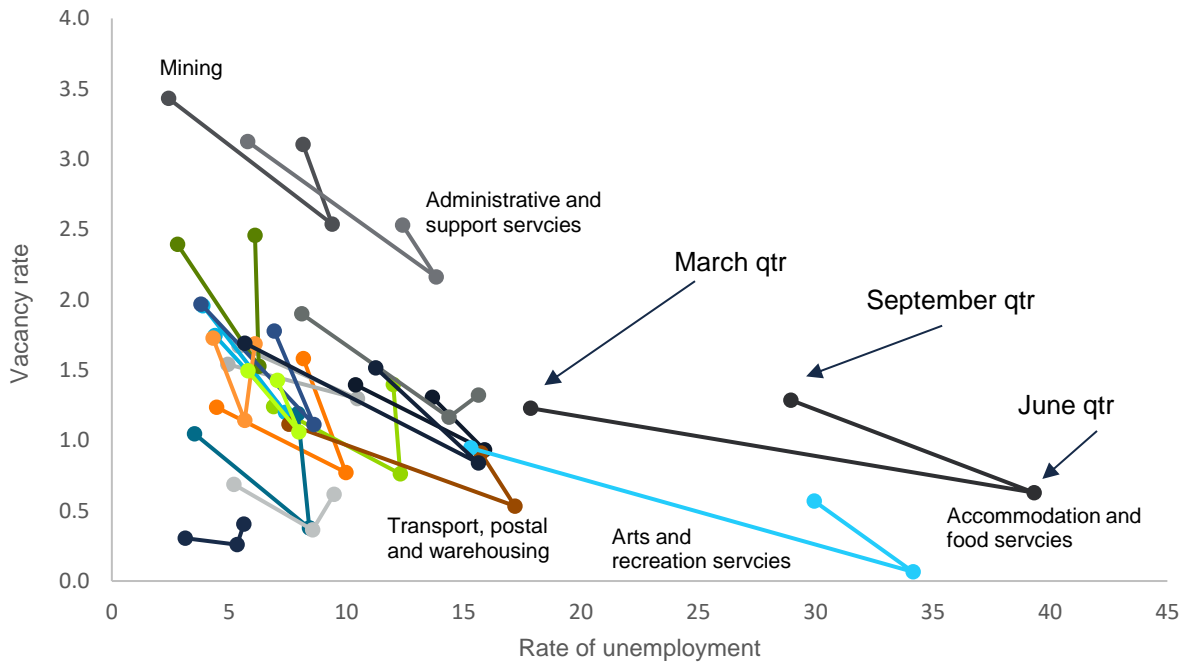
Note: Data are seasonally adjusted. Vacancy rate = Number of vacancies/(Number of Vacancies + Employment).

Source: Employment – ABS, *Labour Force Australia*, Table 1; Vacancies – Department of Employment, Skills and Education, *Vacancy Report*: <https://lmip.gov.au/default.aspx?LMIP/GainInsights/VacancyReport>

It is important to be aware that adjustment in a labour market is never instantaneous. The process of recruiting for, and filling, job vacancies takes time—and that time will usually be longer when a larger scale of adjustment is required, such as at present. The rapid increases in labour demand that have occurred as COVID-19 has been brought under control and restrictions on economic activity relaxed, and the extent of structural change occurring in labour demand and supply due to COVID-19, make it almost inevitable that there will be some sectors where adjustment takes longer than usual.

A perspective on the evolution of labour market dynamics at industry level post-COVID-19 is shown in Chart 14. Between the March and June quarters, in all industries an increase in the rate of unemployment and decrease in the vacancy rate occurred simultaneously. Then, from the June to September quarters, in most industries the reverse has occurred, with the rate of unemployment decreasing and the vacancy rate rising.

Chart 14: Vacancy rate and rate of unemployment by industry, March quarter to September quarter 2020



Note: Data are seasonally adjusted. Vacancy rate = Job vacancies/Total jobs; Rate of unemployment = Hours sought but not worked/Total available hours of labour supply.

Source: ABS, *Labour Account Australia*, September 2020, Tables 2 to 20.

An example of where a structural factor is likely to slow adjustment is the impact of closure of international borders on the available supply of labour from temporary immigrants. The number of temporary visa holders in the categories with highest rates of employment (students; working holiday makers; temporary employment (skilled and general)) was 259 000 lower in September 2020 than a year previously.¹⁵ The effect of this decrease in labour supply on adjustment will be pronounced in sectors where temporary visa holders most commonly work—as shown in Table 18, primarily in Accommodation and food services, Retail trade, Wholesale trade, and Agriculture, forestry and fishing.

¹⁵ Department of Home Affairs (2020) – Excel file on ‘Number of temporary visa holders in Australia at 2020-9-30’.

Table 18: Main occupations of temporary migrants, 2016

	Temporary visa holders in occupation	Total employed persons in occupation	Percentage of employed temporary visa holders	Percentage of temporary visa holders in occupation
Cleaners and laundry workers	48 898	253 082	10.1	19.3
Hospitality workers	45 343	247 971	9.4	18.3
Sales assistants and salespersons	43 715	667 682	9.1	6.5
Food trades workers	36 999	163 448	7.7	22.6
Food preparation assistants	26 922	150 150	5.6	17.9
Personal carers and assistants	23 269	244 767	4.8	9.5
Construction and mining labourers	18 652	136 555	3.9	13.7
Storepersons	16 082	108 209	3.3	14.9
Packers and product assemblers	14 514	73 984	3.0	9.6
Truck drivers	13 158	148 566	2.7	8.9
Business and systems analysts and programmers	13 117	113 531	2.7	11.6
Farm, forestry and garden workers	12 767	93 308	2.6	13.7
Construction, distribution and production managers	12 582	220 001	2.6	5.7
Mobile plant operators	12 339	105 783	2.6	11.7
Other occupations	144 482		29.9	
Total	482 839		100.0	

Source: Birrell and McCloskey (2019, Table 2).

References

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- Borland, J. (2020a), 'Fear or government: How has COVID-19 affected the economy and labour market?', Labour Market Snapshot, October; accessed at: <https://drive.google.com/file/d/1GT0kurxB8ZC7oin6bHgyj5ABM5Y74Cmk/view>
- Borland, J. (2020b), 'Female and male employment during recessions in Australia: Then and now', Labour Market Snapshot, June; accessed at: <https://drive.google.com/file/d/1W0AQS7H9gUemgHHBOKj6j7OAaGO1IQMS/view>
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- Commonwealth Treasury (2020), 'The JobKeeper Payment: Three-month review'; accessed at: <https://treasury.gov.au/publication/jobkeeper-review>
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- Fair Work Commission (2020b), 'Information note – Update to payroll jobs and wages (Week ending 17 October 2020); accessed at: <https://www.fwc.gov.au/documents/documents/resources/covid-19-information/information-note-covid-19-weekly-payroll-jobs-wages-2020-11-06.pdf>

Appendix 1: Data sources – Important details for interpreting the labour market impact of COVID-19 (from Borland and Charlton, 2020, Appendix 1)

1] The Australian Bureau of Statistics: Labour Force Survey

The monthly Labour Force Survey (LFS) covers approximately 0.32% of the Australian civilian population aged 15 years and over. The survey occurs across a 2-week period centred on the Sunday that falls between the 5th and 11th of each month; and therefore mainly reflects developments in the first half of each month. In March 2020, that date was March 8 so that the LFS covered March 1–14. For that reason, the March LFS does not reveal any significant impact of COVID-19, since major impacts of COVID-19 occurred after that date.

