Research report 2/2021

Labour market transitions of workers during COVID-19

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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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- Australian Chamber of Commerce and Industry (ACCI);
- Australian Industry Group (Ai Group);
- Australian Council of Social Service (ACOSS);
- Australian Council of Trade Unions (ACTU);
- Australian Government; and
- State and territory governments.

An appropriate reference for this report is:

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The contents of this report, however, remain the responsibility of the authors and the research has been conducted without the involvement of members of the Fair Work Commission.

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1 Introduction

This research provides insight into how workers moved between labour market states during the period of the COVID-19 pandemic in 2020. It analyses individual-level data to identify those who left work following the initial measures imposed by governments to restrict movement at the onset of the pandemic, and assesses the proportion that returned to work following the easing of restrictions as the number of cases declined. The research is conducted differently to analysis of changes in total employment by focusing on, and tracking, individuals.

The research makes use of microdata from the monthly longitudinal Labour Force Survey to address the following questions:

- What type of labour market transitions for workers featured during the onset of the COVID-19 pandemic, both in aggregate and for specific groups?
- Following the easing of restrictions, what proportion of workers that lost their jobs managed to return to work? How has this recovery varied by different groups?

The analysis is conducted in 2 stages. Stage 1 focuses on the period between March and May, when employment reached its lowest level[1] (according to the Labour Force Survey). The purpose of this stage is to identify, in particular, who left work during this period. Stage 2 follows those individuals identified in Stage 1 as not being employed in May and calculates how many returned to work later in the year.[2]

The analysis in Stage 1 finds that around 12 per cent of those employed in March left work by May, with most leaving the labour force. The proportion that left work was more than three times higher than over the same period in 2017–2019. Workers in Arts and recreation services and Accommodation and food services were more likely to have left work by May, as were females, casual employees, part-time workers, young workers, Community and personal service workers, and those with lower skill levels and educational attainment.

For those who had left work by May, almost two-thirds returned to work by October (excluding Victoria). This is lower than for total employment (around three-quarters) over the same period, with one reason for the difference being new entrants into the labour market finding employment.[3] Older workers and those previously working in Construction; Transport, postal and warehousing; and Retail trade, as well as Machinery operators and drivers and Sales workers, were less likely to return to work. In contrast, workers previously employed in Other services; Education and training; Arts and recreation services; and Accommodation and food services, as well as Managers and Community and personal service workers, were more likely to return to work.

More than half of those that returned to work had changed industries or occupations, however, this proportion is lower than previous years. Returning workers were less likely to find employment in

[1] Although the total number of hours worked also declined significantly between March and May, the main focus of this analysis is on individuals and not hours worked (except in terms of full-time/part-time employment).

[2] Because of the second wave of COVID-19 cases in Victoria, analysis in this stage is only undertaken for the rest of Australia.

[3] The differences are also due to the exclusion of Victoria in the transitions analysis, which experienced a second wave of COVID-19 cases and had a lower proportion returning to work by October compared with the rest of Australia.

Retail trade and Transport, postal and warehousing, or as Sales workers and Machinery operators and drivers and instead were more likely to find employment in Education and training.

It is also important to consider new entrants and those not employed in March to assess their chances of obtaining work. However, most individuals not employed in March were not in the labour force and therefore not looking for work.[4] Addressing the supply side issue would require a deeper consideration of many factors, including the effects of government assistance such as JobSeeker, which is not within the scope of this paper.

The effects of the COVID-19 pandemic and the government restrictions that shutdown or reduced economic and social activity had a large and immediate impact on employment compared with previous economic downturns. The gradual easing of restrictions have so far led to a faster recovery. While government support is being wound back, and there are risks of further outbreaks,[5] Governor of the Reserve Bank of Australia, Philip Lowe, noted that the rollout of COVID-19 vaccines in Australia beginning in February 2021 provides the prospect of activities returning close to their pre-pandemic normal and that the outlook has improved.[6]

The report is structured as follows. Chapter 2 compares trends in employment during the current downturn with previous downturns. Chapter 3 provides a brief overview of the Longitudinal Labour Force dataset and the definitions of the key labour market states. Chapter 4 analyses the transitions of workers during the COVID-19 pandemic and Chapter 5 provides concluding remarks.

2 Comparison of employment trends with previous downturns

The downturn experienced from early 2020 has been unique in that it has stemmed from a pandemic. The sharp dislocation of labour as a consequence of the measures introduced by governments to slow the spread of the virus saw an unprecedented decline in employment levels relative to previous downturns.

