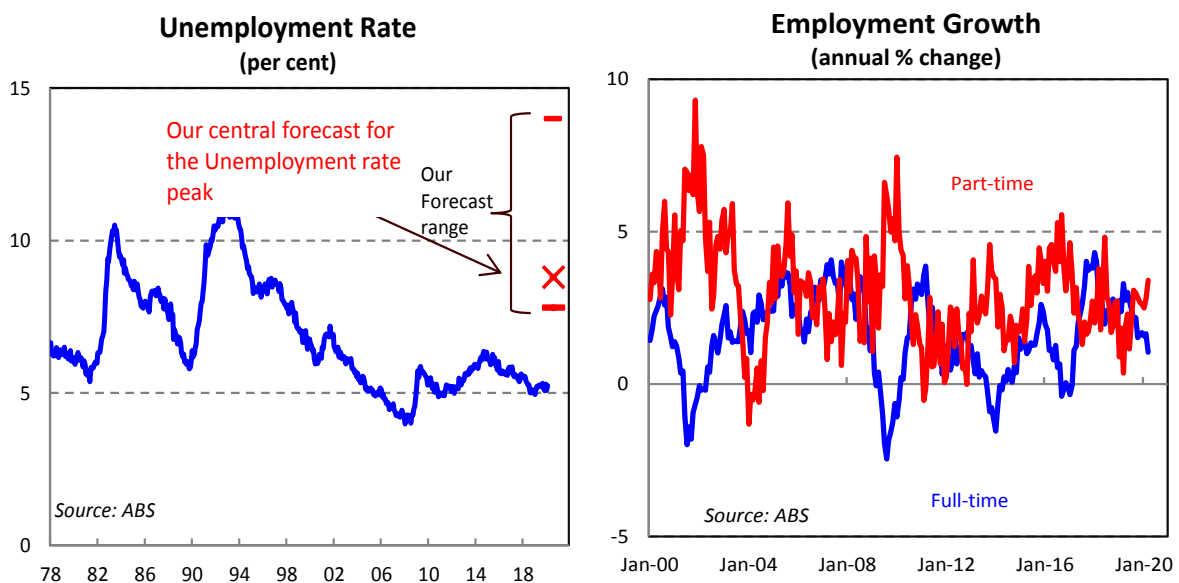


Thursday, 16 April 2020

# Labour Force

## It's Coming

- Employment grew 5.9k in the month, which was the weakest outcome in five months. Significant job losses are expected to show up in the next labour force survey for April.
- The survey period for March's data was taken in the first two weeks of March and predates the 'Stage One' social distancing restrictions effective from March 23. These restrictions required non-essential services to close, including pubs, clubs, hotels, gyms, cafes, cinemas, casinos and restaurants.
- The unemployment rate edged up from 5.1% in February to 5.2% in March, reflecting the soft employment outcome.
- Another sign of softening labour market conditions in the lead up to social distancing restrictions being implemented was the lift in the underemployment rate. The underemployment rate edged up from 8.7% to 8.8%, which is its highest in nearly three years.
- The Federal Government's Job Keeper package will mean that those receiving the wage subsidy will be still counted as employed, even if they are not working any hours. The package helps limit some job losses, but the scale of job losses is expected to be significant.
- Our central forecast is for the unemployment rate to peak at 9% later this year, but we cannot rule out the unemployment rate rising to the double digits; there is considerable uncertainty around when the virus will be contained and economic activity recover, making the variability around unemployment forecasts higher than usual.



Employment grew 5.9k in the month, which was the weakest outcome in five months. Significant job losses are expected to show up in the next labour force survey for April.

The survey period for the data was taken in the first two weeks of March. ‘Stage one’ restrictions were effective from March 23, which required non-essential services to close, including pubs, clubs, hotels, gyms, cafes, cinemas, casinos and restaurants. A significant job loss is expected for April.

The unemployment rate edged up from 5.1% in February to 5.2% in March, reflecting the soft employment outcome.

The breakdown revealed a 6.4k increase in part-time jobs, while full-time jobs edged down 0.4k. Part-time jobs have gradually increased in comparison to full-time jobs over recent months, suggesting some growing caution among firms about the outlook. Over the year, part time employment grew at an annual rate of 3.4%, the strongest in nearly two years. Full-time employment slowed to 1.0% in the year to March, the weakest annual rate in just over three years.

Another sign of softening labour market conditions in the lead up to social-distancing restrictions being implemented was the lift in the underemployment rate. The underemployment rate edged up from 8.7% to 8.8%, which is the highest in nearly three years.