The ABS classification of employment/unemployment follows conventions established by the International Labor Organisation. A person is classified as employed if they... 'were away from their job for any reason (e.g. they were stood down), and were paid for some part of the previous 4 weeks (which could include wages subsidised through the JobKeeper scheme); or were away from their job for four weeks or less for any reason, without pay, but believe they still have a job to go back to (e.g. they were stood down, with no pay)' (ABS, *Labour Force, Australia*, 6202.0 – Summary: Classifying People During the COVID-19 Period). Hence, the JobKeeper program, and other arrangements between firms and their employees, are likely to have caused an increased proportion of persons classified as employed but who worked zero hours.

2] The Australian Bureau of Statistics and Australian Taxation Office: Weekly Payroll Jobs and Wages

The ABS/ATO Payroll data encompasses employee jobs for which a payment was reported to the ATO through the Single Touch Payroll (STP) system. The data have been released as a weekly series. Being restricted to paid employee jobs, the Payroll data excludes owner/managers of unincorporated enterprises and contributing family workers, about 8.9 per cent of employment in April 2020 (ABS, *Labour Force Australia*, 6202.0 – Summary: Understanding differences between labour force employment statistics and weekly payroll jobs). Around 99 per cent of businesses with 20 or more employees, and 80 per cent of businesses with less than 20 employees, are estimated to report through the STP system (Commonwealth Treasury, 2020, p.4). The Payroll data include all jobs, so persons who have multiple jobs are counted multiple times. About 6.7 per cent of persons employed have multiple jobs (ABS, *Labour Account Australia, Quarterly Experimental Estimates*, 6150.0.55.003, December 2019, Table 1). All jobs where an employee was paid are included in the Payroll data. Hence, jobs occupied by an employee receiving JobKeeper and working zero hours are included in the number of jobs in the Payroll data.

Appendix 2: Changes to classification of industries to clusters

Industry	Change	Explanation
Agriculture, forestry and fishing	From Middle cluster to Lower cluster	Index of number of jobs had returned to over 100 by late November/early December. Seasonal adjustment following the Labour Accounts (see Appendix 3) would further increase jobs in the Dec quarter relative to the March quarter.
Retail trade	From Middle cluster to Lower cluster	Index of number of jobs was well above 100 by late November/early December – part of a steady upward trend. Even with seasonal adjustment following the Labour Accounts, the number of jobs in the December quarter would still be at the same level as in the March quarter.
Information, media and telecommunications	From Middle cluster to Upper cluster	Index of number of jobs consistently below 90 in November/December - part of a steady downward trend since September. Seasonal adjustment following the Labour Accounts has minimal impact on employment in the December quarter relative to March quarter.
Administrative and support services	From Middle Cluster to Lower cluster	Index of number of jobs above 100 in late November/early December – which appears to be part of a steady upward trend. Seasonal adjustment following the Labour Accounts would increase the number of jobs in the Dec quarter relative to March quarter.

Appendix 3: Seasonal factors applied in the ABS Labour Accounts, by industry

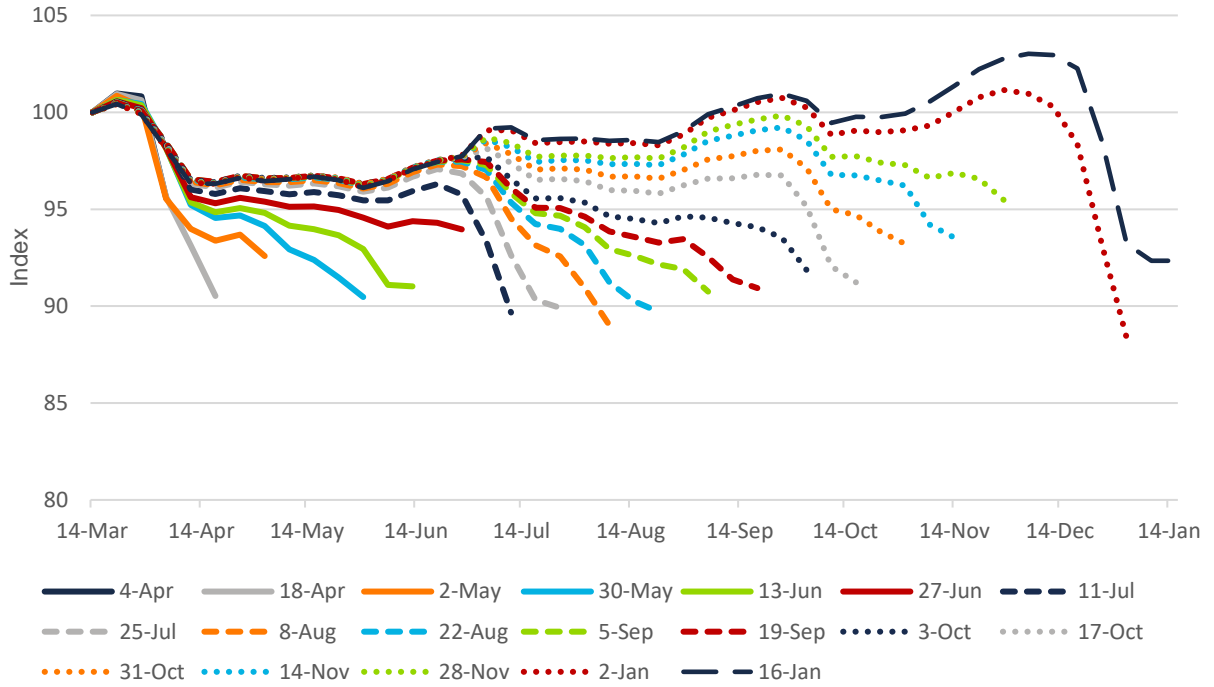
Industry	March qtr	June qtr	September qtr	December qtr
Upper cluster				
Accommodation & food services	1.002	1.016	0.996	0.986
Information, media and telecommunications	0.998	0.996	1.010	0.995
Arts & recreation services	0.990	1.017	1.008	0.984
Central cluster				
Mining	0.991	1.004	1.003	1.003
Manufacturing	1.000	1.006	0.998	0.996
Construction	0.998	1.011	0.994	0.997
Wholesale trade	0.998	0.999	1.005	0.998
Transport, postal & warehousing	0.997	1.015	1.002	0.987
Rental, hiring & real estate	1.007	0.999	1.005	0.990
Professional, scientific & technical services	1.007	0.998	0.992	1.003
Education & training	1.021	0.989	0.997	0.993
Other services	0.992	0.999	1.005	1.005
Lower cluster				
Agriculture, forestry & fishing	0.978	0.988	1.031	1.007
Electricity, gas, water & waste	0.983	1.007	1.008	1.002
Retail trade	0.999	1.019	1.008	0.975
Finance & insurance	0.998	1.009	0.998	0.995
Administrative & support services	0.995	0.998	1.001	1.006
Public administration	1.021	0.979	1.001	1.001
Health care & social assistance	1.007	0.992	0.997	1.005

Note: Calculated as the average ratio of employed persons (seasonally adjusted) to employed persons (original) from 2010 to 2019.

