

# THE WA LABOUR MARKET IN 2019/2020

AN OVERVIEW

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## **1. Introduction**

Using the most recent Australian Bureau of Statistics (ABS) data this review describes the state of the West Australian (WA) labour market in 2019/20. A particular aim of the review is to inform participants in the hearing of the 2020 State (WA) Wage Case. Submissions to the latter are due by 12 May 2020. At the time of writing the most the recent available labour force data are for March 2020 (collected between 1-14 March), with April data scheduled for release on 14 May 2020. The coronavirus pandemic (COVID-19) and associated shutdown measures are expected to drive a significant increase in unemployment and underemployment rates and put downward pressure on wages. Workers displaced by COVID-19 do not show up much of the trend data and descriptive analysis below. The review, nevertheless, highlights longer term trends in the WA labour market and points to particular groups of vulnerable workers. These facts on their own should be of interest to those involved in determining the 2020 WA minimum wage.

The remainder of the review is organised as follows. Section 2 contains a brief overview of the macroeconomic context. Section 3 covers employment trends and outcomes while Section 4 focuses on unemployment, underemployment and job search duration. A particular focus in Section 4 is on trends in youth (aged 15-24) unemployment and underutilisation. Wage trends are covered in Section 5. Section 6 finishes the review with a summary and conclusion.

## **2. Macroeconomic context**

Figure 1 shows trends Australia's Gross Domestic Product (GDP) and Gross State Product (GSP) (the State counterpart to GDP). Prior to COVID-19 both the national and WA economies showed signs of softening. Annual growth in GDP between 2018 and 2019 was equal to 1.9%, a rate last seen in 2009 after the Global Financial Crisis (GFC). In WA economic growth was even softer with the annual GSP growth to 2019 equal to only 1%. Of all States, WA had the slowest growth in GSP during this period (see Figure 2).

Australia started the year with bushfires and droughts and a degree of optimism for the national economic outlook. At the February 2020 meeting of the Reserve Bank of Australia's (RBA) Board the consensus was that the global economic outlook was reasonable and that

the global economic slowdown seemed to be nearing an end.<sup>1</sup> The expectation was that the Australian economy would grow by 2¾% in 2020 and 3% in 2021. By the 3 March 2020 RBA Board meeting sentiment had changed. The spread of the coronavirus beyond China and a crash in stock markets on 24 February 2020 saw the Australian dollar (AUD) fall to its lowest level in years.<sup>2</sup> The Board, accordingly, reduce the cash rate by 25 basis points to 0.5% to support the national economy. On the 11 March 2020 the World Health Organisation (WHO) declared COVID-19 a pandemic and on the 18 March 2020 the RBA held an emergency Board meeting. A number of decisions were made at that meeting to buffer the Australian economy including reducing the interest rate by a further 25 basis points to 0.25%.<sup>3</sup> On the 11 March the Federal government announced its plans to support the economy through the release of its first stimulus package. A second, bigger package, was announced on the 22 March 2020 and included increased support for those in receipt of social security payments (Coronavirus supplement) and assistance to employers.<sup>4</sup> One week later, on the 30 March 2020, the Government announced its JobKeeper payment. Under the program eligible employers and self-employed individuals receive a wage subsidy of \$1,500 per fortnight (around 70% of the median wage) to retain eligible employees.<sup>5</sup>

With the total economic support provided by the RBA and the Federal government amounting to around \$320bn or 16% of GDP the prediction by the Government is that national unemployment will be lower than it might otherwise have been and peak at around 10%. Many more will be underemployed but so long as they are in receipt of JobKeeper payments and not actively searching for work they will not be defined as unemployed. We can, of course, expect to see an increase in the underemployment rate (i.e. the share of people wishing to work more hours). The RBA's prediction is for a 10% contraction in output in 2020, an unemployment rate of above 6% for several years and a decline in wage growth, with the latter expected to fall below 2%. Within the context of spare capacity, low wage growth

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<sup>1</sup> RBA (4 February 2020), 'Monetary Policy Decision' <https://www.rba.gov.au/media-releases/2020/mr-20-01.html>

<sup>2</sup> RBA (3 March 2020), 'Monetary Policy Decision', <https://www.rba.gov.au/media-releases/2020/mr-20-06.html>

<sup>3</sup> RBA (19 March 2020), 'Monetary Policy Decision' <https://www.rba.gov.au/media-releases/2020/mr-20-06.html>

<sup>4</sup> Treasurer and Prime Minister (22 March 2020), 'Supporting Australian workers and business' <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/supporting-australian-workers-and-business>

<sup>5</sup> Prime Minister (30 March 2020), '\$130 billion JobKeeper payment to keep Australians in a job', <https://www.pm.gov.au/media/130-billion-jobkeeper-payment-keep-australians-job>

and falling oil prices the expectation is that that inflation will also be below 2% (and thus below the RBA's inflation target of 2-3% per annum).<sup>6</sup>

Figure 1

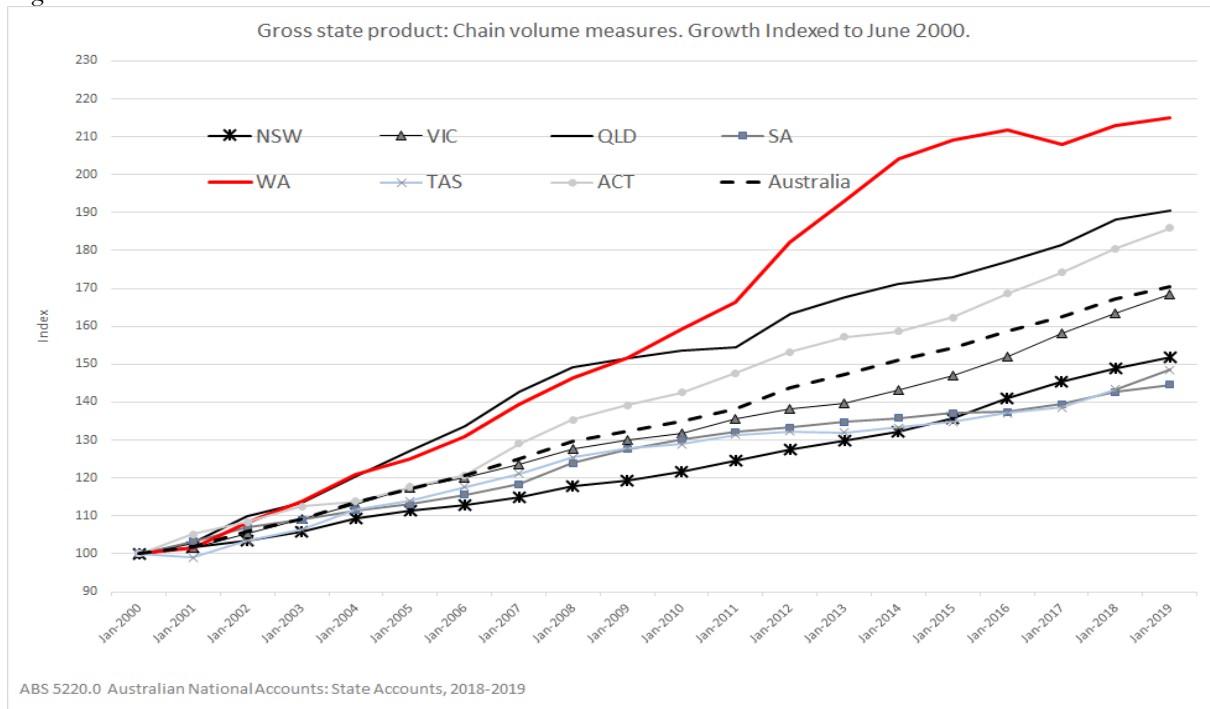
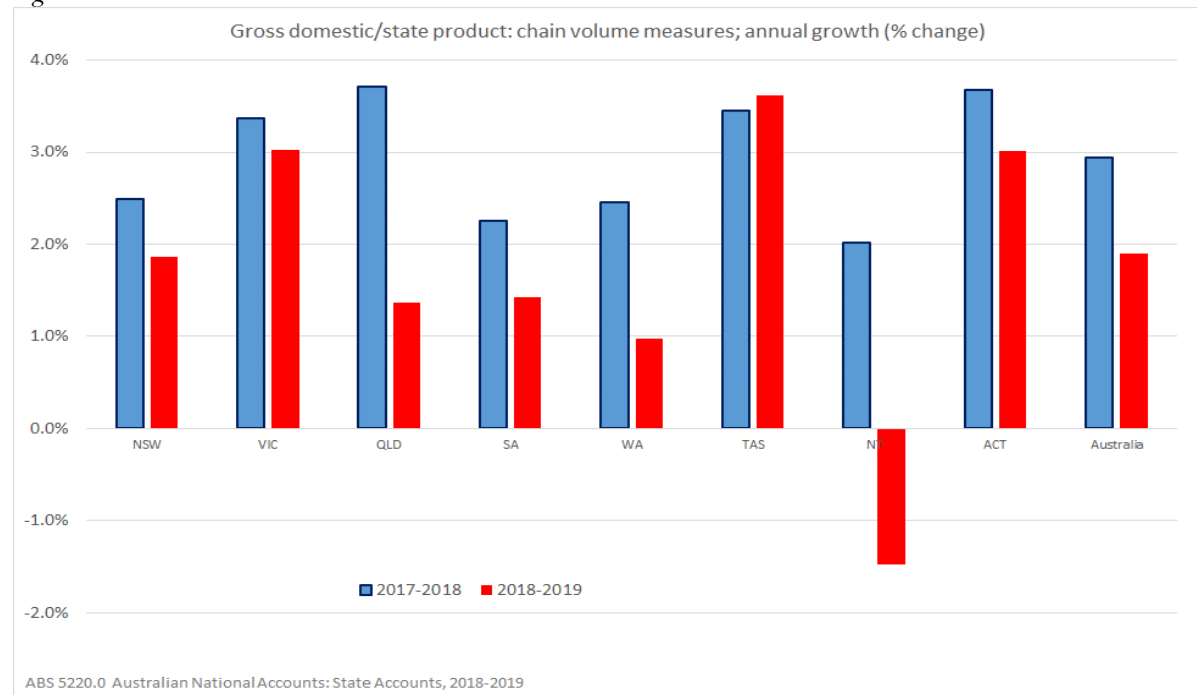


Figure 2



<sup>6</sup> RBA (21 April 2020), 'An Economic and Financial Update', <https://www.rba.gov.au/speeches/2020/sp-gov-2020-04-21.html>; and Westpac Institutional Bank (1 May 2020) 'Australia & New Zealand weekly' <https://www.westpac.com.au/docs/pdf/aw/economics-research/WestpacWeekly.pdf>.