Upon the onset of the pandemic in March,[7] aggregate employment fell by 6.7 per cent in just 2 months.[8] This decline was significantly larger and more immediate than in previous downturns (Chart 1). From peak to trough, the fall in employment in the current downturn was almost two times larger than the 1980s downturn, and over one and a half times larger than the 1990s downturn. However, these lows were reached 19 months (1980s) and 29 months (1990s) after their peaks.

Around three-quarters of the decline in aggregate employment between March and May was recovered by October, bringing the level to just 1.8 per cent lower than in March. In comparison, it

[4] ABS, *Labour Force, Australia, Detailed*, December 2020.

[5] Reserve Bank of Australia (2021), *Statement on Monetary Policy*, February, pp. 62; 64.

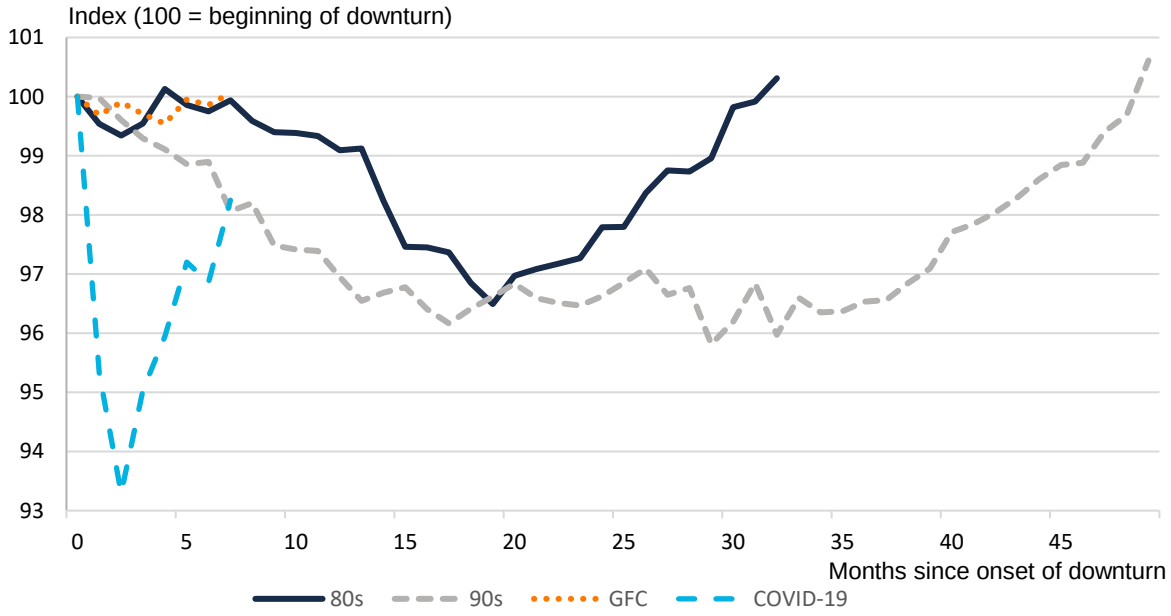
[6] Lowe P (2021), *Opening statement to the House of Representatives Standing Committee on Economics*, 5 February.

[7] The measured peak in employment levels according to the Labour Force Survey is February 2020. However, March is typically used to represent the onset of the pandemic as it is when restrictions were first imposed. The week ending 14 March 2020 is used as the base period for constructing indexes in the ABS *Weekly Payroll Jobs and Wages in Australia*, as this is when Australia recorded its 100th confirmed case of COVID-19.

[8] Another approach is to analyse changes in employment to population ratios as it controls for population growth. However, these can produce misleading results. For example, the employment to population ratio has yet to return to its level prior to the global financial crisis, suggesting a full recovery in employment has yet to be observed. In addition, employment to population ratios are not available for groups such as full-time/part-time workers, industry and occupation.

took around 4 years for aggregate employment to return to the same level following the 1990s recession.

