

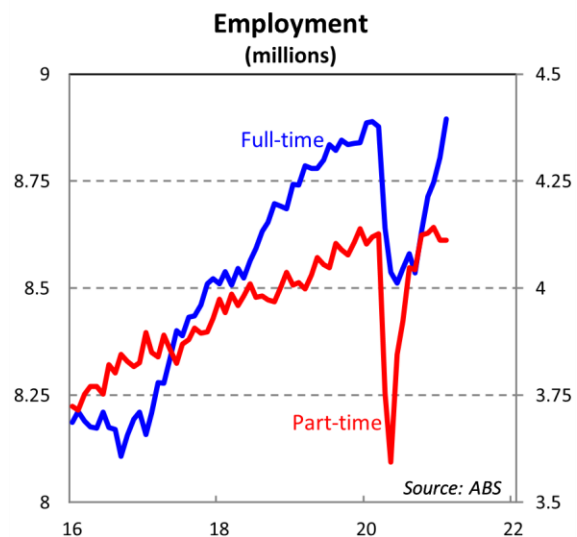


Thursday, 18 March 2021



## Labour Force From ICU to Recovery to Discharge

- The economy has been a patient in hospital for much of the past twelve months. But the patient has gone from the acute ward to the recovery ward and is now readying to be discharged home.
- The end of JobKeeper at the end of this month might mean a short spell in rehab for the economy, but its expiry will not be a medical emergency. The momentum in the jobs market will help the economy absorb its expiry. The unemployment rate should still end this year lower. However, some disruption to jobs over the next few months is likely.
- Jobs grew by 88.7k in February, the best result in four months. The economy has recovered 99.8% of the jobs lost over February-May last year. Eight months after the 1990-91 recession ended, the economy had a net loss of 8.9k jobs. Since the end of the recession last year, the economy in the eight months to February added 649.7k jobs! That is one resilient patient.
- The unemployment rate fell to 5.8% in February - the lowest since March of last year.
- The increase in the number of people working zero hours took some shine of today's batch of data, as did the lift in the underemployment rate to 8.5% in February.
- Every state and territory added jobs in February. New South Wales and the eastern seaboard states led the gains. New South Wales added 42.0k jobs in February, the best gain in six months, as the state recovered from a partial lockdown in January.
- Queensland was a standout. From and including February 2020, Queensland has recorded net job gains of 50.4k, far more than any other state. It also recorded the largest drop in the unemployment rate in February taking it to a 11-month low of 6.1%.



The economy has been a patient in hospital for much of the past twelve months. But the patient has gone from the acute (or ICU) ward to the recovery ward and is now readying to be discharged home. Perhaps the end of JobKeeper at the end of this month might mean a spell in rehab for the economy, but the economy and jobs market are looking well.

Why? **Employment** grew 88.7k in February, the best result in four months. More importantly, the economy has almost fully recovered the jobs lost over February-May last year during the height of the pandemic and amidst the national lockdown. To be precise, as economists love precision, the economy has recovered 99.8% of the jobs lost.

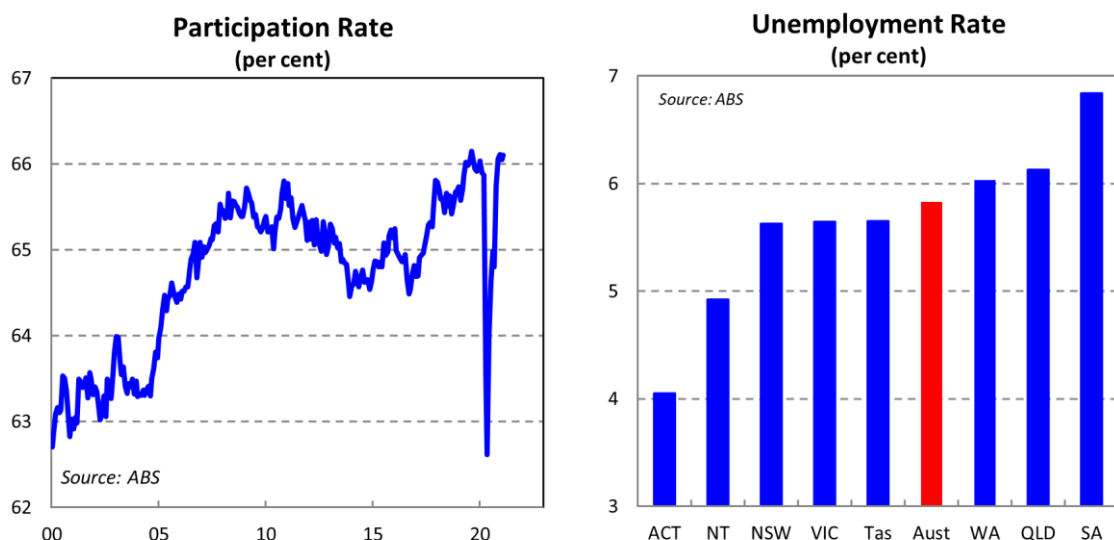
What's even better is that full-time jobs have been fully recovered. It's part-time jobs that have a little bit more to go. Full-time jobs rose by 89.1k in February with the string of monthly job gains now extending to five. Part-time jobs fell 0.5k, following a fall of 29.3k in January.