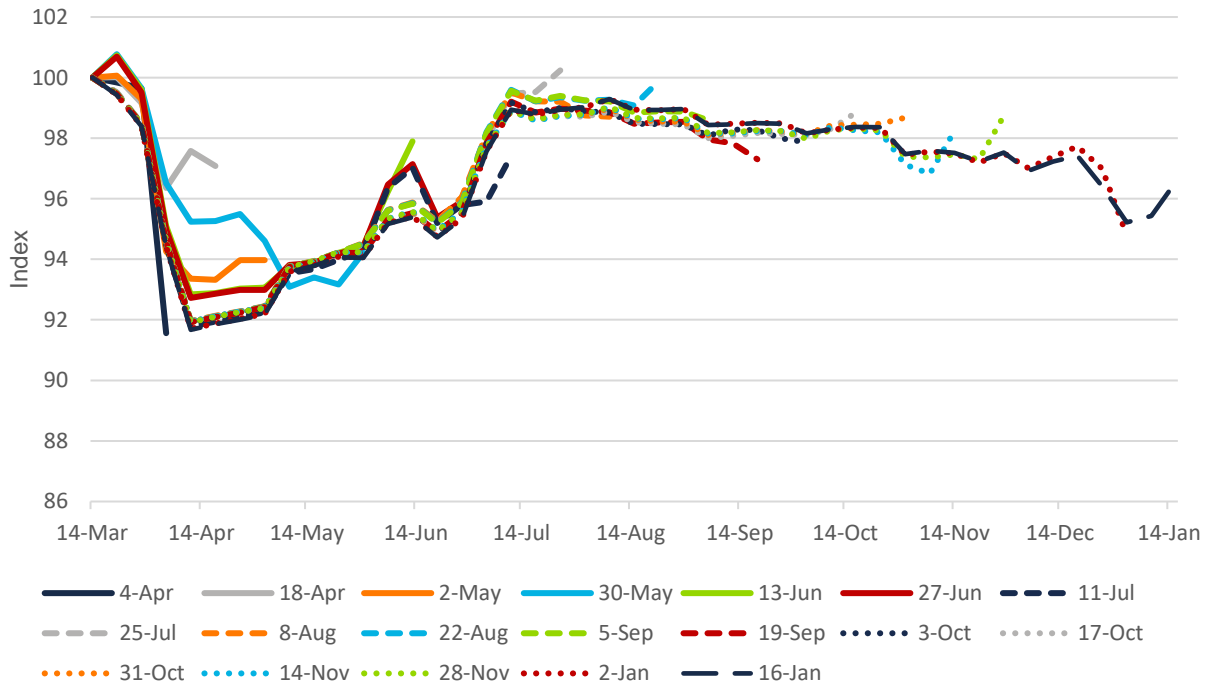
Source: ABS, *Labour Account Australia*, Tables 2 to 20.

Appendix 4: Number of jobs, by industry (ABS Weekly Payroll data)