Chart 1: Changes in aggregate employment during downturns



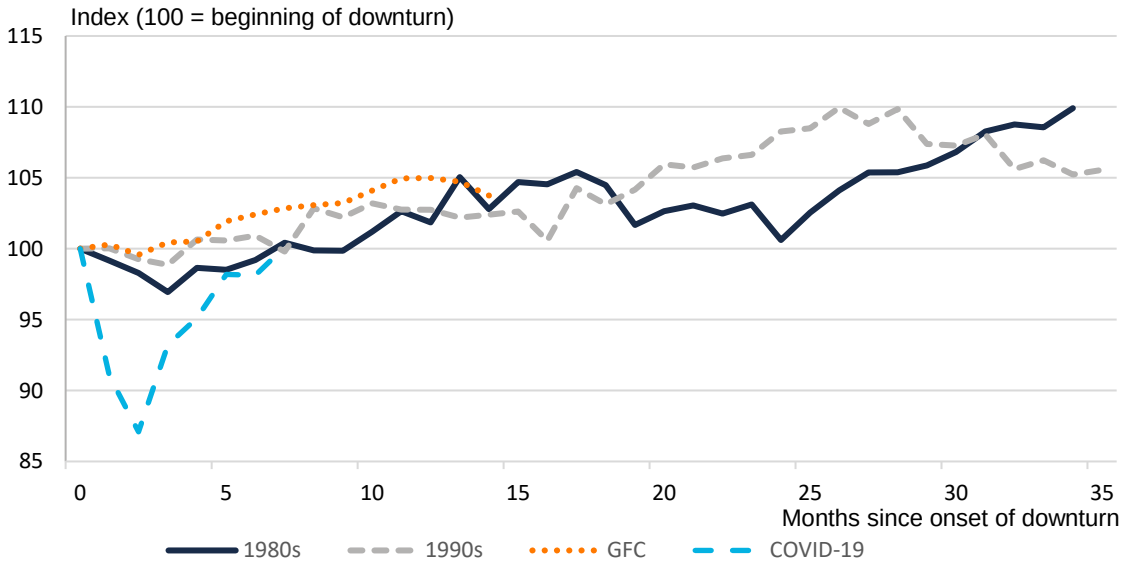
Note: Data are seasonally adjusted. Peak in monthly employment is defined as follows: 1980s – September 1981; 1990s – June 1990; GFC – February 2009; and COVID-19 – March 2020.

Source: ABS, *Labour Force, Australia,* January 2021.

2.1 Full-time and part-time employment

The current downturn can also be differentiated from previous downturns in that it has impacted part-time employment more than full-time employment. The decline in part-time employment during the COVID-19 pandemic (12.9 per cent) was over three times larger than full-time employment (4.1 per cent). In contrast, part-time employment actually increased during each of the previous three downturns. However, since plummeting to its lowest level in May, part-time employment has recovered and, by October, the level was around the same as in March (Chart 2).

Chart 2: Part-time employment during downturns

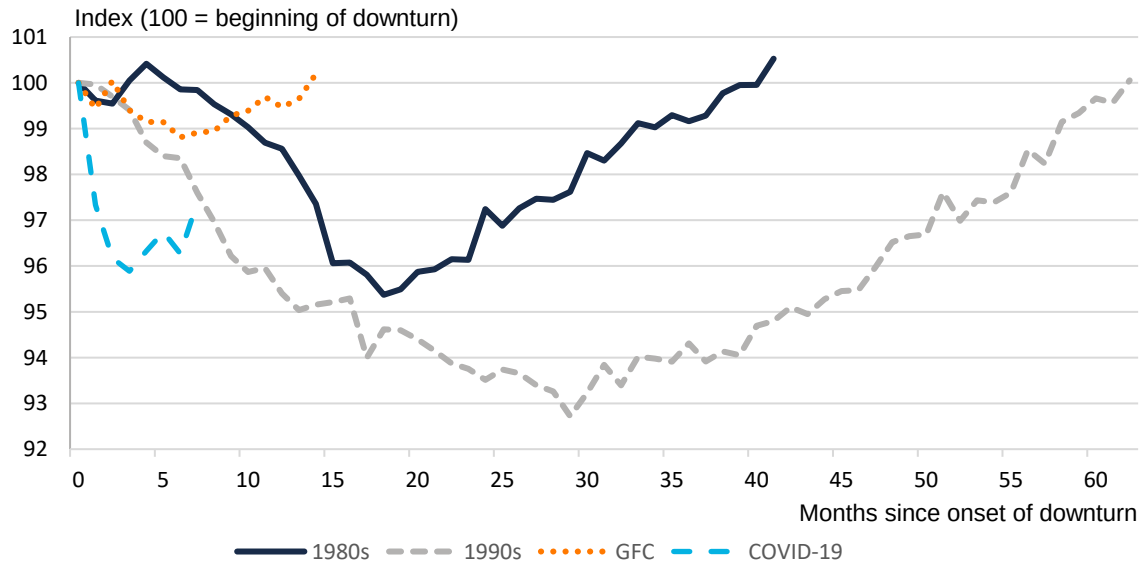


Note: The beginning of each downturn is defined as follows: 1980s – September 1981; 1990s – June 1990; GFC – February 2009; and COVID-19 – March 2020.