The last recession in Australia occurred in 1990-91. Eight months after this recession ended, the economy had recorded a net loss of 8.9k jobs. Since the end of the technical recession last year, the economy, in the eight months to February 2021 has added 649.7k jobs! This can only be described as one resilient patient.

Moreover, leading indicator of jobs, such as job vacancies and employment indexes in business surveys, suggest jobs growth will continue.

The **unemployment rate** dropped from 6.3% in January to 5.8% in February. It is the lowest unemployment rate since March of last year. Compared with March 2020, it is 0.6 percentage points higher. It is also still well above the rate of unemployment consistent with full employment in the economy, although it is clear the jobs market is recovering well and faster than anticipated. Policymakers, early in the crisis, anticipated the unemployment rate to hit a peak of 10.0% at the end of 2020. That was not to be! The peak was just 7.5% in July 2020. The unemployment rate has dropped 1.6 percentage points since then.

The participation rate stayed steady at 66.1% for the fourth straight month. As the economy continues to recover over this year, participation in the labour force may pick up.



When **JobKeeper** was first due to expire at the end of September 2020, the fears were of an impending financial cliff. We published a note last week focussing on the ending of JobKeeper and what it would mean for the outlook for jobs and growth. We forecast that it would cause some disruption to jobs after it expired, but it would be a financial slope and would not prevent the unemployment rate from ending this year at a lower rate. Today's figures cement our

expectations. These expectations are not to say some businesses and industries will not feel pain from its expiry.

We anticipate the conclusion of the JobKeeper program could result in the loss of around 60k-140k jobs. Some workers on JobKeeper will not be stood down and some will choose to drop out of the labour force for a time. Those workers working zero hours will be most impacted. In February, the **number of people working zero hours** for economic reasons rose to 106.7k in February, from 82.1k in January.

The increase in the number of people working zero hours took some shine of today's batch of data, as did the lift in the **underemployment rate** from 8.2% in January to 8.5% in February.

### **States and territories**

Every state and territory added jobs in February. New South Wales and the eastern seaboard states led the gains. New South Wales added 42.0k jobs in February, the best gain in six months, as the state recovered from a partial lockdown in January. Victoria added 26.6k jobs and Queensland had a net gain of 23.9k in the month.

The sunshine state is a stand-out, shining example for the jobs market. From and including February 2020, Queensland has recorded net job gains of 50.4k, far stronger than any other state. Tasmania and the Australian Capital Territory have also reported positive net changes of 3.7k and 3.9k.

The other states and the Northern Territory have recorded strong improvements in their job markets, but they have not fully recovered, although they are close to a complete recovery.

In terms of the unemployment rate, a couple of points are worth noting.

First, every state and territory recorded a decline in their unemployment rate in February. The biggest decline occurred in Queensland where the unemployment rate dropped from 7.0% in January to an 11-month low of 6.1%.

The lowest unemployment rates across the states are in New South Wales and Victoria at 5.6%, which is an 11-month low for each state.

The Australian Capital Territory has the lowest jobless rate across the country at 4.1%, followed by the Northern Territory at 4.9%, which is a five-month low.

In the rest of the country, South Australia's unemployment rate fell to 6.8%, Western Australia's to 6.0% and Tasmania's to 5.7%.

### **Outlook**

The outlook for the jobs market is favourable but we are heading into a disruptive period with the ending of JobKeeper. We think the ending of JobKeeper will be akin to a financial slope and not a financial cliff. There is momentum in the jobs market, as highlighted by today's jobs data and the encouraging forward-looking indicators of employment. It reflects the broader momentum in the economy, helped by solid consumer spending, an upturn in the housing market and a strong pipeline of infrastructure spending. This momentum in the jobs market and economy will help absorb some of the job losses that will arise from the end of JobKeeper.

By the end of this year, the unemployment rate should be lower and there is a good chance the strength of the labour market surprises policymakers again.

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