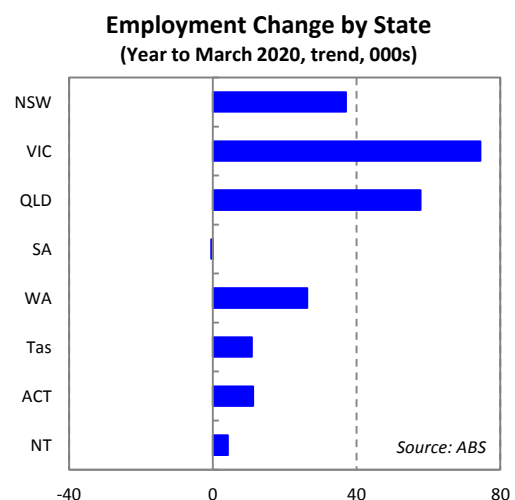
The underemployment rate will become an increasingly important gauge of the overall impact of COVID-19 on the labour market. The JobKeeper package will encourage firms to keep employees that they would have otherwise let go, but likely to do so on reduce hours reflecting the loss in activity. Therefore, there will be workers who will still have a job but be looking for more hours. Moreover, an employee who is laid off temporarily without pay will not be defined as unemployed by the Australian Bureau of Statistics (ABS) until four weeks after their last pay cheque. As many of those who have lost their jobs have been laid off, rather than dismissed, underemployment should lead unemployment.

## States and Territories

Half of the States recorded increases in employment over the month of March and half posted decreases. Victoria recorded the largest increase in March of 13.3k, bouncing back after last month’s decline in net employment. Victoria’s labour market has been a stand-out over the past year with solid jobs growth amid solid economic growth and net migration. South Australia registered the next highest number of new jobs in March with 3.5k added while New South Wales added a modest 1.5k.

Western Australia and Queensland both recorded a decrease in employment over the month of -6.2k and -5.6k, respectively. Both these States were coming off solid increases in the previous month and their labour markets have been boosted recently by a turnaround in growth in the mining sector. Tasmania recorded 2.7k fewer jobs over the month.

On an annual basis, trend employment growth remains highest in Victoria at 74.4k jobs. Despite the latest monthly fall, Queensland has added the second highest number of jobs over the year with 57.8k new jobs. Annual net jobs in New South Wales slowed to



37.1k, its slowest outcome in 3 years. South Australia is the only State to record a net decline in jobs over the past year with 0.5k fewer jobs. Western Australia (26.3k), the ACT (11.2k), Tasmania (10.9k) and the Northern Territory (4.2k) all saw positive yearly jobs growth in March.

New South Wales's unemployment remained the lowest of the States in March at 4.8%, although this was up from 4.6% in the previous month. The Victorian unemployment rate edged lower to 5.2% while Queensland's edged higher to 5.7%. South Australia recorded the highest unemployment rate of 6.2%. Western Australia's unemployment rate rose to 5.4% while Tasmania's remained steady at 5.0%.

### **Outlook and Implications**

Job losses are set to spike as the social-distancing measures and shutdown of non-essential services across the country are revealed in the economic data.

Yesterday, the Westpac-Melbourne Institute consumer sentiment survey indicated a significant proportion of respondents have lost their incomes. Of those that were employed in March, 7% lost their job over the last month and 14% reported being temporarily stood down without pay.

Those reported as being unemployed will not be as severe in the official data from the ABS. The Federal Government's Job Keeper package will mean that those receiving the wage subsidy will be counted as employed, even if they are not working any hours.

However, the scale of job losses is expected to be significant. Our central forecast is for the unemployment rate to rise and peak at 9% later this year.

The loss of economic activity and reduced spending will have an impact on the job market broadly. Moreover, there will be those who do not qualify for the JobKeeper payment. Indeed, given the uncertainty around how long containment measures will last for, there is a risk that the unemployment rate could lift even higher. Net job losses of over one million over the next few months would be a feasible scenario. We, therefore, cannot rule out an unemployment rate in the double-digits.

**Janu Chan, Senior Economist**

Ph: 02-8253-0898

**&**

**Nelson Aston, Economist**

Ph: 02-8254-1316

## Contact Listing

### Chief Economist

Besa Deda  
dedab@banksa.com.au  
(02) 8254 3251

### Senior Economist

Janu Chan  
chanj@banksa.com.au  
(02) 8253 0898

### Economist

Nelson Aston  
nelson.aston@banksa.com.au  
(02) 8254 1316

The information contained in this report (.the Information.) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom BankSA has a contract to supply Information, the supply of the Information is made under that contract and BankSA's agreed terms of supply apply. BankSA does not represent or guarantee that the Information is accurate or free from errors or omissions and BankSA disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to BankSA products and details are available. BankSA or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. BankSA owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of BankSA.

---

Any unauthorized use or dissemination is prohibited. Neither BankSA- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.

---