Source: ABS, *Labour Force, Australia,* January 2021.

Full-time employment fell by 4.1 per cent between March and June before starting to recover. However, this decline is smaller than in previous downturns (Chart 3). During the recessions of the early 1980s and 1990s, full-time employment fell by 4.6 per cent and 7.3 per cent, respectively, and over a longer period. Between June and October, full-time employment recovered over one-third of its losses since the onset of the pandemic.

Chart 3: Full-time employment during downturns



Note: The beginning of each downturn is defined as follows: 1980s – September 1981; 1990s – June 1990; GFC – February 2009; and COVID-19 – March 2020.

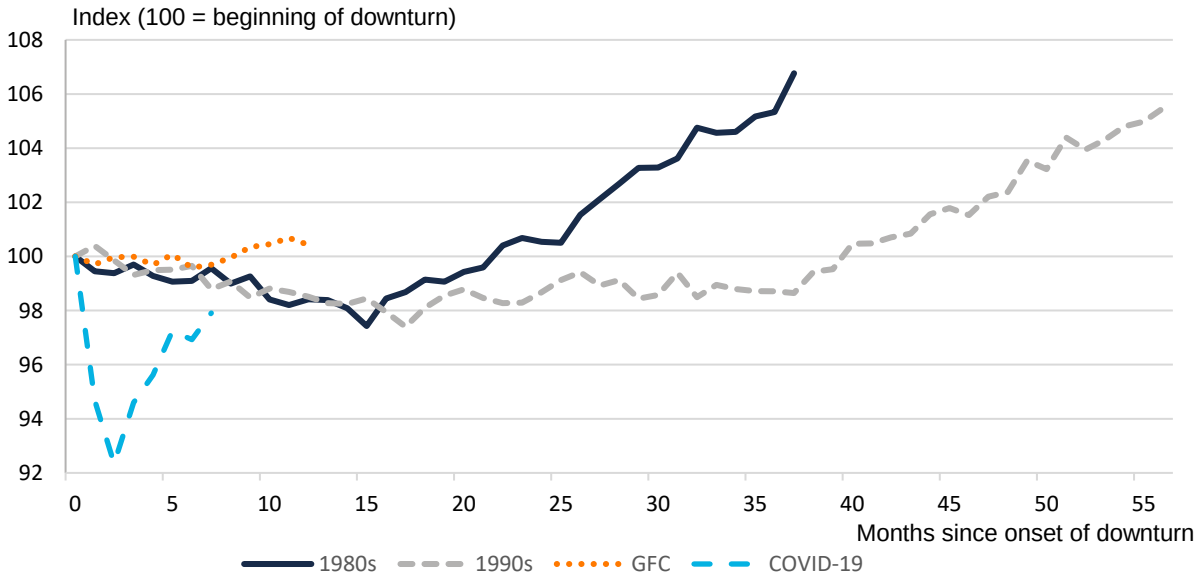
Source: ABS, *Labour Force, Australia,* January 2021.

2.2 Sex

In comparison to previous recessions, the current downturn has disproportionately affected female employment as restrictions on work were largely imposed in industries with high female employment shares.[9] Female employment declined by 7.7 per cent between March and May, which greatly exceeds the decline in previous downturns. By October, almost three-quarters of the decline in female employment had been recovered, around the same proportion as males. Female employment was still 2.1 per cent below its level in March (Chart 4).

While a decline in male employment has been of a similar magnitude to the early 1990s recession, it occurred in only 2 months rather than 29 months. By October, male employment was still 1.4 per cent below its level in March (Chart 5).