### 3. Employment

Table 1 shows that, in the year to March 2020, total national employment grew by 1.8%. In WA the corresponding growth was higher at 2.0%. At the national level part-time employment (defined as fewer than 35 hours per week) accounted for nearly half (48%) of the growth in total employment. In WA *all* the observed growth in total employment was as a result of part-time employment growth. Nationally male part-time employment growth contributed 19% to total national employment growth. In WA the corresponding share was 57% (i.e. male part-time growth contributed 57% to total WA employment growth). By March 2020 32.6% of all employment in WA was part-time. Amongst males the incidence of part-time work was equal to 18.5% while for females it was equal to 49.1%.

Figures 3 and 4 show, respectively: (a) where employment growth has been (i.e. the contribution to total employment growth in the year made by each industry sector); and (b) the distribution of total employment across industry. As before the estimates are for WA and Australia. Focusing on Figure 3 it is clear that, in the year to February 2020, employment growth in Education and Training contributed to 38% of the total employment growth both at a national level and within WA. In WA the Health and social assistance sector contributed the second highest number of jobs. This was followed by the mining sector with a contribution share of 33%. Job losses were experienced in a number of sectors, most notably the manufacturing sector, followed by the retail sector. By February 2020 the largest employing sector in Australia and WA was the Health Care and Social Assistance sector, followed by retail trade and construction. The Accommodation and Food Services sector – a sector likely to be particularly hard hit by COVID-19, accounted for around 7% of all employees.

Table 1: *Select Labour Market Indicators; WA & Australia; March 2019 to March 2020*

Month/year	Employed full-time '000	Employed part-time '000	Employed total '000	Unemployed total '000	Unemployment rate (total) %	Participation rate (%)	Employment to Population Ratio (%)
<b>Western Australia</b>							
Males							
Mar-19	602.6	121.4	724.0	50.5	6.5%	74.4%	69.5%
Mar-20	600.7	136.3	737.1	41.7	5.4%	74.0%	70.1%
% change	-0.3%	12.3%	1.8%	-17.5%	-1.2%	-0.3%	0.5%
Females							
Mar-19	322.3	296.3	618.6	37.6	5.7%	61.9%	58.4%
Mar-20	321.4	310.4	631.8	36.0	5.4%	62.3%	58.9%
% change	-0.3%	4.8%	2.1%	-4.2%	-0.3%	0.3%	0.5%
Persons							
Mar-19	924.9	417.6	1,342.6	88.2	6.2%	68.1%	63.9%
Mar-20	922.2	446.7	1,368.9	77.8	5.4%	68.1%	64.4%
% change	-0.3%	7.0%	2.0%	-11.8%	-0.8%	-0.0%	0.5%
<b>Australia</b>							
Males							
Mar-19	5,511.1	1,269.9	6,781.1	364.7	5.1%	71.0%	67.4%
Mar-20	5,538.6	1,313.4	6,852.0	385.3	5.3%	70.8%	67.1%
% change	0.5%	3.4%	1.0%	5.6%	0.2%	-0.2%	-0.3%
Females							
Mar-19	3,261.8	2,753.5	6,015.3	321.3	5.1%	60.7%	57.7%
Mar-20	3,350.3	2,818.1	6,168.4	328.0	5.0%	61.3%	58.2%
% change	2.7%	2.3%	2.5%	2.1%	-0.0%	0.6%	0.6%
Persons							
Mar-19	8,772.9	4,023.5	12,796.4	686.1	5.1%	65.8%	62.4%
Mar-20	8,888.9	4,131.6	13,020.5	713.3	5.2%	66.0%	62.6%
% change	1.3%	2.7%	1.8%	4.0%	0.1%	0.2%	0.1%

Source: ABS 6202 Labour Force Australia.

Figure 3

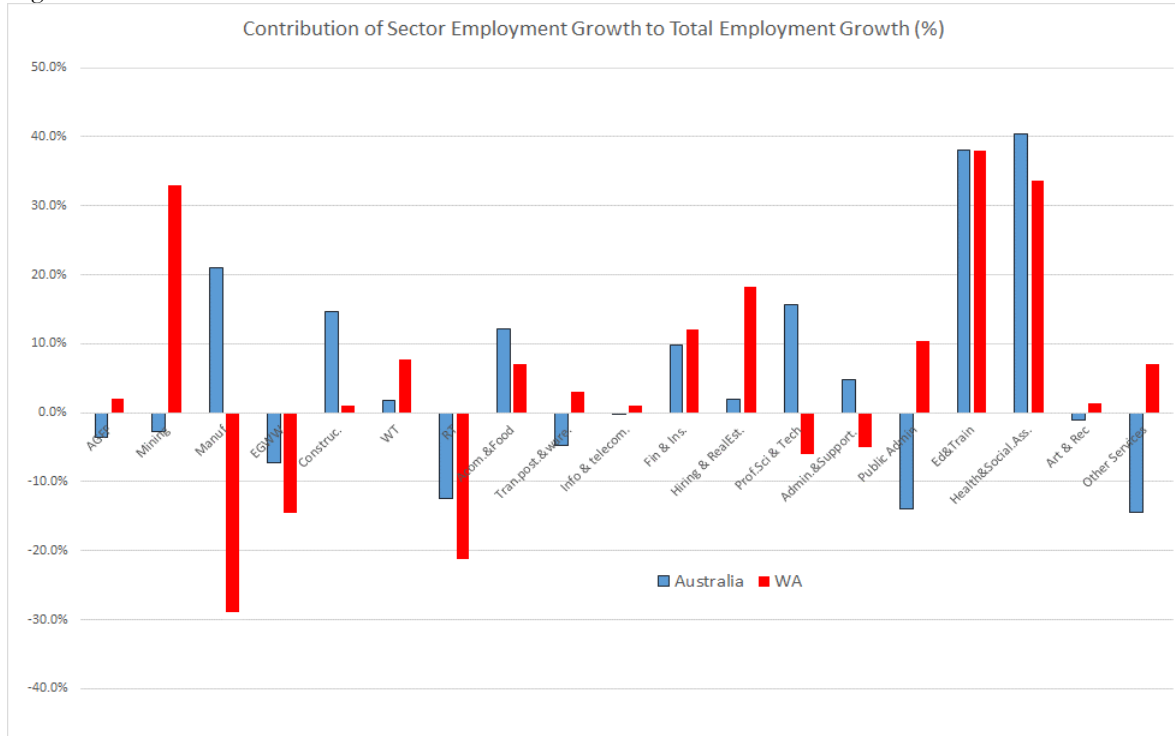


Figure 4

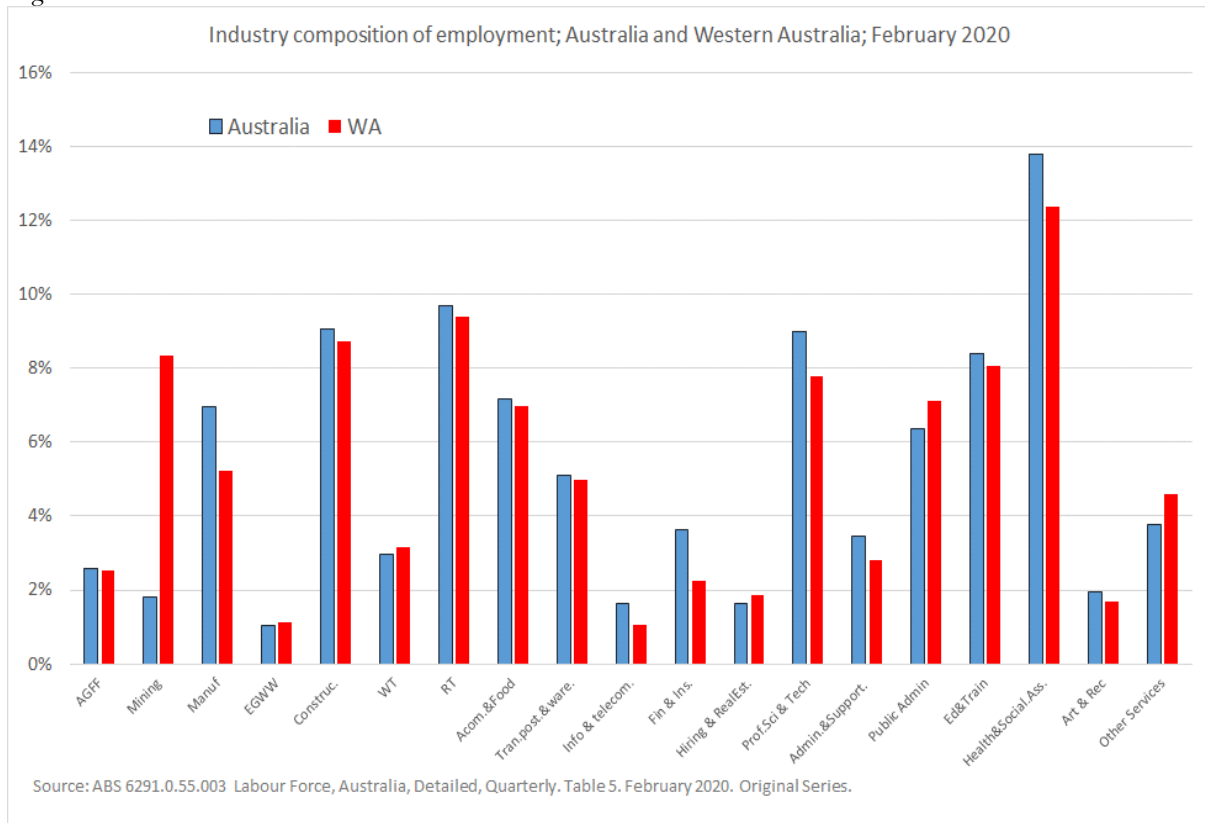


Table 2 sheds light on the trends in State public sector employment with the most recent estimates covering the period 2018 to 2019. As shown, over recent years, public sector employment growth has been particularly strong in Victoria and Queensland and, in the 2018-19 period, South Australia as well. WA also experienced a growth in State public sector employment between 2018 and 2019 although growth was below that observed elsewhere.

