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JOBS AND WAGES DURING THE COVID-19 LOCKDOWN

Cian Hussey, Research Fellow
Kurt Wallace, Research Fellow

CUT RED TAPE FOR
AUSTRALIA'S  JOBS

 **Institute of
Public Affairs**

Jobs and Wages During the Covid-19 Lockdown

The most recently available employment and wages data from the Australian Bureau of Statistics provides further evidence that two Australias have emerged during the COVID-19 lockdown: those in the public sector and quasi-public institutions who have been sheltered from the economic and social fallout, and those in the productive, private sectors of the economy who have suffered immensely.

Data from the Australian Bureau of Statistics' *Weekly Payroll Jobs and Wages in Australia*, released on 19 May, shows the private sector workforce suffered a more substantial decline to wages and employment than the public sector, and that economic recovery commenced in the public sector in early April while the private sector remains depressed.

Our analysis of ABS data provides three key findings:

- Since the week ending 14 March jobs in the public sector have decreased 1.7 per cent, compared to a 7.7 per cent decrease in the private sector. This means that the rate of job losses is 4.5 times higher in the private sector than in the public sector.
- Since the week ending 14 March wages in the public sector have decreased by 2.6 per cent, compared to a 5.7 per cent decrease in the private sector. This means that wage decreases in the private sector were 2.2 times larger than wage decreases in the public sector.
- The public sector recovery commenced in early April: Over the past month, public sector jobs have increased by 2.7 per cent compared with a 1.3 per cent decrease to jobs in the private sector, while wages have increased by 3.7 per cent in the public sector but decreased by 2.2 per cent in the private sector.

A "payroll job" is defined by the ABS as: "a relationship between an employee and their employing enterprise, where the employee is paid in the reference week through STP-enabled payroll or accounting software and reported to the ATO". In other words, it counts only those who are employees, and so excludes sole-traders. As the ABS says, "not all jobs in the Australian labour market are captured within these estimates."

While the release does not explicitly differentiate between the public and private sector, we are able to create a proxy for the 'private' and 'public' sectors.

In this analysis, the public sector is referred to as the "public administration and safety" industry. The private sector is conservatively referred to as all industries, excluding "public administration and safety."

It is true that there are other industries with which have a mix of public and private employees, most notably the "education and training" and "health care and social assistance" industries.

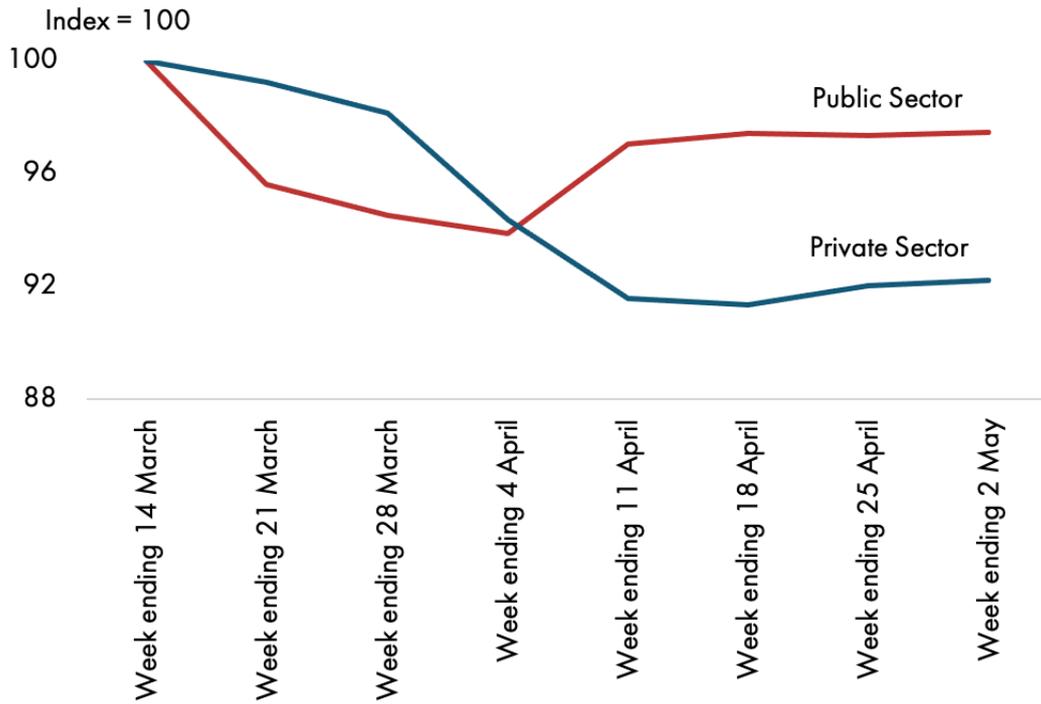
However, the ABS does not provide a breakdown of the changes within the public and private workforces in those industries. As such, we can either assume all of the workers are public or all are private. We decide to assume they are all private workers because this provides for a more conservative analysis. If, for example, we were to exclude the “education and training” and the “health care and social assistance” industries from the analysis altogether so that the private sector would be all industries less “public administration and safety”, “education and training”, and “health care and social assistance”, the results would be: a 9.7 per cent decrease in private sector jobs rather than a 7.7 per cent decrease, and a 7.8 per cent decrease in private sector wages rather than a 5.7 per cent decrease.