Chart 4: Female employment during downturns

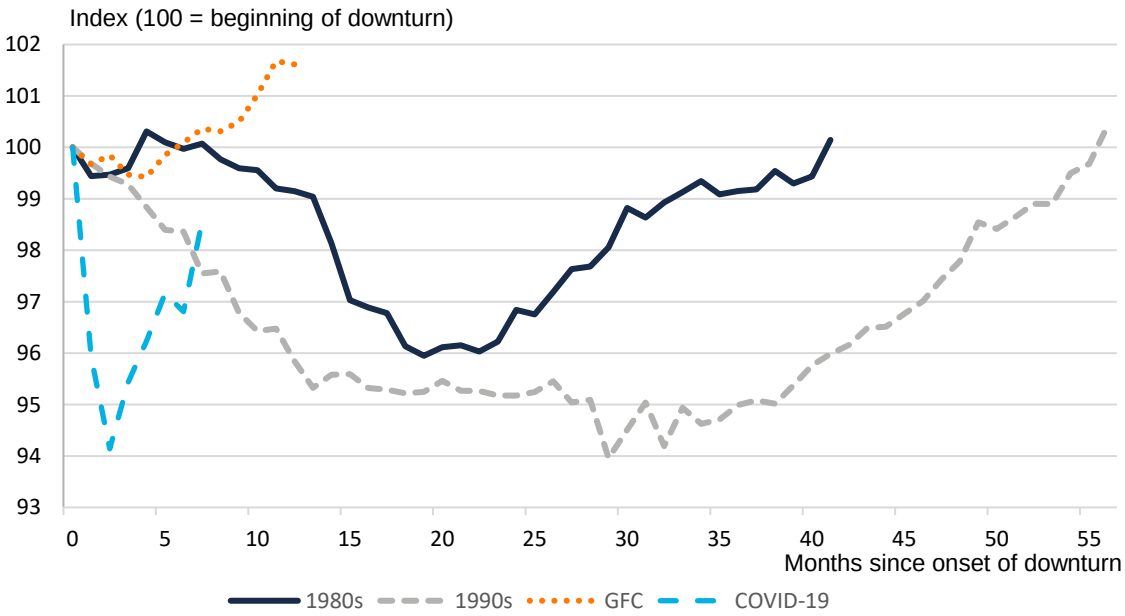


Note: The beginning of each downturn is defined as follows: 1980s – September 1981; 1990s – June 1990; GFC – February 2009; and COVID-19 – March 2020.

Source: ABS, *Labour Force, Australia,* January 2021.

[9] ABS, *Labour Force, Australia, Detailed*, January 2021.

Chart 5: Male employment during downturns



Note: The beginning of each downturn is defined as follows: 1980s – September 1981; 1990s – June 1990; GFC – February 2009; and COVID-19 – March 2020.

Source: ABS, *Labour Force, Australia,* January 2021.

2.3 Industry

The declines in employment during previous downturns were not uniform across industries. Table 1 highlights the peak to trough declines in employment across industries most affected by each downturn.

Employment losses during the COVID-19 pandemic have been largest in Accommodation and food services and Arts and recreation services, comprising almost half of the total decline in employment between February and May.[10]

Relatively large declines in Arts and recreation services have typically occurred during previous downturns, albeit to a lesser extent than during the current downturn. On the other hand, Accommodation and food services did not see large employment declines during previous downturns, with employment *increasing* during both the global financial crisis (GFC) and 1990s recession.

In contrast, more than three-quarters of employment losses during the recession of the early 1990s was concentrated in just three industries: Manufacturing, Construction, and Agriculture, forestry and fishing. During the GFC, the largest employment loss came from Electricity, gas, water and waste services.

[10] As industry data are only available quarterly, the beginning of the COVID-19 pandemic is February (instead of March).

Table 1: Changes in employment by industry during downturns

	1990s		GFC		COVID-19	
	Level	**Per cent**	**Level**	**Per cent**	**Level**	**Per cent**
Agriculture, forestry and fishing	–26 000	–6.2	–8300	–2.3	27 400	8.4
Electricity, gas, water and waste services	–10 600	–8.4	–23 100	–15.3	32 400	24.4
Manufacturing	–122 200	–10.6	6100	0.6	–70 800	–7.7
Construction	–76 700	–12.6	–700	–0.1	–11 500	–1.0
Accommodation and food services	30 200	6.9	29 400	4.1	–293 900	–31.4
Arts and recreation services	–11 400	–10.9	–21 300	–9.8	–89 200	–36.0
All other industries	–59 700	–1.2	–8 100	–0.1	–445 200	–4.8
Total	**–286 000**	**–3.6**	**–8400**	**–0.1**	**–850 700**	**–6.5**

Note: Data are seasonally adjusted, and therefore the sum of the changes by industry may not equal to the total change. The beginning of each downturn period is slightly different by industry as these data are quarterly. The periods analysed represent the peak to trough in aggregate employment and are defined as follows: 1990s downturn – November 1989 to February 1993; GFC – February 2009 to August 2009; and COVID-19 – February 2020 to May 2020. Data by industry are not available for the 1980s.

Source: ABS, *Labour Force, Australia, Detailed*, January 2021.