*Table 2. % Annual Growth in Commonwealth (Australia) and State Public Sector Employment*

	Australia (C'wealth)	NSW	VIC	QLD	SA	WA
2008-09	2.45	1.54	4.87	5.35	-2.07	4.40
2009-10	0.33	1.72	2.09	1.66	0.64	2.33
2010-11	3.08	2.79	4.42	0.97	0.46	2.33
2011-12	-0.48	0.78	-0.67	-0.20	1.45	-0.72
2012-13	0.28	0.68	1.31	-4.23	2.24	4.11
2013-14	-1.72	3.03	0.09	2.90	0.00	-2.85
2014-15	-3.65	-1.17	1.71	0.64	0.79	1.49
2015-16	2.44	-0.26	3.84	3.43	1.13	-1.35
2016-17	-1.40	1.32	1.82	3.87	-0.43	2.63
2017-18	0.38	0.94	3.24	2.70	0.26	0.99
2018-19	0.58	2.53	4.54	3.08	5.25	2.30

### *Identifying impacts of COVID-19 on employment patterns and trends*

On 21 March 2020 the government announced social distancing and on the 22 March 2020 Australia began the shutdown of non-essential services. To monitor the impact of COVID-19 on the labour market the ABS has compiled a new series titled '*Weekly Payroll Jobs and Wages in Australia*'. The first issue was released on 21 April 2020. Table 3 below (based on the most recent data at the time of writing) shows that between the week ending 14 March (the start of the series) and the week ending 18 April 2020 (released 5 May 2020) there was a 7.5% fall in the number of payroll jobs across Australia. In WA the decline was equal to 6.6%.

*Table 3. % Change in Employee Jobs Between Weeks Ending 28 March 2020 and 18 April 2020*

<b>Australia</b>	NSW	Vic.	Qld.	SA	<b>WA</b>	Tas.	NT	ACT
<b>-7.5%</b>	-7.4%	-8.6%	-6.5%	-7.8%	<b>-6.6%</b>	-8.0%	-5.7%	-6.9%

Source: ABS 6160.0.66.001. Table 1.



Figure 5 compares change (%) in employee jobs in WA with that nationally disaggregated by age and industry. Within WA the share of job loss between the weeks ending 14 March and 18 April 2020 was equal to 5.5% for males and 7.2% for females. Young people in WA have been disproportionately affected. The share of jobs lost amongst those aged under 20 and aged 20-29 is equal to -17.9% and -10.3%, respectively. Job loss by industry comparisons are provided in Figure 6. The greatest proportional job loss (nationally and in WA) has been in the Accommodation and Food Services sector followed by the Art and Recreation Sector. WA has also experienced a disproportional loss of jobs in the Administrative and Support Services Sector. The current distribution of jobs by industry in WA is presented in Figure 7.

Figure 5

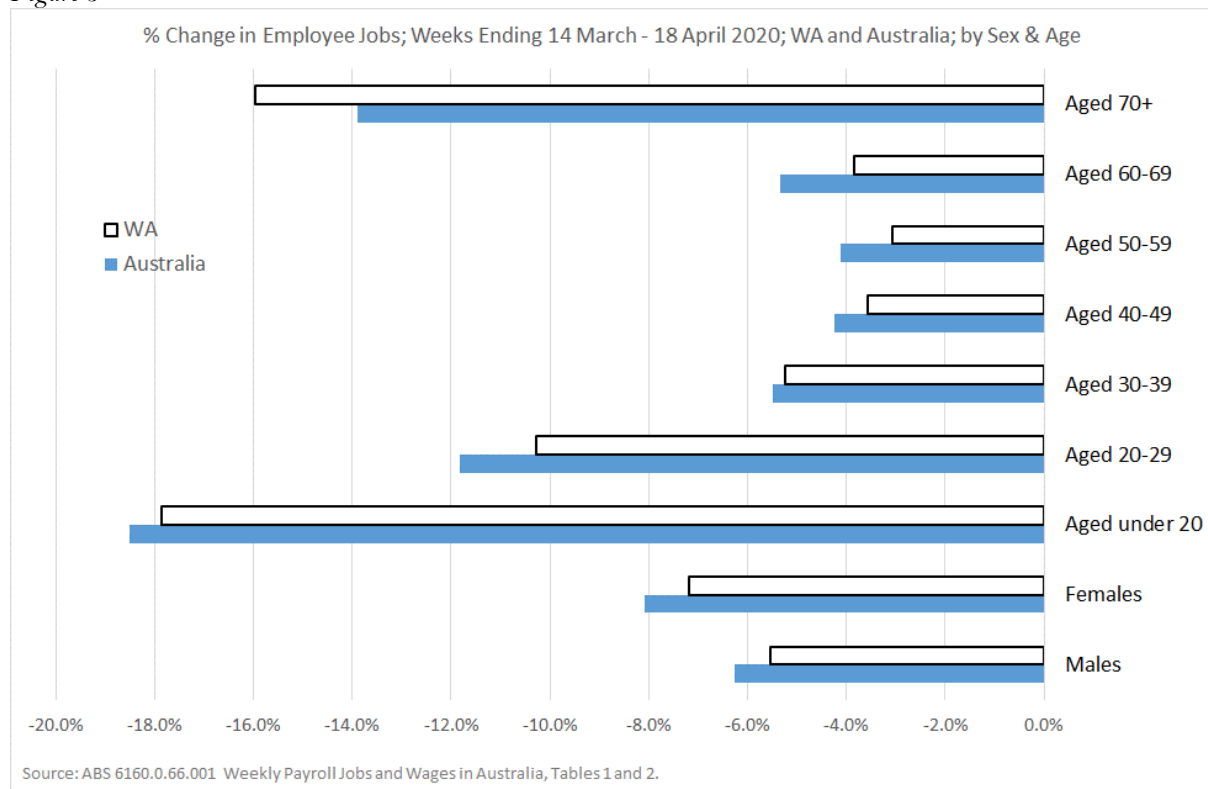


Figure 6

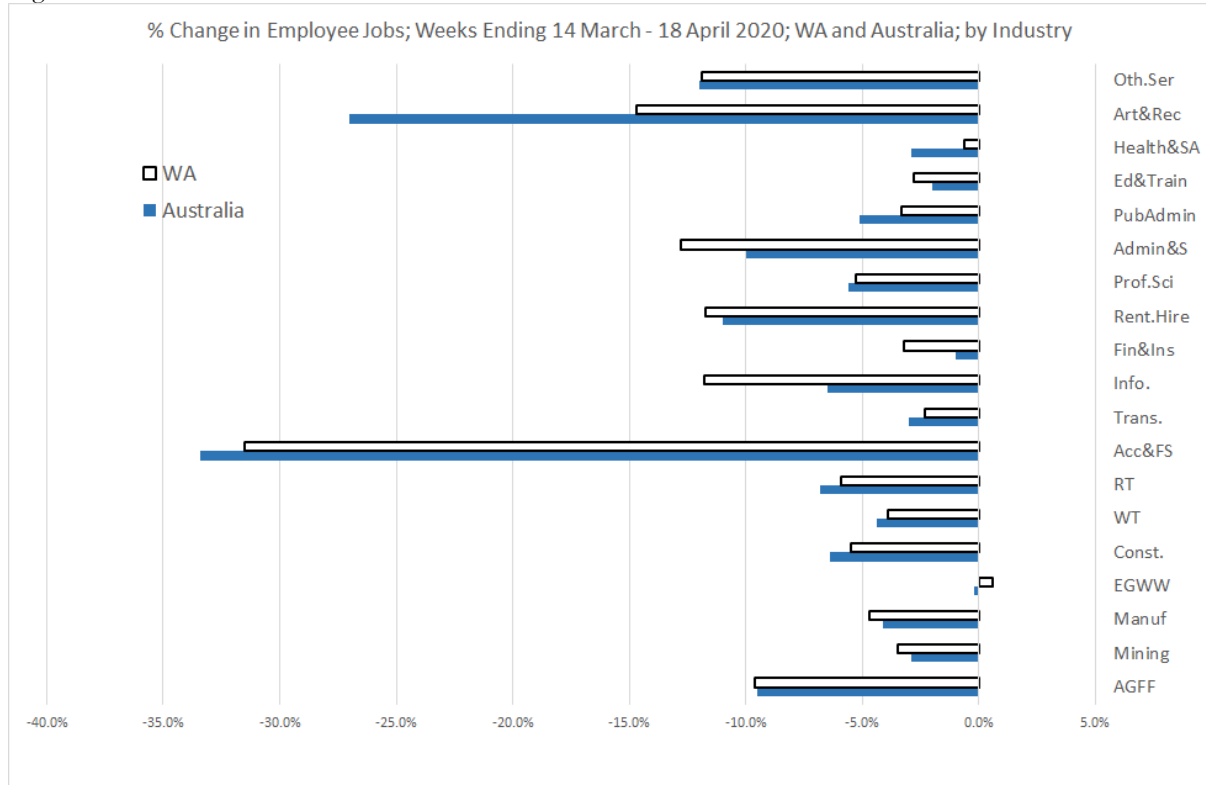
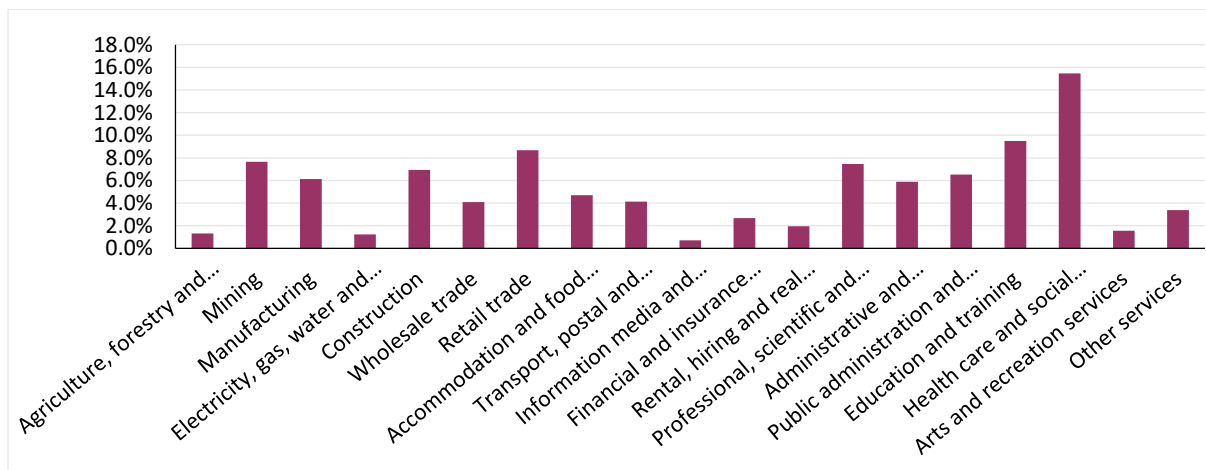


Figure 7. Distribution of employee jobs by Industry, Western Australia for the week ending 18 April 2020



Source: ABS 6160.0.66.001. Weekly Payroll Jobs and Wages in Australia. Table 2, Western Australia.