Hence, the analysis we provide is conservative. In all likelihood, the magnitude of private sector job losses and wage cuts are far more significant.

The indices shown below were calculated by adjusting the ABS *Weekly Payroll Jobs and Wages in Australia* indices based on the weight of each industry. Industry weights for jobs were calculated using ABS cat. no. 6291, and industry weights for wages were calculated using ABS cat. no. 5204. All calculations were made using the latest available data.

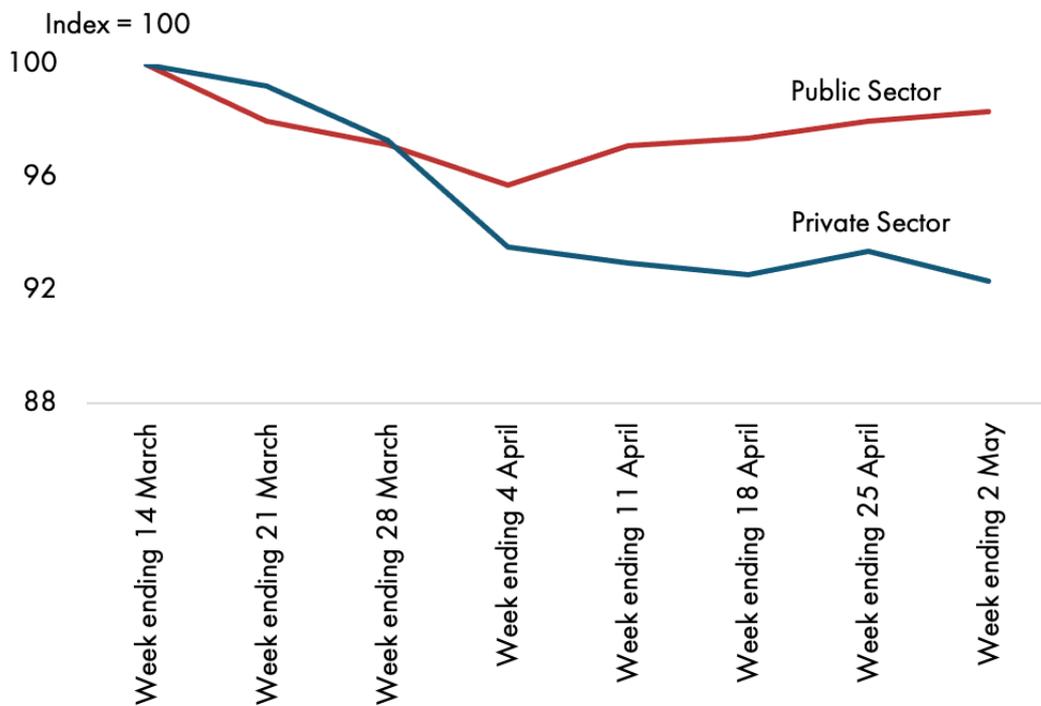
It is also worth considering the impact of JobKeeper on job and wage losses. Because of JobKeeper, many people who are out of work (that is, are working zero hours) are still being classified as employed and receiving a wage. In the absence of the wage subsidy scheme, the loss of jobs and wages would be more pronounced in the private sector.

Chart 1: Wages



Source: IPA, Australian Bureau of Statistics.

Chart 2: Jobs



Source: IPA, Australian Bureau of Statistics.

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About the authors

Cian Hussey is a Research Fellow at the Institute of Public Affairs.

He is interested in the impacts of red tape on small business, employment, and investment. His work at the IPA focuses on using RegData Australia to quantify regulation and its impacts on the economy.

Cian holds a Bachelor of Arts from The University of Notre Dame Australia, majoring in Politics and International Relations.

Kurt Wallace joined the Institute of Public Affairs as a Research Fellow in 2018.

He is interested in individual liberty, the expansion of free markets, the importance of ideas and culture, and studying the ill effects of government intervention in the economy. His work at the IPA focuses on industrial relations, and the dignity of work.

Kurt received a Bachelor of Commerce (Honours) from Monash University, majoring in Economics and Finance.