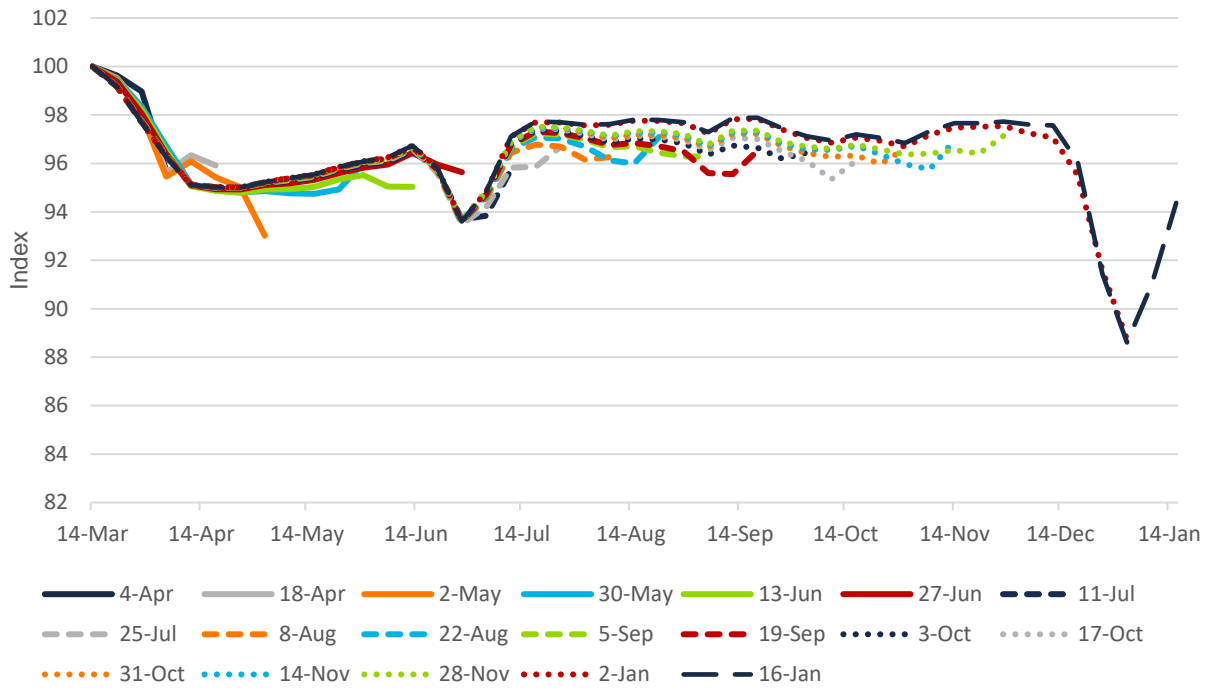
Agriculture



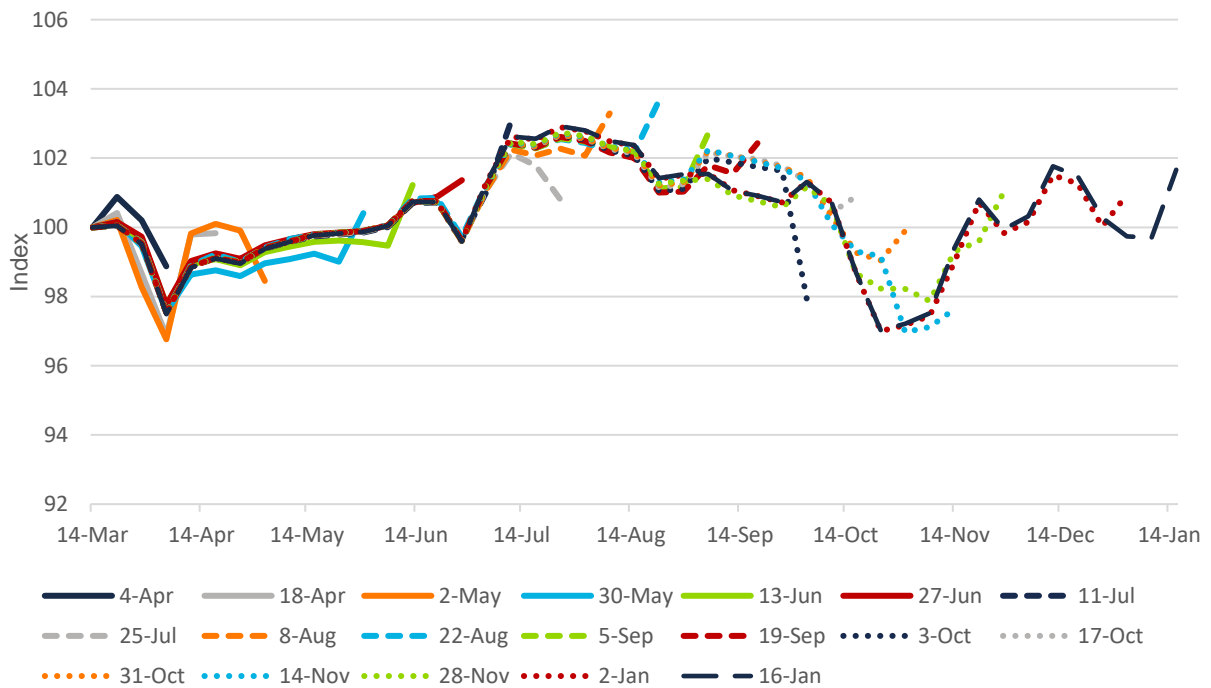
Mining



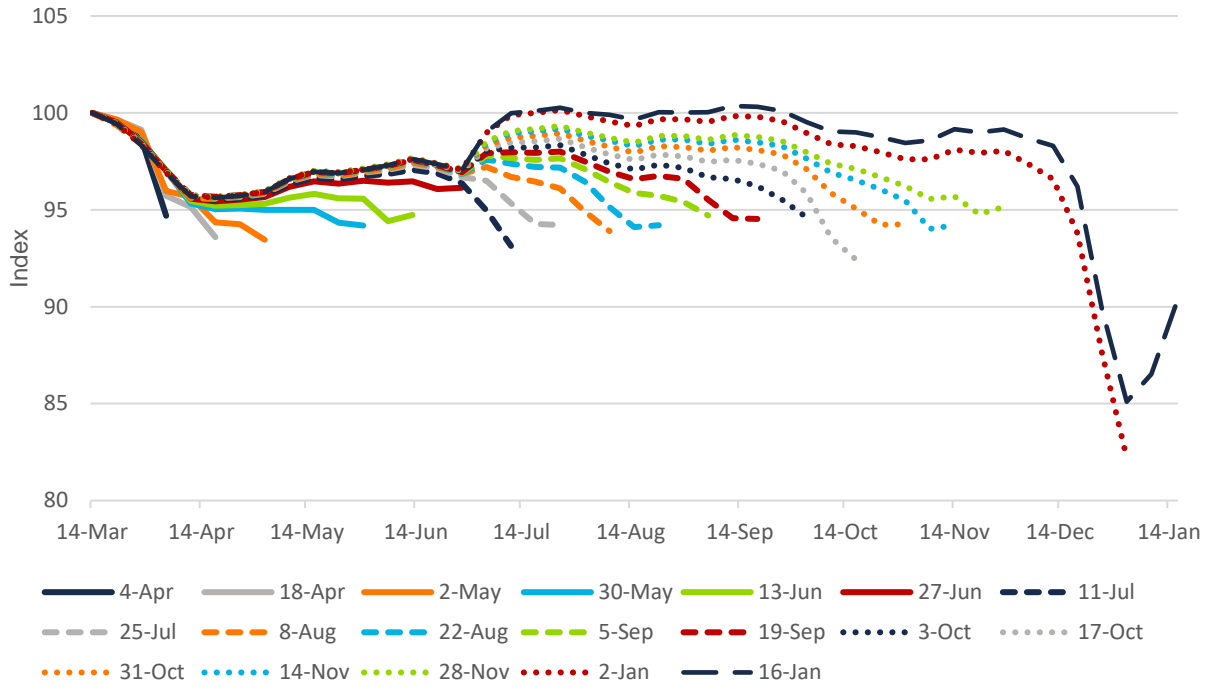
Manufacturing



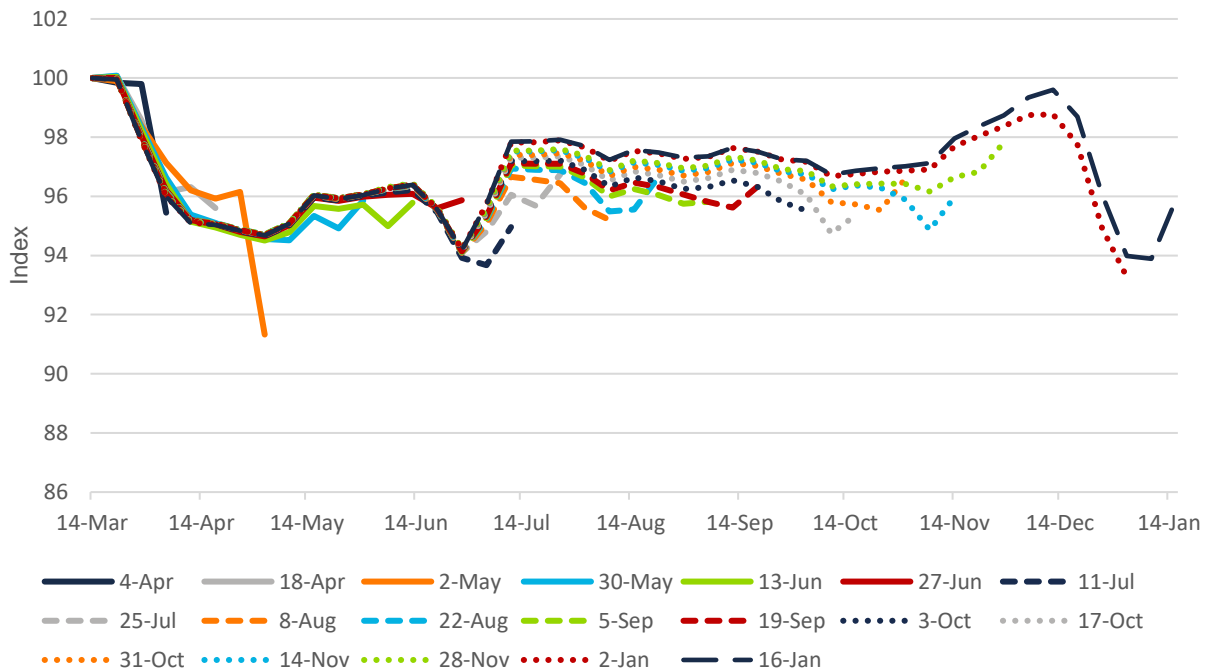
Electricity, gas, water and waste services