#### 4. Unemployment, Underemployment and Job Search Duration

At March 2020, and prior to the onset of the economic effects of COVID-19, the unemployment rate for males and females in WA was equal to 5.4% (see Table 1). This was an improvement on the rates recorded at March 2019 where the WA male unemployment

rate was equal to 6.5% and the female rate equal to 5.7%. The improved situation was driven by a fall in the male participation rate and by the growth in part-time employment, as noted earlier. Nationally the corresponding male and female unemployment rates were lower at 5.3% and 5.0%, respectively. Relative to Australia as a whole, WA has a higher participation rate (68% versus 66%) and a higher employment / population ratio (64.4% to 62.6%).

Figures 8 and 9 show trends in the national unemployment rate, underemployment rate and underutilisation rate (a combination of the unemployment and underemployment rates) for males and females, respectively. As noted earlier, underemployment measures the share of workers who wish to work more hours. Unsurprisingly it is particularly concentrated amongst persons who work part-time. While the female unemployment rate is lower than the male unemployment rate it is clear, from these charts, that the incidence of underemployment is higher for females (11.2% for females versus 7.3% for males).

The WA male and female comparisons are provided in Figures 10 and 11 with the national pattern also mirrored at the state level. At February 2020 the male underutilisation rate in WA was equal to 12.8% and the female rate equal to 16.6%. A particular feature of these charts is the rise in underutilisation following an economic crisis. Following the 2008 GFC male underutilisation, nationally, increased by 2.8 percentage points between January 2008 and January 2010. The corresponding change for females, nationally, was 3.4 percentage points. In WA the male and female change was equal to 2.6 and 5.1 percentage points, respectively. These estimates show that women are at particular risk during recessionary periods and that, following the last economic downturn, women in WA were particularly hard hit relative to their counterparts nationally. Time will tell if the same pattern prevails again. The charts also show that underemployment remained stubbornly high and did not return to pre GFC levels.