2.4 Occupation

Unlike previous downturns, the impact of the COVID-19 pandemic resulted in employment declining in all occupations between February and May (Table 2).

During the 1990s recession and the GFC, the largest percentage declines were among Technicians and trades workers; Machinery operators and drivers; and Clerical and administrative workers. In contrast, the COVID-19 pandemic has resulted in Community and personal service workers, Labourers and Sales workers accounting for the largest declines in employment. The closure of cafes and restaurants would have significantly affected Hospitality workers and Food preparation assistants, which are sub-major groups within Community and personal service workers and Labourers, respectively. The closure of retail stores would have also affected Sales assistants and salespersons, which are part of Sales workers.

Employment in some occupations such as Clerical and administrative workers, Professionals and Managers were less impacted during the current downturn as they had the highest potential capacity to work from home.[11]

[11] Baird M & Dinale D (2020), *Preferences for flexible working arrangements: before, during and after COVID*-19, Fair Work Commission Research Report, November, pp. 22–23.

Table 2: Changes in employment by occupation during downturns

	1990s		GFC		COVID-19	
	Level	Per cent	Level	Per cent	Level	Per cent
Managers	–4700	–0.5	27 100	2.0	–34 100	–2.1
Professionals	41 600	3.4	57 200	2.6	–54 300	–1.7
Technicians and trades workers	–132 000	–9.6	–119 400	–7.2	–108 900	–6.0
Community and personal service workers	27 500	6.0	30 600	3.2	–313 500	–21.9
Clerical and administrative workers	–73 100	–5.3	–41 100	–2.5	–16 900	–1.0
Sales workers	–2700	–0.4	2700	0.3	–146 600	–13.0
Machinery operators and drivers	–69 900	–11.2	–20 900	–2.9	–21 700	–2.6
Labourers	–118 100	–10.8	–5700	–0.5	–165 600	–13.0
Total	**–331 400**	**–4.2**	**–69 500**	**–0.6**	**–861 600**	**–6.6**

Note: Data are in original terms and not available seasonally adjusted. The beginning of each downturn period is slightly different by occupation as these data are quarterly. The periods analysed represent the peak to trough in aggregate employment and are defined as follows: 1990s downturn – November 1989 to February 1993; GFC – February 2009 to August 2009; and COVID-19 – February 2020 to May 2020. Data are in original terms. Data by occupation are not available for the 1980s.

Source: ABS, *Labour Force, Australia, Detailed*, January 2021.

2.5 Age

In previous downturns, employment increased in some age groups. However, employment declined across each age group in 2020. As with the preceding downturns, those aged between 15 and 24 years were the most impacted during the COVID-19 pandemic. Persons aged 25 to 34 years saw the second largest decline in employment during COVID-19 (Table 3).

Table 3: Changes in employment by age cohort during downturn periods

	1980s		1990s		GFC		COVID-19	
	Level	Per cent	Level	Per cent	Level	Per cent	Level	Per cent
15–24 years	–151 600	–9.2	–209 400	–12.1	–36 800	–2.0	–332 400	–17.1
25–34 years	–36 100	–2.1	–110 300	–5.2	3500	–0.1	–211 700	–6.8
35–54 years	2100	0.1	56 400	1.7	–27 900	–0.6	–207 100	–3.8
55 years and above	–37 700	–5.7	–65 000	–9.2	20 700	1.2	–114 900	–4.6
Total	**–226 600**	**–3.5**	**–318 100**	**–4.0**	**–49 500**	**–0.5**	**–872 100**	**–6.7**

Note: Data are seasonally adjusted, and therefore the sum of the changes by age group may not equal to the total change. The periods analysed represent the peak to trough in aggregate employment and are defined as follows: 1980s downturn – September 1981 to April 1983; 1990s downturn – June 1990 to February 1993; GFC – February 2009 to June 2009; and COVID-19 – March 2020 to May 2020.

Source: ABS, *Labour Force, Australia,* January 2021.

3 The Longitudinal Labour Force

The labour market transitions of individuals are analysed using the Australian Bureau of Statistics' (ABS) Labour Force Survey (LFS)—a monthly household survey that provides data on labour market activity for those aged 15 years and over. It has a sample size of around 50 000 people and covers approximately 0.32 per cent of the population aged 15 years and over. The survey is generally undertaken during the first two weeks of each month.[12]

It provides data on various labour market indicators, such as employment, hours worked, unemployment and workforce participation. These data can be analysed for a range of characteristics such as sex, employment type, full-time/part-time status, industry, occupation, skill level and highest level of education achieved. Information on workers' industry, occupation and skill level are only captured quarterly.