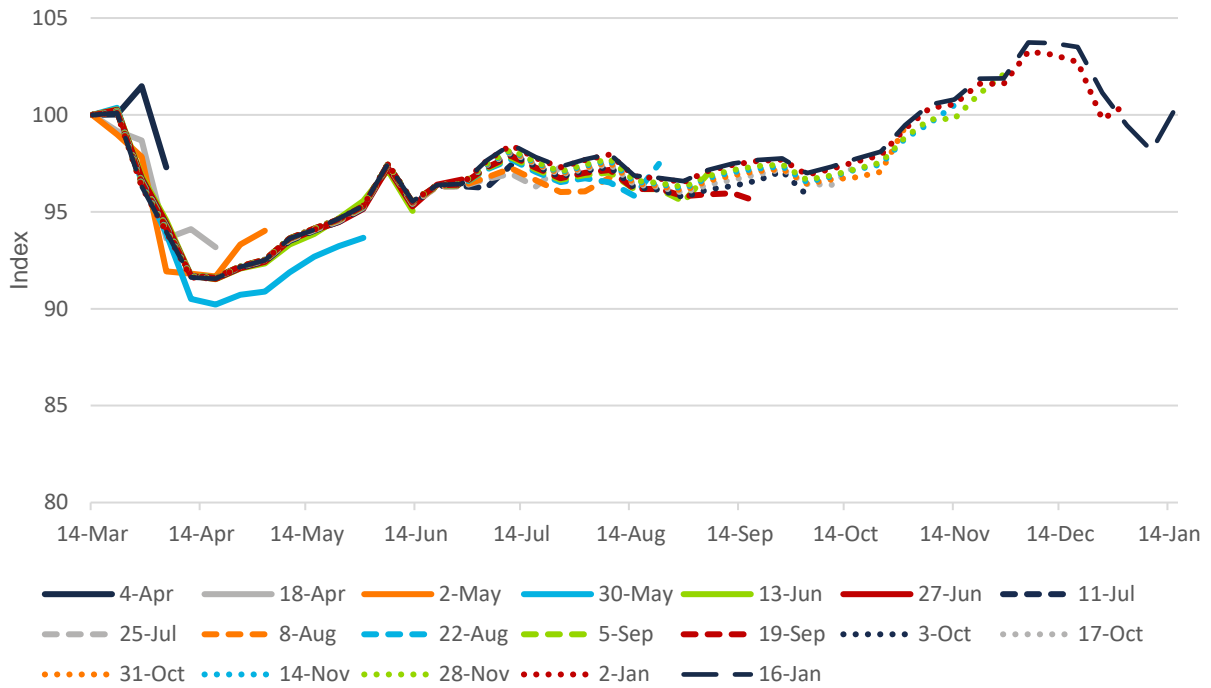
Construction



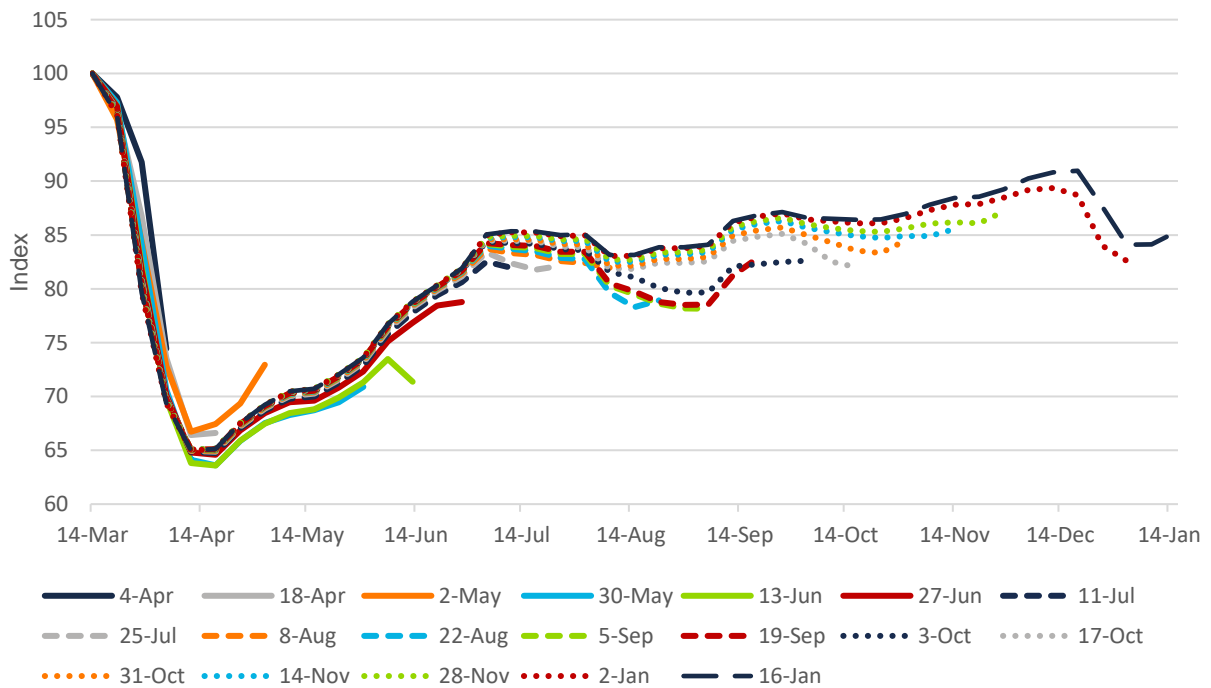
Wholesale trade



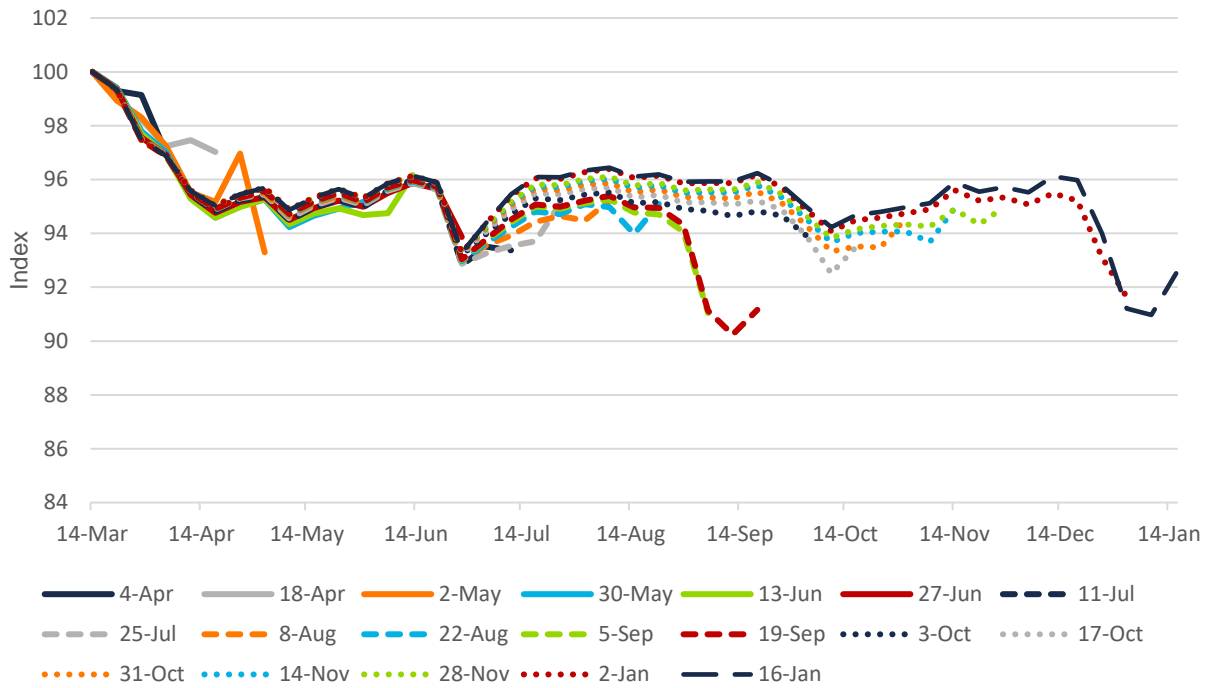
Retail trade



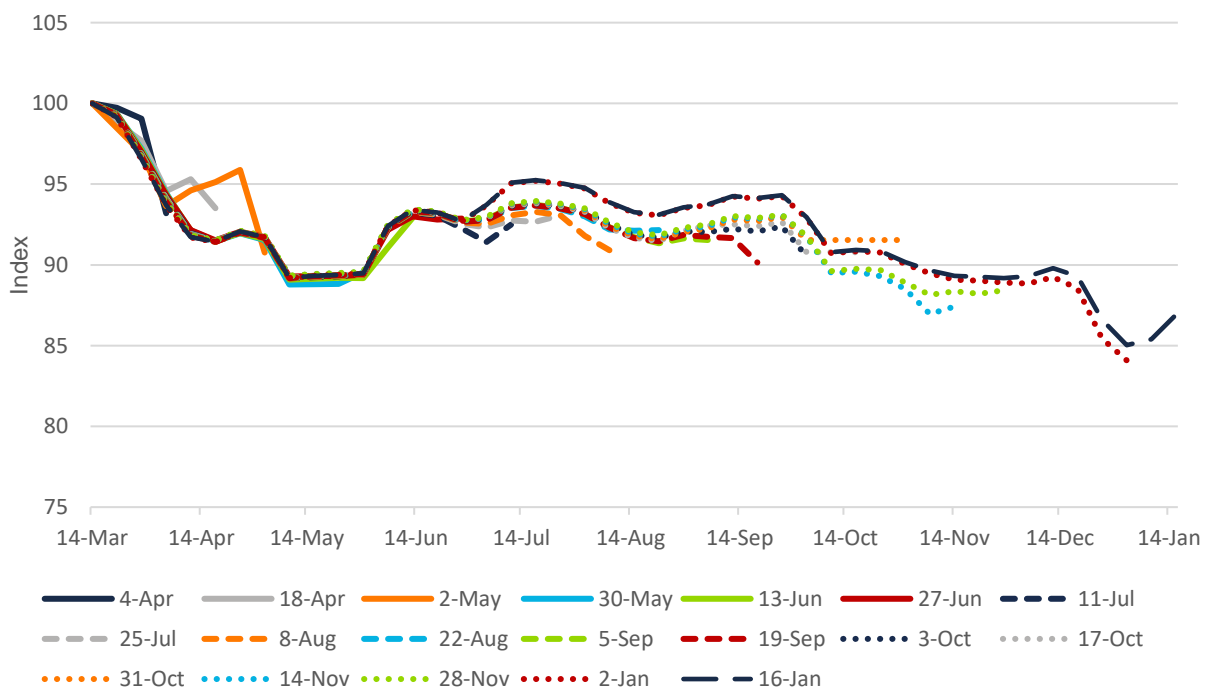