Figure 8

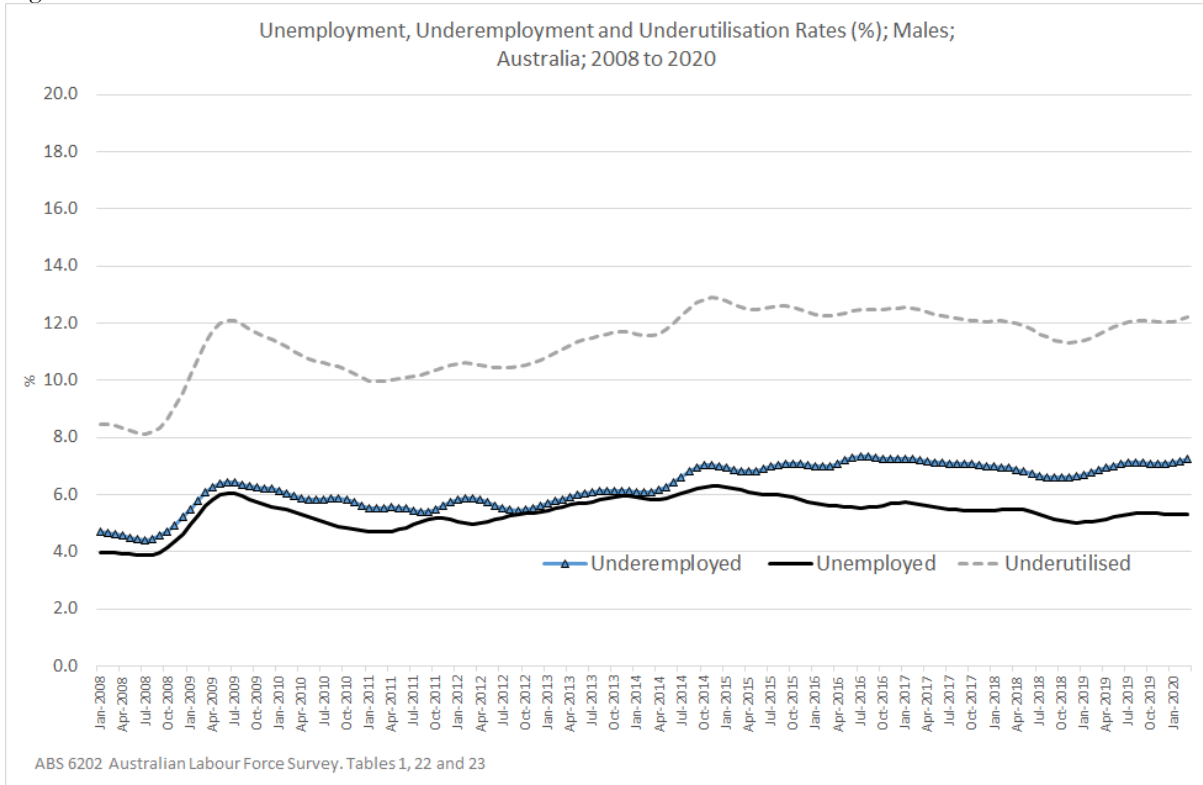


Figure 9

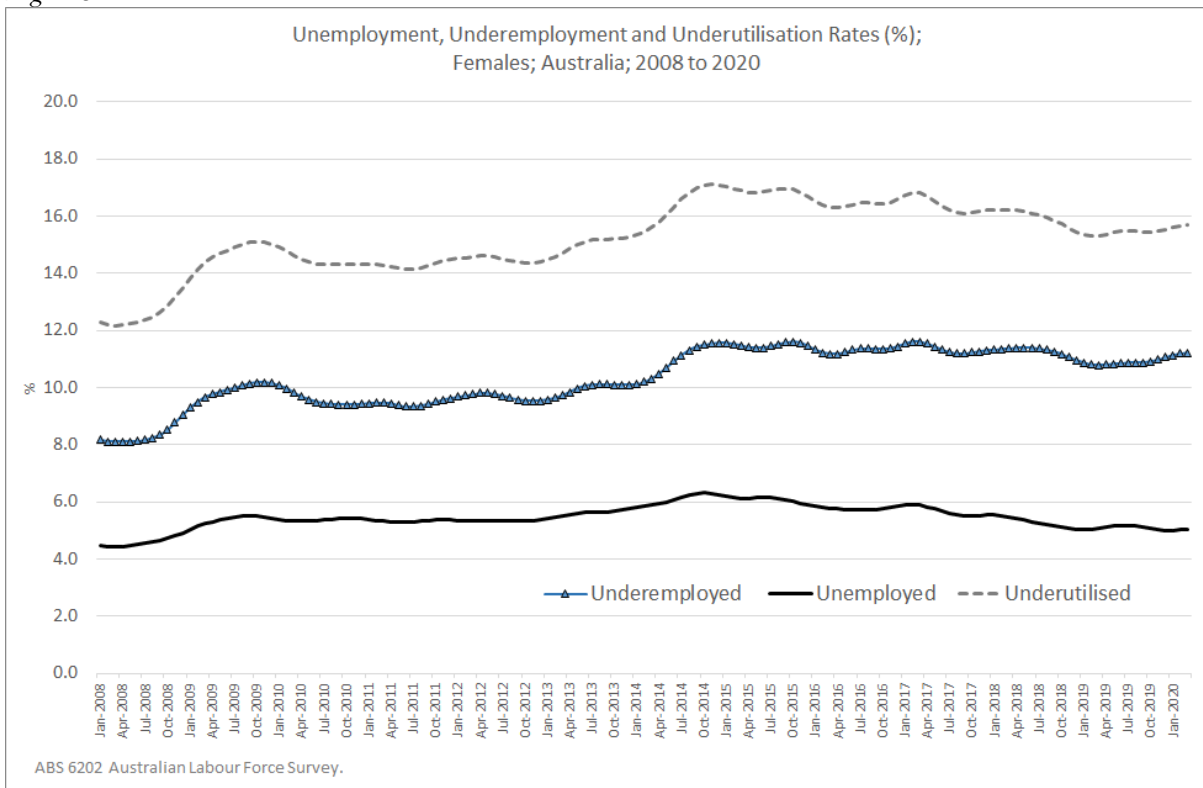


Figure 10

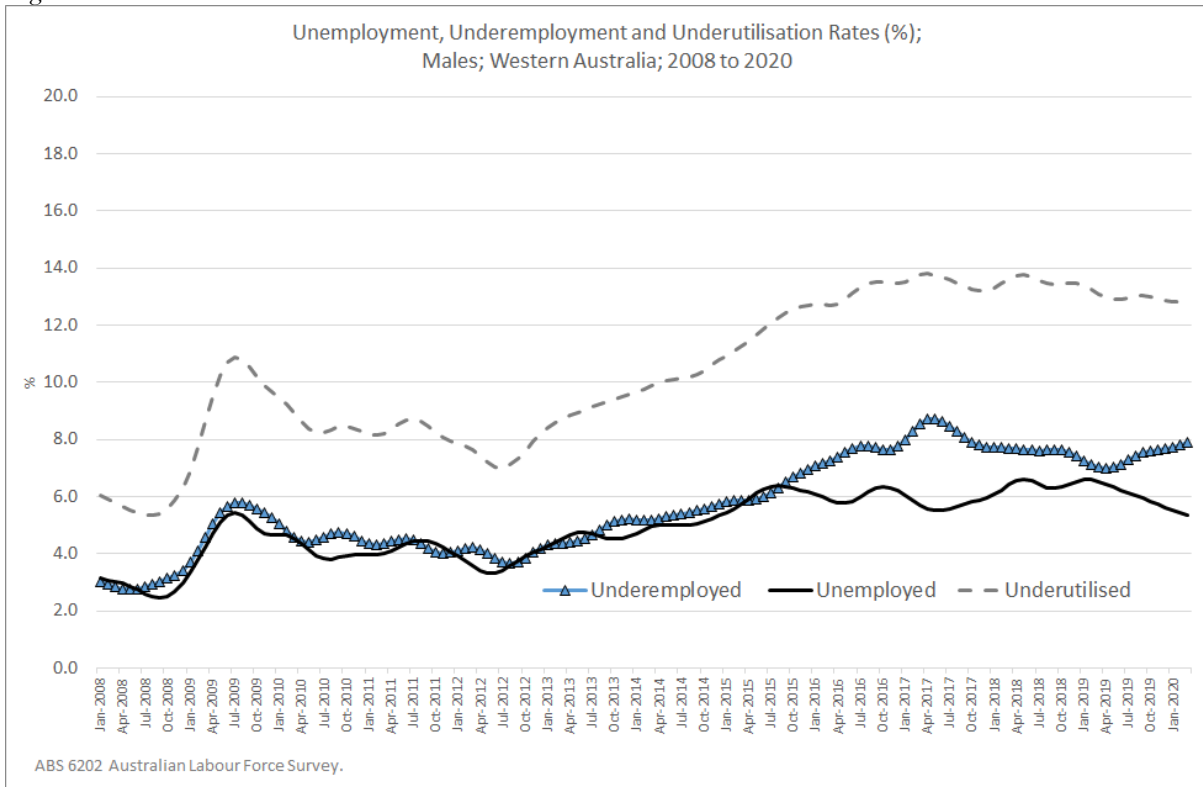
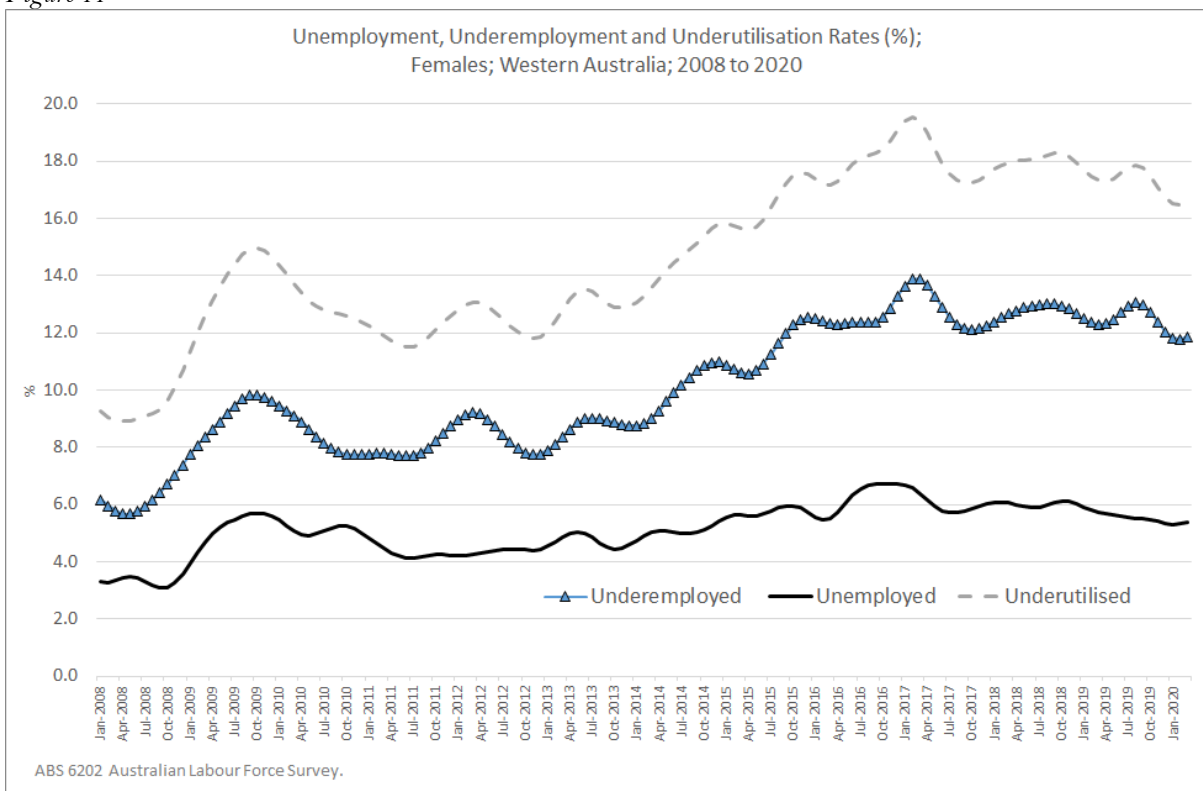


Figure 11



### *Underutilisation in the youth labour market (aged 15-24 years)*

Figures 12 and 13 show the unemployment, underemployment and underutilisation rates for young males and females (aged 15-24 years) nationally. A disaggregated analysis by sex is unavailable for WA. Instead aggregate youth unemployment rates for all persons are shown for WA and Australia. The national data in Figures 12 and 13 show that, since the GFC, youth unemployment, underemployment and underutilisation rates have been trending upwards. The average incidence of youth unemployment, underemployment and underutilisation since 2009 is around 13%, 16% and 27% for males and 11%, 20% and 29% for females. If history repeats, then it is likely that these shares will increase as a result of the COVID-19 economic downturn and will continue to remain persistently high. While comparisons are not available for WA it may be assumed that the trend and patterns are similar and possibly of greater magnitude given the higher incidence of youth unemployment in WA (see Figure 14).

The situation in the youth labour market is, therefore, particularly worrisome. These estimates show that even before COVID-19 young people were doing it hard. The risk is that, in the recovery phase, young people become locked into unemployment and are unable to get a foot in the labour market. Predictions are that older Australians will likely remain longer in the labour market in a bid to recover some of their superannuation losses. This will add to the supply of labour (excess capacity), drive down wages and make it harder for those with less skills and experience (young people) to find a job and build up experience. The longer term effect will be reduced life-time earnings. This, in turn, may also affect other economic outcomes such as the incentives to invest in education and training, consumption demand, family formation, fertility etc. Interventions will be required to ensure that Australia's youth do have opportunities in the post COVID-19 recovery phase.