Households selected for the LFS are interviewed for eight consecutive months. A new rotation group is introduced to replace an outgoing rotation group each month.[13]

Labour market transitions at the individual level cannot be examined using the general release of the LFS. These are only available through access to the Longitudinal Labour Force microdata, which allows for a more detailed analysis of the the labour market outcomes of each respondent over the eight months that they are interviewed for the survey. As respondents are surveyed for only a limited time, the sample size available for analysis declines over time. The implications of this particularly affect the Stage 2 analysis and this is discussed further in Section 4.2.1.

Finally, the report covers an eight-month period. Stage 1 covers the period between March and May and Stage 2 covers the period between June and October.

3.1 Definitions

This research focuses on transitions between the following labour market states: employed, unemployed, and not in the labour force.[14] The ABS definitions for each of these are outlined below:

- Employed—those who worked one hour or more, or employees that had a job but were not at work and were:
  - away from work for less than four weeks up to the end of the reference week; or
  - away from work for more than four weeks up to the end of the reference week and received pay for some or all of the four-week period to the end of the reference week; or
  - away from work as a standard work or shift arrangement; or
  - on strike or locked out; or
  - on workers' compensation and expected to return to their job.

[12] ABS, *Labour Force, Australia, methodology*, January 2021.

[13] ABS, *Labour Force, Australia, methodology*, January 2021.

[14] Those employed can have multiple jobs, though this only covers around 5 per cent of employed persons. For these people, the analysis would only capture that they left work if they lost employment in all of their jobs.

- Unemployed—those who were not employed during the reference week and had either actively looked for full-time or part-time work at any time in the last four weeks and were available for work in the reference week, or were waiting to start a new job within four weeks and could have started in the reference week if the job had been available then.
- Not in the labour force—those that were not employed or unemployed.[15]

3.2 Impacts of income support measures on measurement of labour force status

The Coronavirus supplement and eligibility for those receiving the JobSeeker Payment, as well as the introduction of the JobKeeper Payment, had affected the measurement of the number of individuals in each of these labour market states.

The Coronavirus supplement of $550 per fortnight was paid to those receiving the Jobseeker Payment, Youth Allowance for jobseekers, Parenting Payment, Farm Household Allowance and Special Benefit from 27 April 2020. There were also one-off payments of $750 made from 31 March 2020 and from 13 July 2020 to eligible recipients. From 25 September 2020 until 31 December 2020, the Coronavirus supplement was reduced to $250 per fortnight.[16]

The ABS explains that people who receive the JobSeeker Payment are not automatically classified as unemployed as it depends on their labour market activity. The suspension of mutual obligations for those receiving the JobSeeker Payment related to COVID-19 meant that recipients did not need to actively look for work to receive the payment.[17] As a result, there may be some employed people who transitioned out of the labour force rather than to unemployment, had they been required to search for work in order to receive the payment.

The JobKeeper Payment was designed to maintain employer-employee relationships among businesses that suffered a significant decline in turnover. The initial payment of $1500 per fortnight (before tax) applied from 30 March 2020 for each eligible employee, paid directly to businesses who then used it to subsidise the payment of their eligible employees' wages.[18] Eligibility was dependent on employers having suffered a substantial decline in projected GST turnover compared to the same period in 2019.[19] Eligible employees were full-time workers; part-time workers, sole traders, and long-term casual employees (casuals who have been with their employer for 12 months or more and were employees of the business as of 1 March 2020). They were also required to be either Australian residents, New Zealanders on 444 visas or those who are eligible for JobSeeker Payment or Youth Allowance (Other). It did not cover casual employees that had worked for less than 12 months with their employer, or workers on temporary visas.[20]

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[15] ABS, *Labour Force, Australia, methodology*, October 2020.

[16] Department of Social Services (2020), *Coronavirus (COVID-19) information and support*, 22 December.

[17] ABS, *Labour Force, Australia*, October 2020.

[18] Fair Work Commission (2021), *Information note – Government responses to COVID-19 pandemic*, 19 February.

[19] In some instances, a comparison with 2019 may not be possible. In these cases, the comparison period may be based on the average monthly GST turnover in February 2020, or the three months' current GST turnover. See Alternative test for more information.