Accommodation and food services



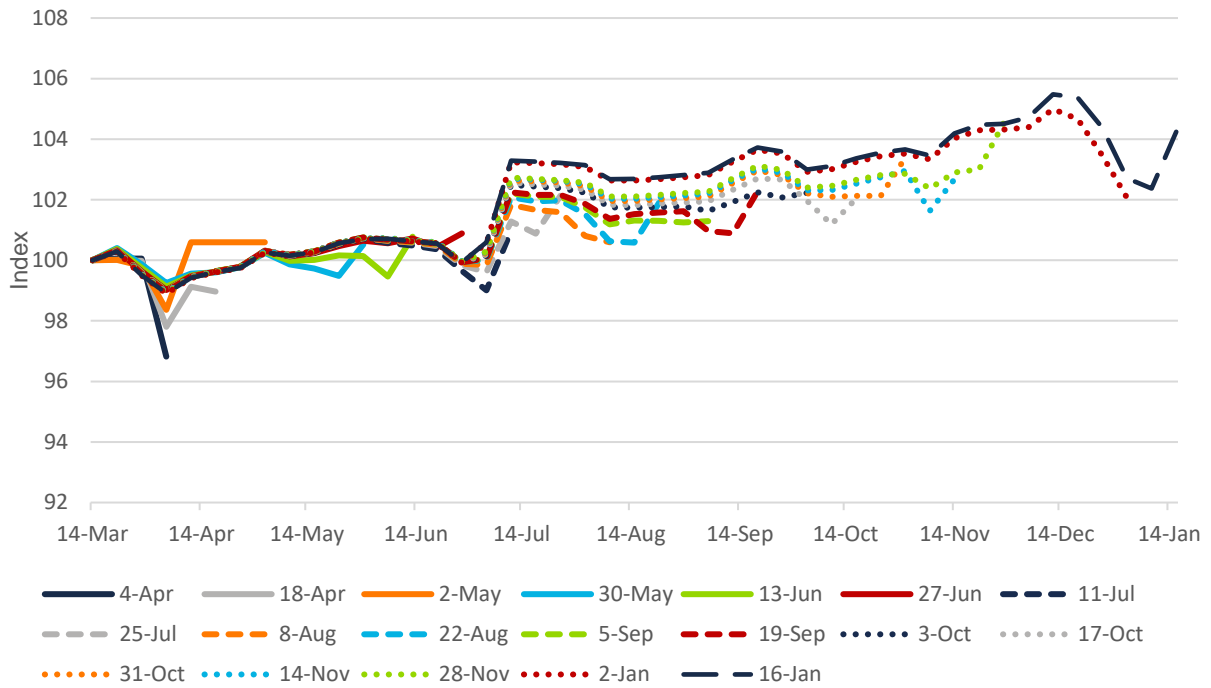
Transport, postal and warehousing



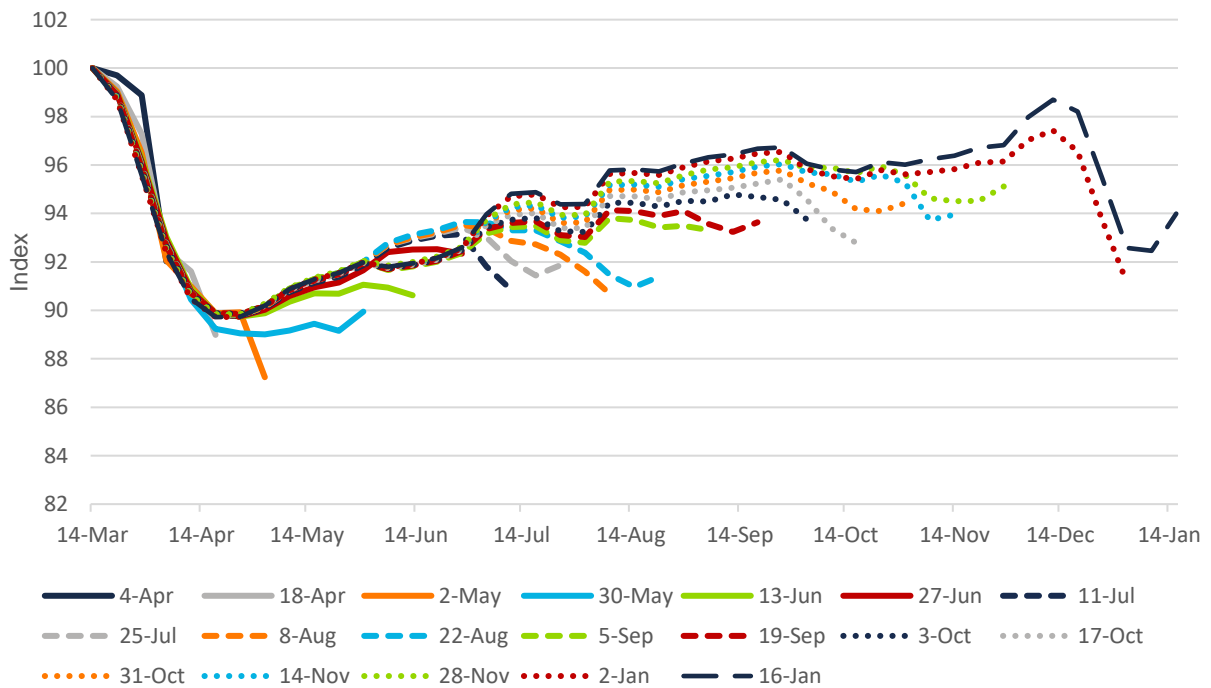
Information, media & telecommunications



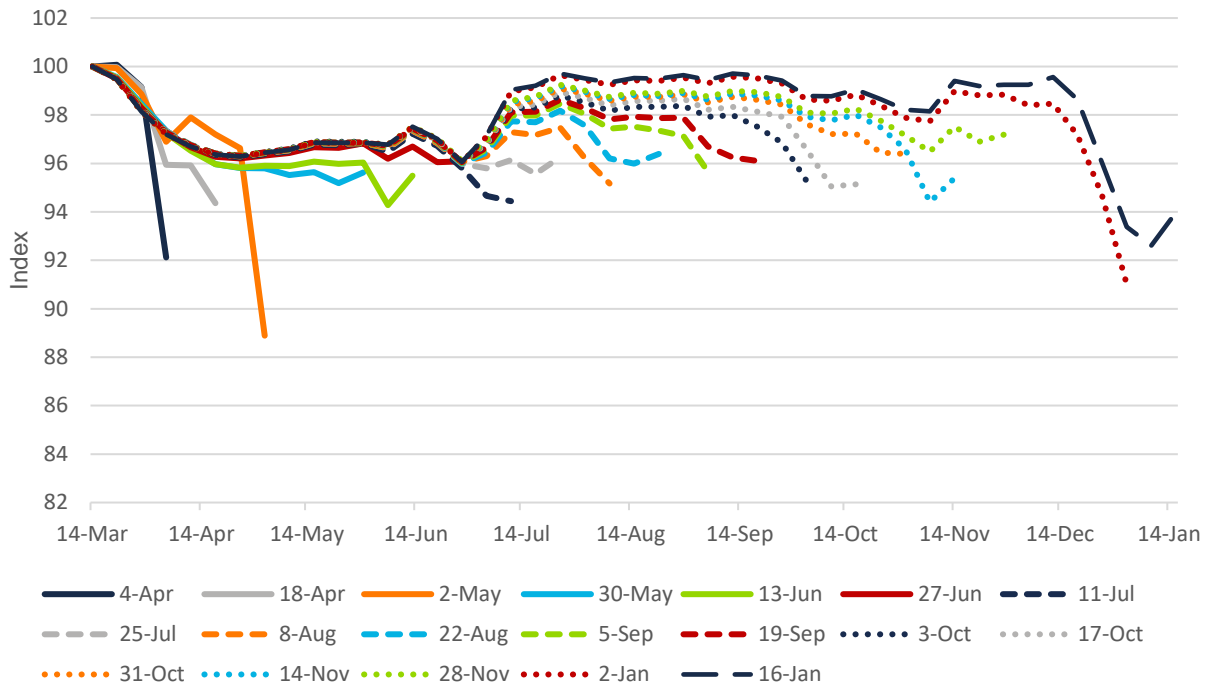