Figure 12

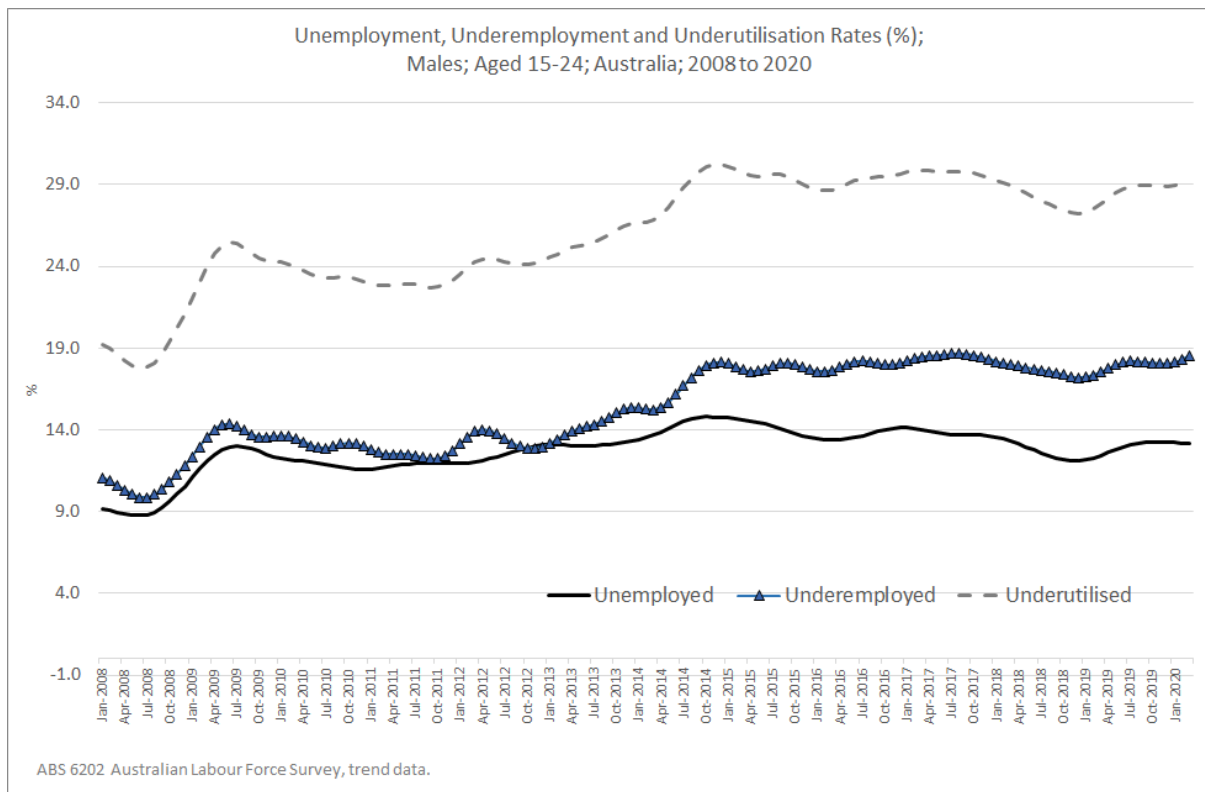


Figure 13

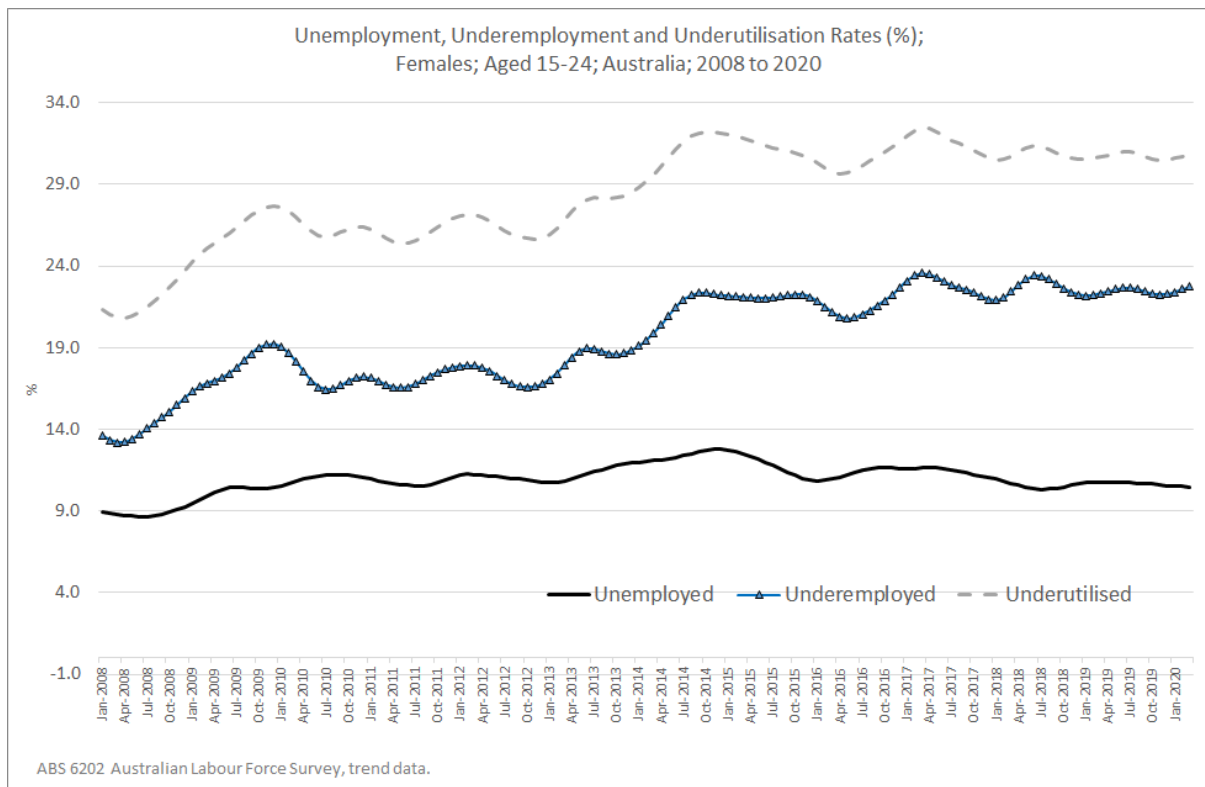
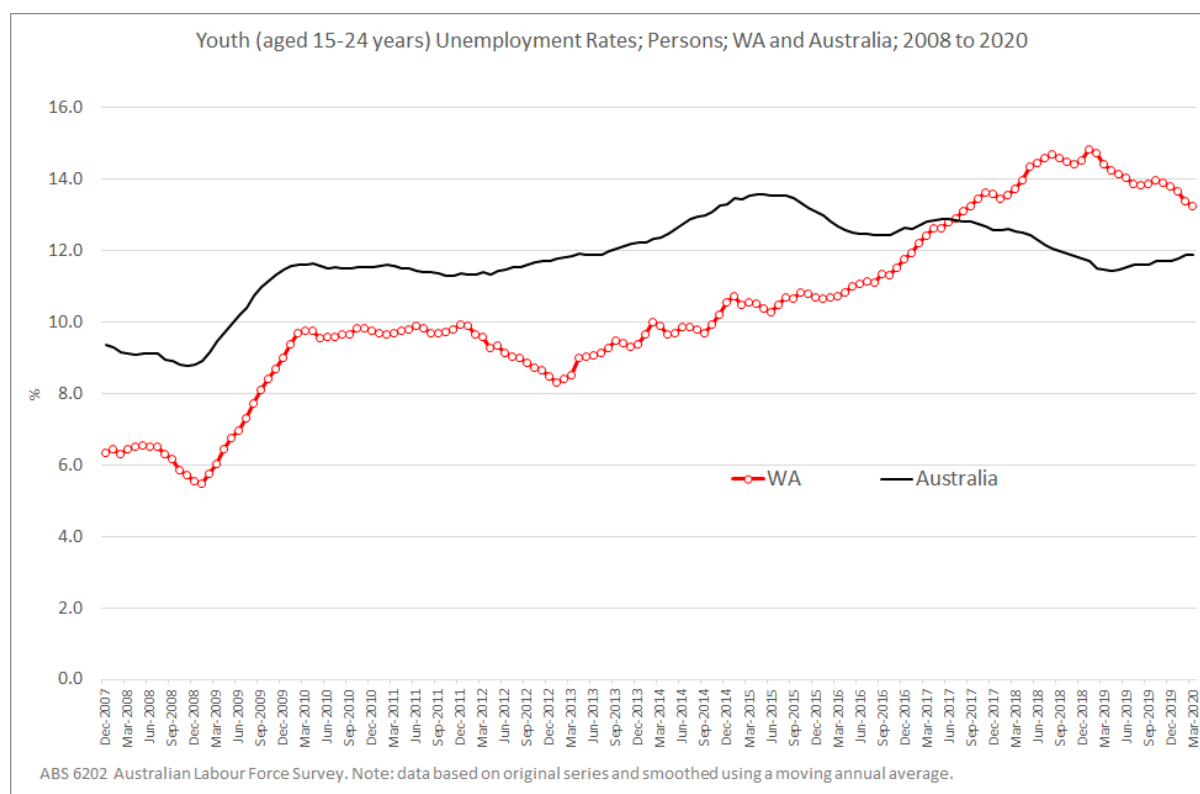


Figure 14



### Job search duration

Figures 15 and 16 plot the average annual median weeks of job search duration. The former is for all unemployed whereas the latter is for the long term unemployed (i.e. those with an unemployment duration of 12 months or more). Since the peak of the mining boom in 2012/13 median job search duration has been rising faster in WA than nationally (for all job searchers, including the long-term unemployed). At March 2020 the median job search duration was around 20 weeks in WA and 16 nationally. For the long-term unemployed it was around 112 weeks in WA and nationally.



Figure 15

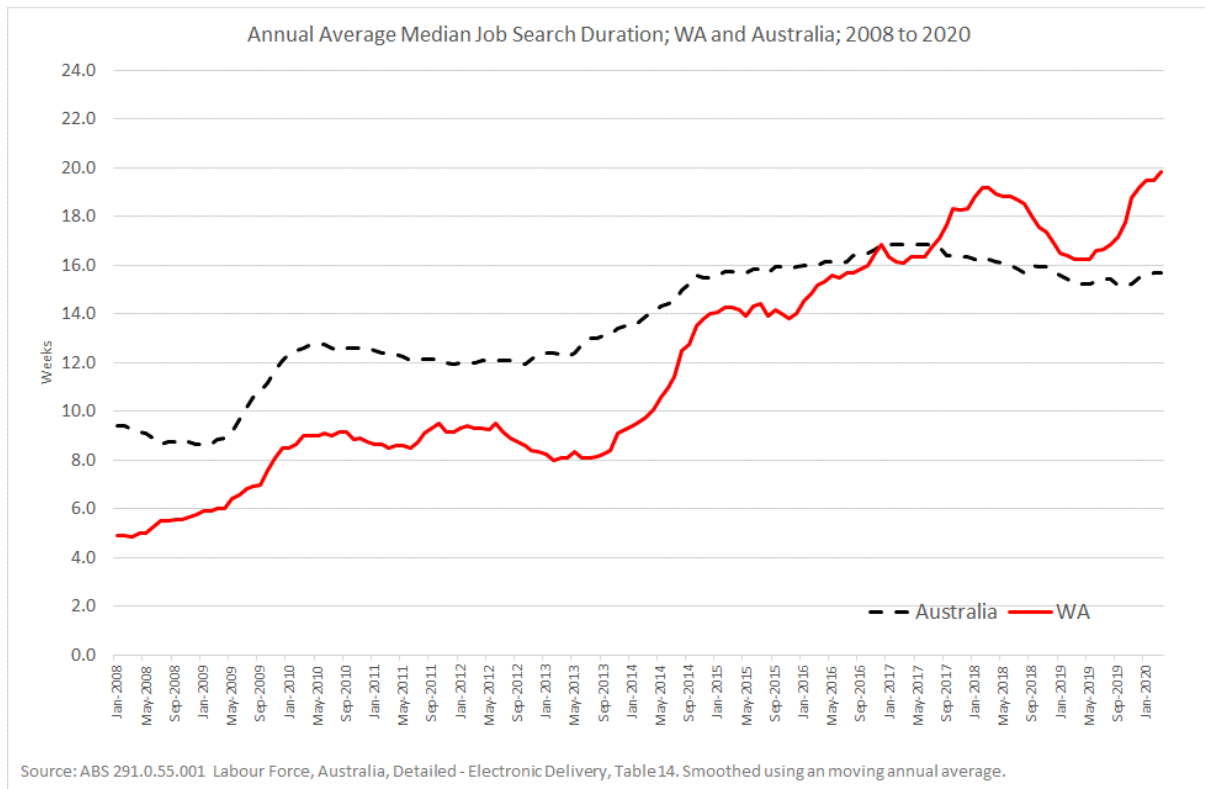
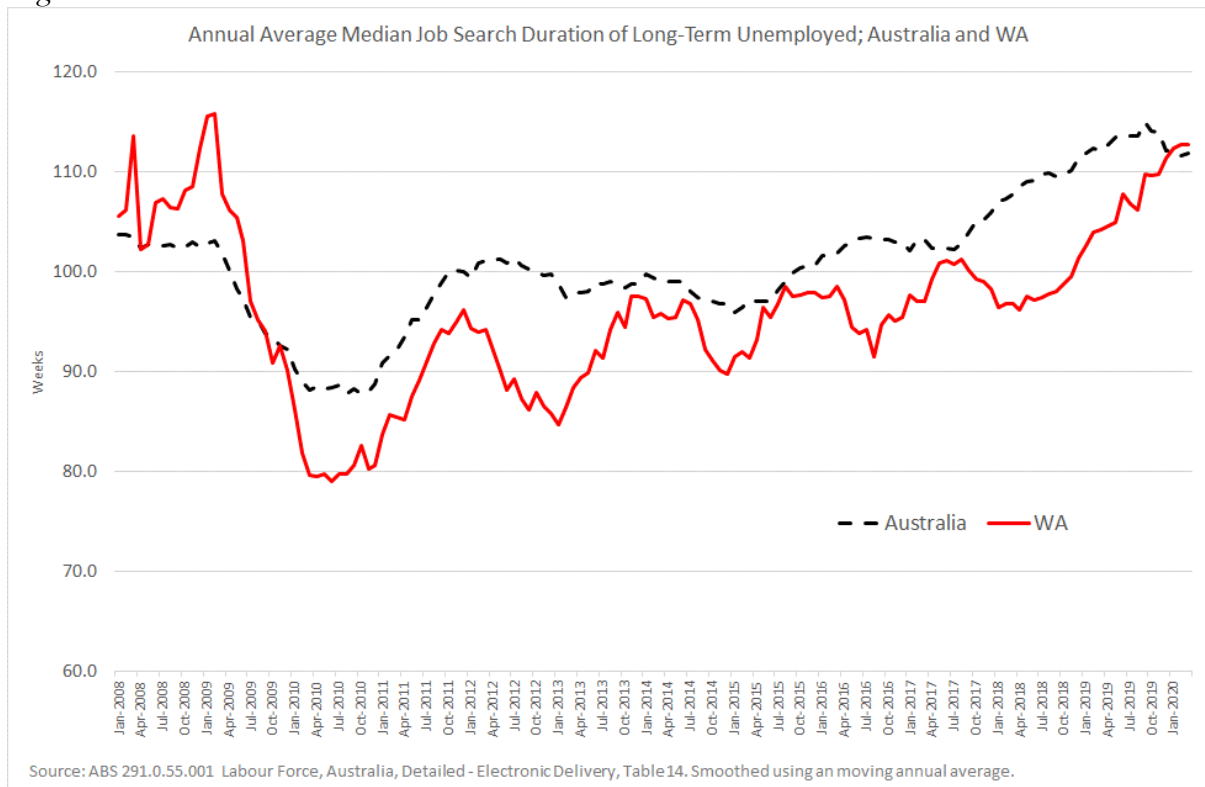