Financial and insurance services



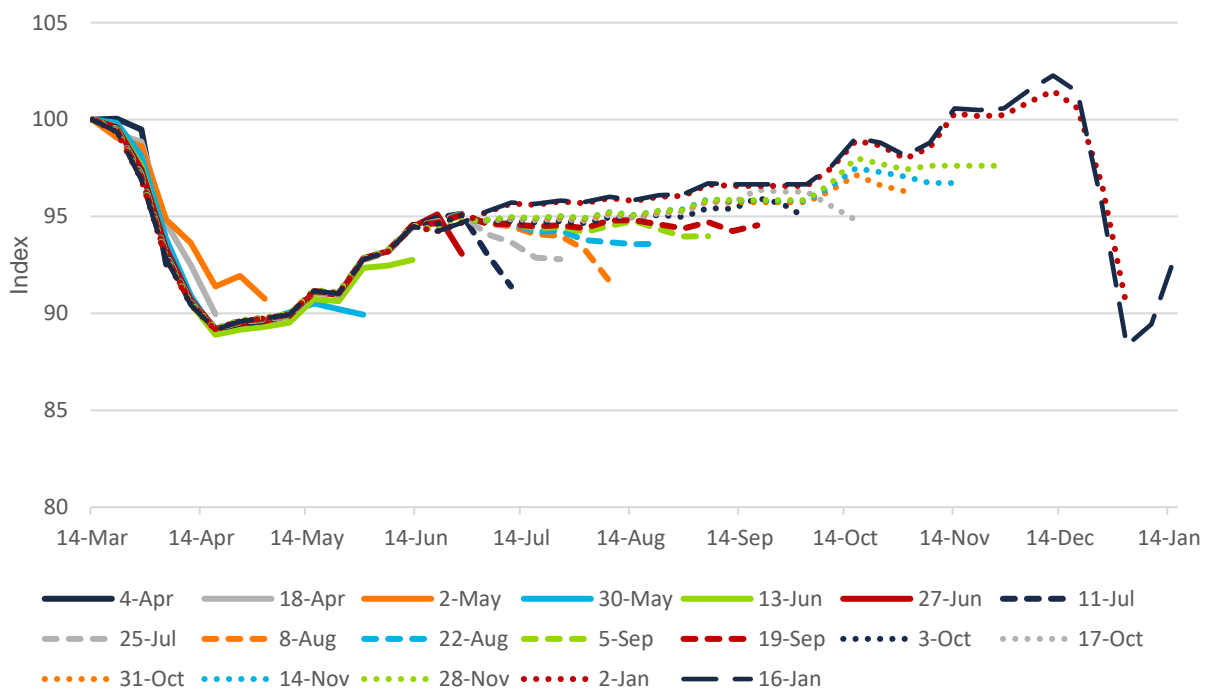
Rental, hiring and real estate services



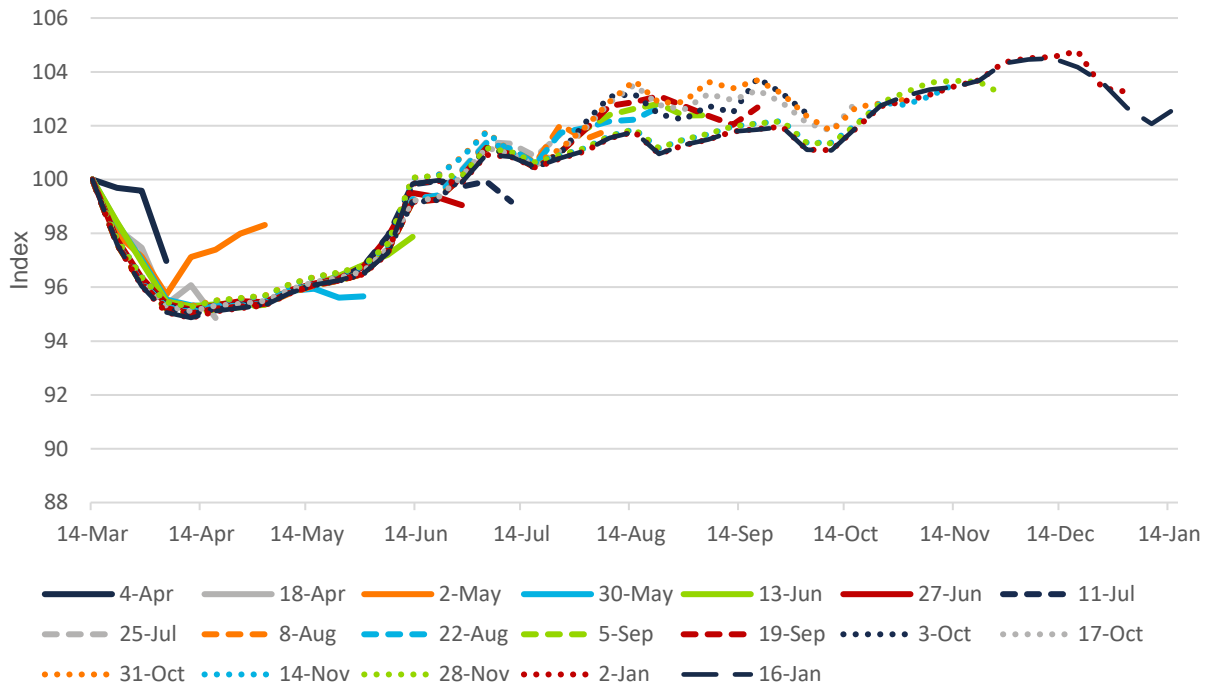
Professional, scientific and technical services