Figure 16



## 5. Earnings and Wage Relativities

Data from the ABS Wage Price Index series are used to show trends in wages within the public and private sector net of compositional effects such as the age or qualifications of the jobholder, the location where work is performed or the nature of work (eg. different tasks). For the decade shown public sector wage growth has been faster in WA than nationally, although over recent years the rate of growth in public sector wages has been slowing in WA relative to elsewhere. Since 2017 wage growth in the WA private sector has been below that in the private sector nationally (see Figure 17). The combined effect of these trends is reflected in a convergence of the WA / Australian wage relativities (Figure 18). At the peak of the mining boom males in WA earned, on average, 18% more than males nationally while females in WA earned 5.5% more than females nationally. By December 2019 the WA/Australia male wage relativity was equal to 10.1% and the female relativity equal to -0.5%. The actual average weekly ordinary time earnings (AWOTE) amounts are summarised in Table 4.

Figure 17

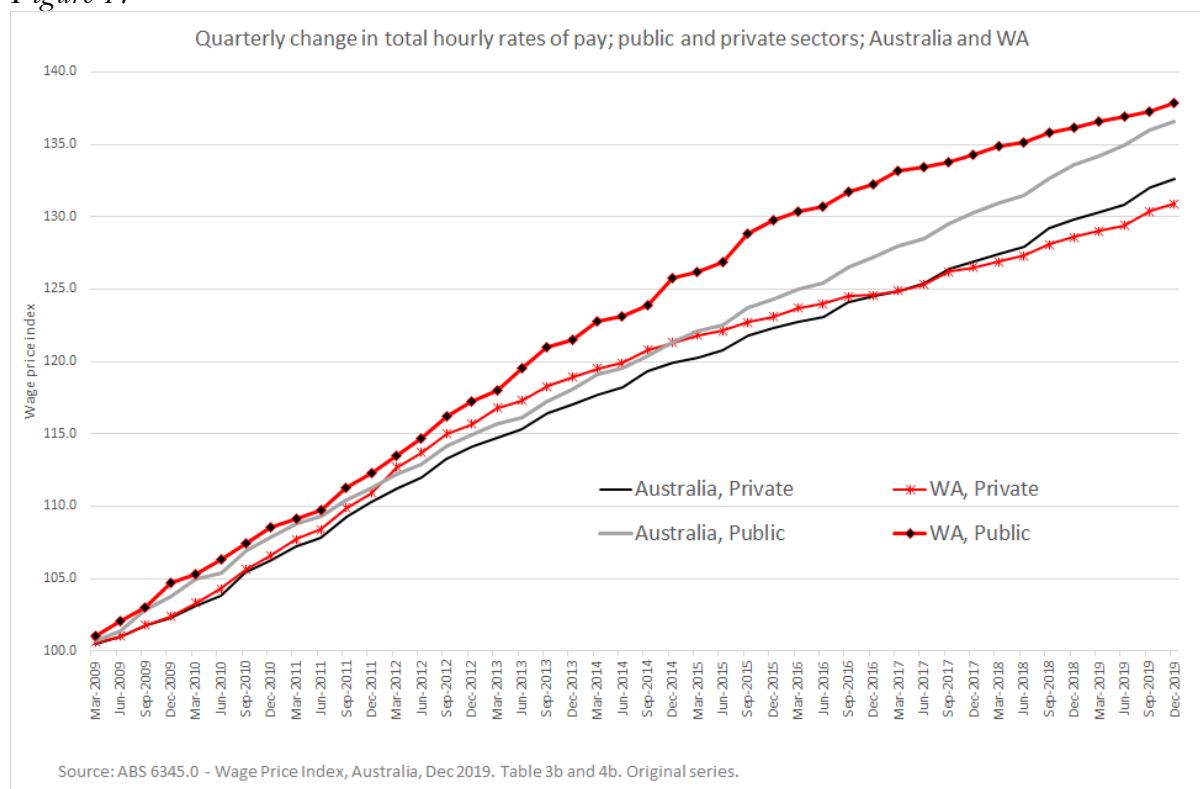


Figure 18

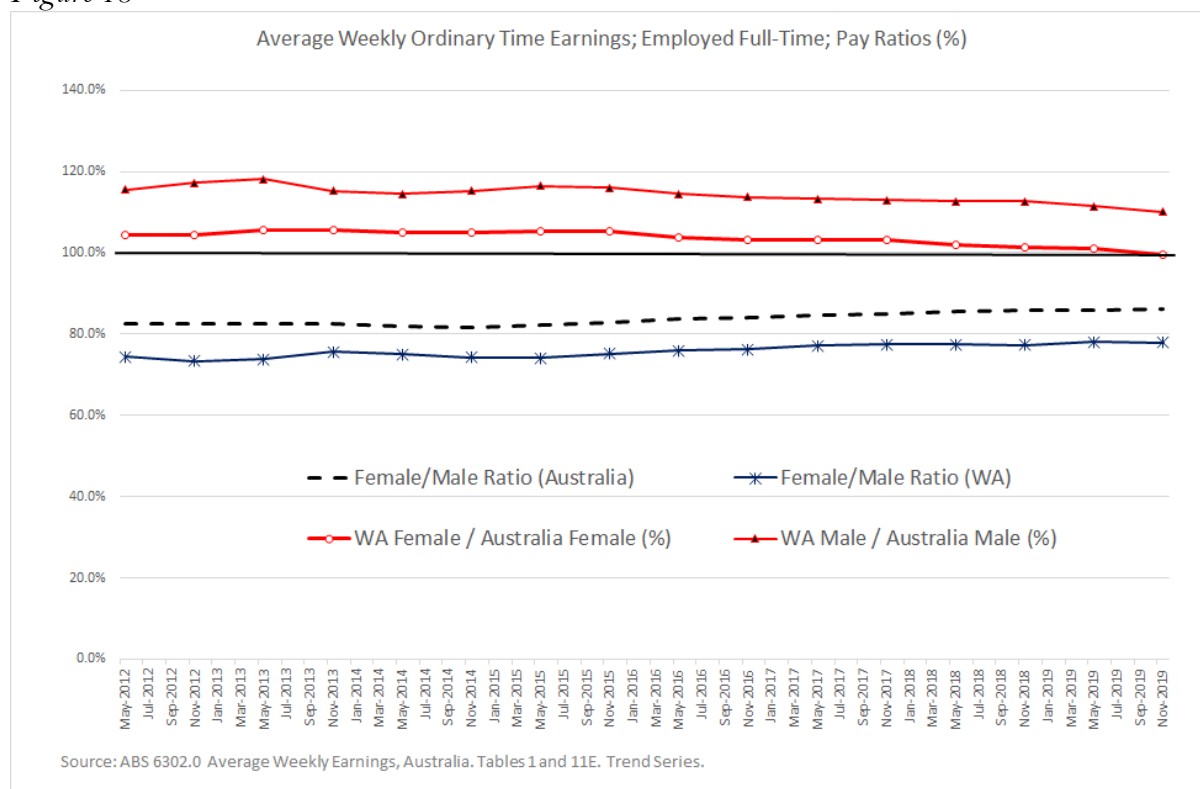


Table 4. Adult; Full-Time; Average Weekly Ordinary Time Earnings; WA & Australia

	Australia		Western Australia	
	Males	Females	Males	Females
Nov-2012	\$1,488.50	\$1,226.40	\$1,743.70	\$1,279.50
Nov-2013	\$1,533.90	\$1,267.60	\$1,767.20	\$1,336.80
Nov-2014	\$1,584.60	\$1,291.30	\$1,826.30	\$1,356.40
Nov-2015	\$1,602.90	\$1,327.80	\$1,859.10	\$1,397.50
Nov-2016	\$1,629.50	\$1,369.80	\$1,852.00	\$1,412.40
Nov-2017	\$1,662.20	\$1,410.20	\$1,877.70	\$1,455.50
Nov-2018	\$1,697.90	\$1,457.20	\$1,912.10	\$1,476.50
Nov-2019	\$1,751.40	\$1,508.50	\$1,928.20	\$1,501.60

Source: ABS 6302, Average Weekly Earnings Australia. Trend series.

Research reported elsewhere shows that, at the mean:<sup>7</sup>

- wages growth due to compositional effects (eg. qualifications) has been faster in WA for males and females than it has nationally.

<sup>7</sup> Preston, A. and Birch, E. (2018) ‘The West Australian wage structure and gender wage gap: a post mining boom analysis’, *Journal of Industrial Relations*, 60(5): 619-646. These estimates are based on HILDA data covering the period 2014–2016 and controlling for gender differences in experience and schooling.

- The unexplained gender wage gap is around 6.3% while nationally it stands at 12.3%.
- Within WA, males employed part-time are at a significant wage disadvantage relative to their counterparts employed full-time.

These findings suggest that, even in the absence of the economic effects of COVID-19, the recent growth in male part-time employment in WA would potentially drive down the overall male mean wage and see a further convergence in the WA gender wage gap. If this were to be the case then it would call into question the usefulness of the gender wage gap as an indicator of women's progress in WA, since the objective is not to narrow the gap through male losses but rather through female gains.

### *Identifying impacts of COVID-19 on earnings*

Figures 19 and 20 summarise the wage losses incurred by males and females nationally and in WA since the onset of the COVID-19 crisis. The data are from the new ABS series and cover the period from the week ending 14 March 2020 to the week ending 18 April 2020. During this period wages, nationally, fell by 7.0% for females and 8.9% for males. In WA the comparable declines were 7.0% for females and 10.0% for males (Figure 20). Wage loss has been particularly large amongst young women and amongst young people generally, particularly at the national level. The data also suggest that, of the four (Australian males, Australian females, WA males and WA females) prime aged (i.e. those aged 30-59 years) groups, WA males have experienced the greatest decline in wages. Given the higher incidence of male full-time employment these trends point to even greater inequalities at the household level.

Figure 19

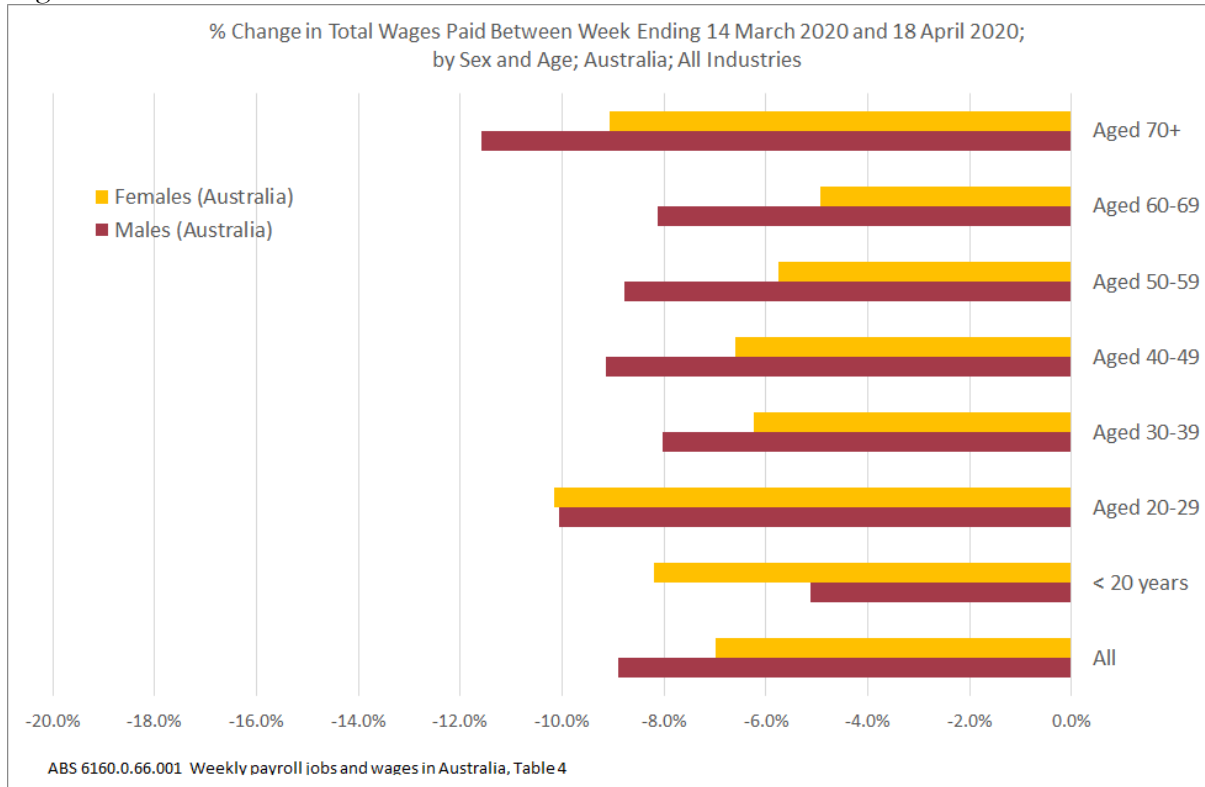
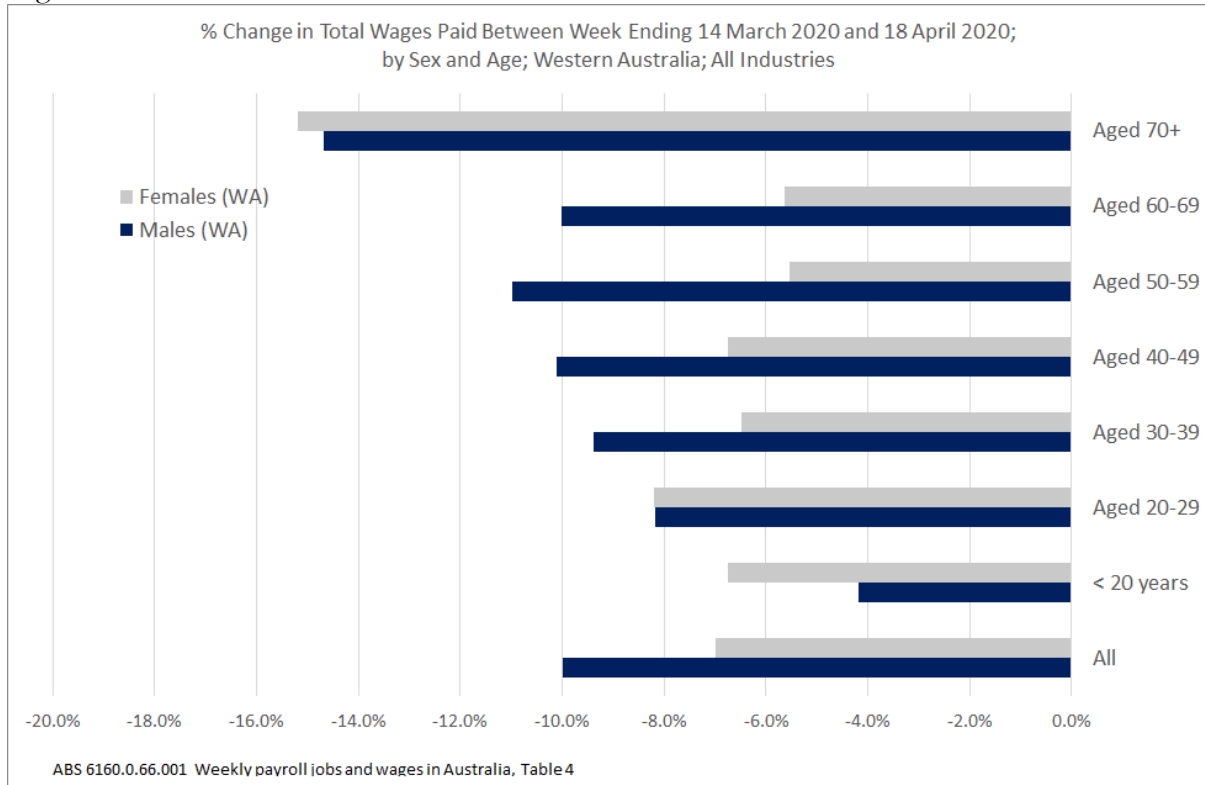


Figure 20



## 6. Summary and Conclusion

Using the most recent ABS data this review describes the state of the WA labour market in 2019/20. A particular goal of the review is to provide background analysis for the 2020 State (WA) Wage Case hearing. At the time of writing data from the ABS Labour Force Survey were for the period 1-14 March and thus prior to any labour market effects associated with COVID-19. The ABS has, however, compiled a new series '*Weekly Payroll Jobs and Wages in Australia*' designed to specifically monitor job loss and wage changes during the COVID-19 period. These data have been used to augment the analysis where possible.

The analysis shows that prior to COVID-19 the national and WA economies were showing signs of softening and that, in the year to 2019, WA recorded the slowest growth in GSP of all States. While the WA unemployment rate had declined over the year it remained above that observed nationally. In the year to March 2019 overall employment growth in WA was driven by part-time employment (fewer than 35 hours per week). Many jobholders desired to work more hours and were thus underemployed. Indeed, since the peak of the mining boom underemployment has been trending upwards. By February 2020 the underutilisation rate (a combination of the unemployment rate and underemployment rate) was equal to 12.8% for males and 16.6% for females in WA. Nationally the corresponding shares were 12.1% and 15.7%.

Estimates provided in this review show that prior to the COVID-19 crisis young people (aged 15-24 years) were already doing it tough. Their future prospects now look particularly dim as a result of the economic downturn. In WA the youth unemployment rate exceeds that recorded nationally. Disaggregated national data shows that the youth underutilisation rate has averaged around 27% for males and 29% for females since the GFC. While similarly disaggregated data are not available for WA the fact that WA has a higher youth unemployment rate suggests that its underutilisation rate will likely be of a similar magnitude, if not higher.

ABS data on job losses as a result of COVID-19 show that, between the weeks ending 14 March 2020 and 18 April 2020, of those aged 15-69, the job loss share was greatest amongst those aged 15 to 29 years. This pattern prevailed nationally and in WA. Nationally, young people aged 20-29 years experienced the greatest deterioration in wages. In WA male wage loss was proportionately greatest amongst those aged 50-59 years while, for females, it was young women (aged 20-29) who experienced the greatest decline. These patterns will, however, continue to change as the crisis wears on and we might expect big shifts towards

the end of September when the wage subsidy is due to end. In short, it may take several years until we fully understand how the COVID-19 events have impacted on the overall WA wage structure.

In the recovery phase interventions will be required to minimise the scarring effect of time spent unemployed and to create opportunities for youth, in particular. Failure to attend to the labour market challenges facing young people will have unimaginable long-term economic costs. It is beyond the scope of this review to consider what these measures might be but it behoves governments and employers to ensure that young people are supported into work and that their investments in education and training pay off, not just in terms of suitable employment but also with respect to career paths and fair remuneration. It will also be important to ensure that all policies and programs are gender neutral and that women are not left behind in the recovery phase.