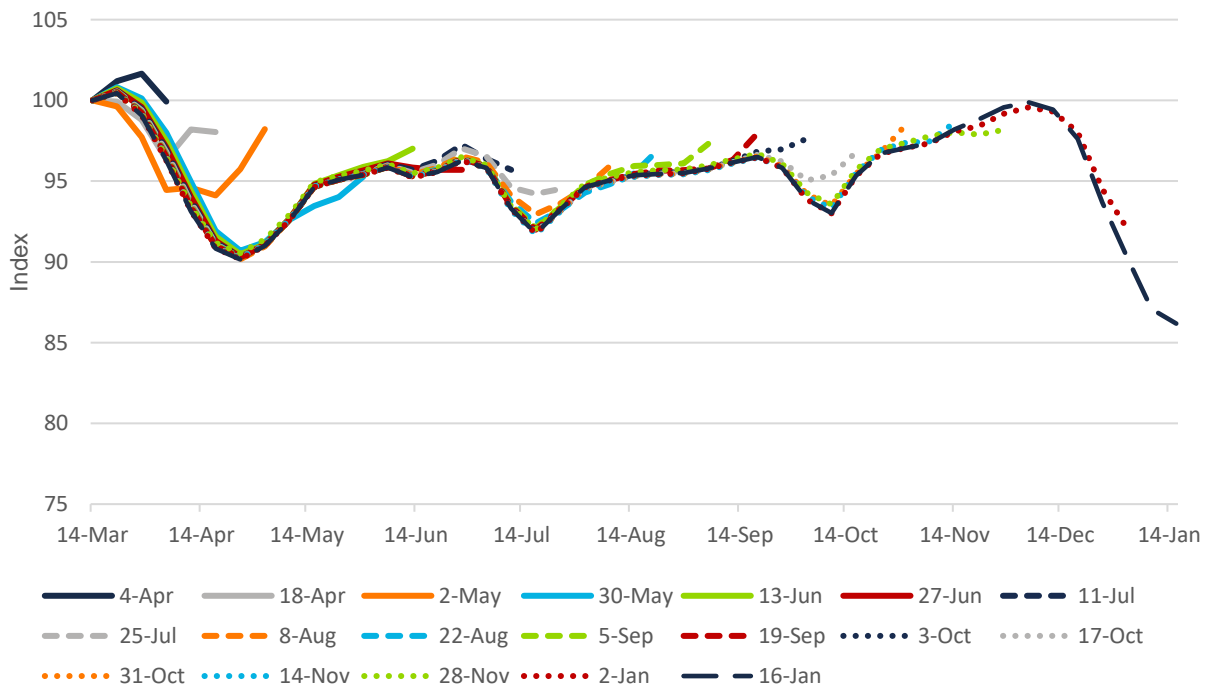
Administrative and support services



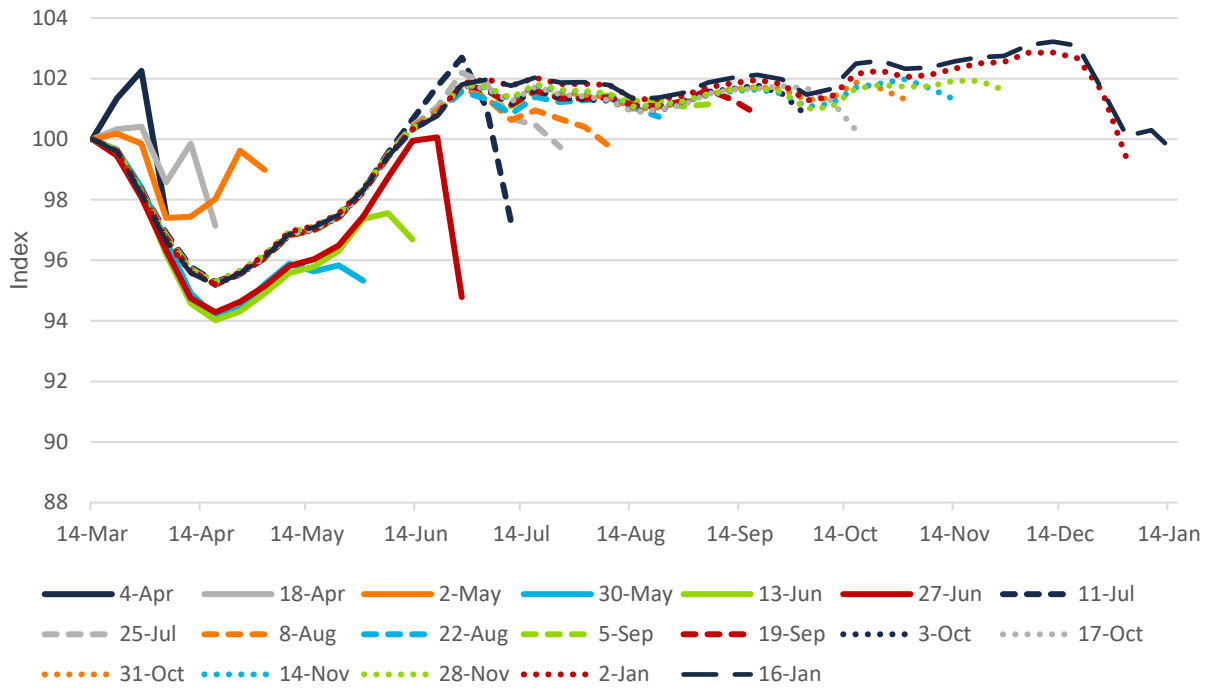
Public administration and safety



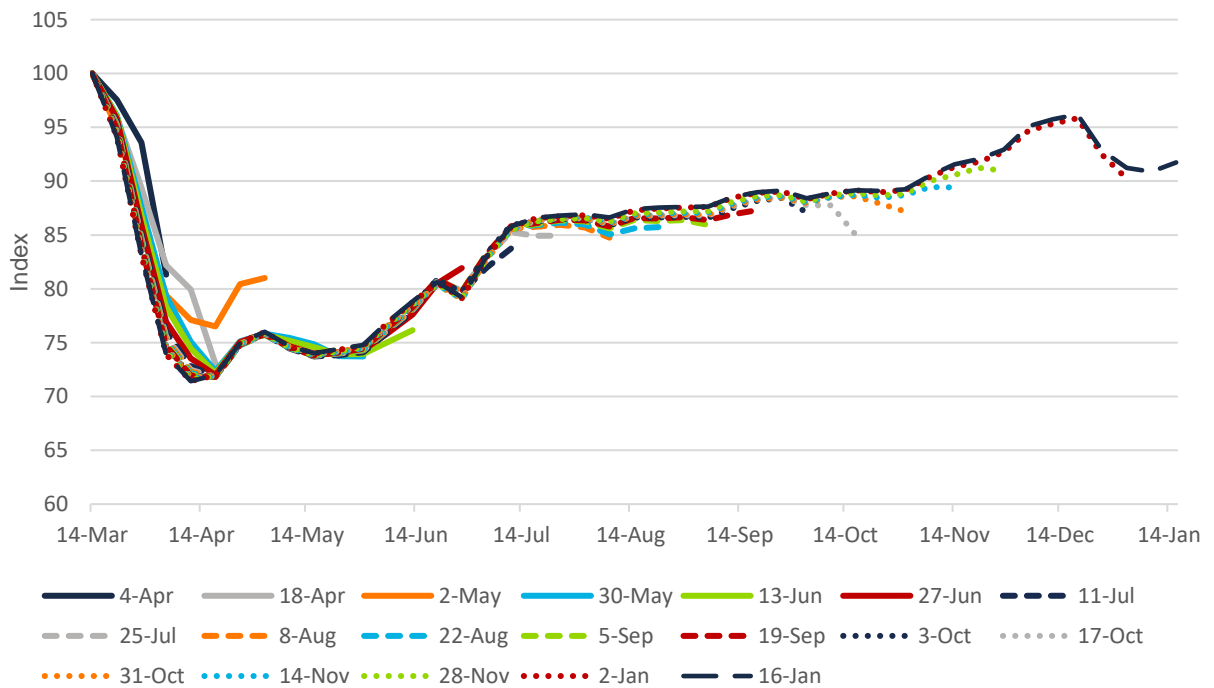
Education and training



Health care and social assistance



Arts and recreation services



Other services