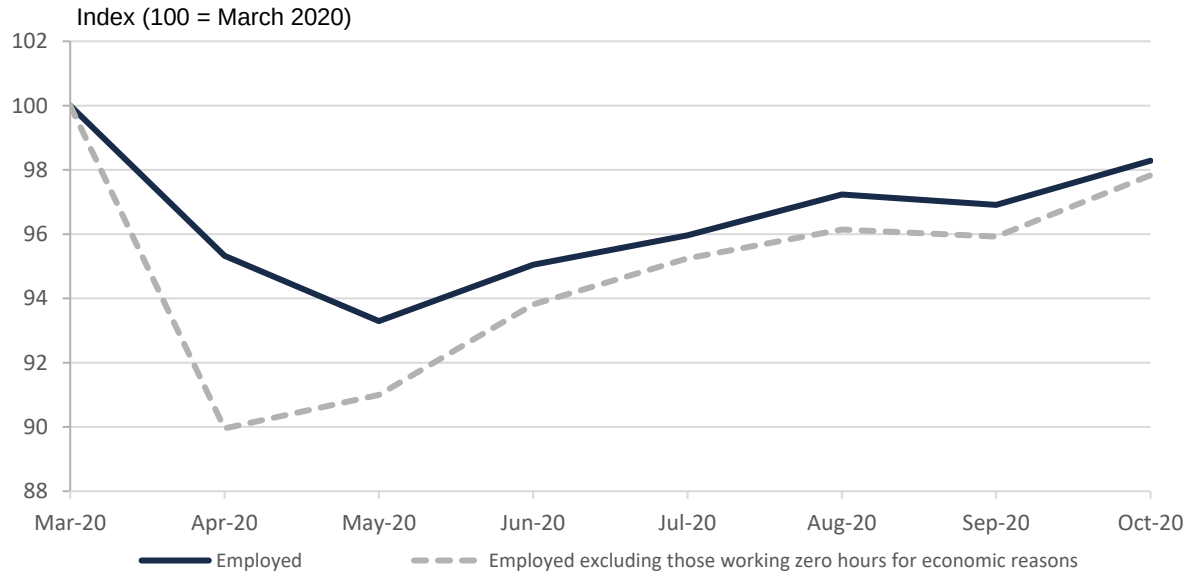
[20] Australian Taxation Office (2020), *Employee test requirements*, 26 October.

From 28 September 2020, the payment decreased to $1200 per fortnight for employees who were averaging at least 20 hours per week (in the four weeks prior to 1 March 2020 or the four weeks prior to 1 July 2020) and $750 for other employees. It again reduced on 4 January 2021 to $1000 and $650 per fortnight, respectively, for these groups of employees.[21] The JobKeeper Payment is set to cease on 28 March 2021.

The magnitude of the decline in employment throughout the pandemic has been impacted by the introduction of the JobKeeper Payment. Individuals receiving this payment are considered as employed in the LFS even if they are not working any hours.[22] The LFS can identify employed persons who worked zero hours in the reference week due to economic reasons. Employed persons not able to work who were receiving the JobKeeper Payment would likely fall in this category. If this group is reclassified as not employed, the decline in aggregate employment is significantly larger. In seasonally adjusted terms, the peak-to-trough fall increases to 10 per cent between March and April (rather than May), one and a half times the fall in reported employment (6.7 per cent) (Chart 6). This is because those employed but working zero hours due to economic reasons peaked in April.

Following the Australian Government's 3-step plan to a COVIDSafe Australia announced on 8 May 2020,[23] restrictions gradually eased in much of the country. This resulted in the number of persons working zero hours for economic reasons falling significantly, and these two measures began to converge.

Chart 6: Changes in employment, March 2020 to October 2020



Note: Data are seasonally adjusted.

Source: ABS, *Labour Force, Australia, October 2020.*

[21] Fair Work Commission (2021), *Information note – Government responses to COVID-19 pandemic*, 19 February.

[22] The ABS expects that people who are paid through the JobKeeper scheme will answer the questions in a way that results in them being classified as employed, regardless of the hours they work (e.g. even if they are stood down). ABS, *Labour Force, Australia*, April 2020.

[23] Fair Work Commission (2021), *Information note – Government responses to COVID-19 pandemic*, 19 February.

To distinguish individuals employed but working zero hours from other employed persons, employed persons in this report are separated into two categories:

- Employed but working zero hours due to economic reasons—people employed but working zero hours as they had no work, not enough work available or were stood down.
- Employed but not working zero hours due to economic reasons—this group captures the remainder of those employed (including those that work zero hours due to non-economic reasons).[24]

Workers that were employed but working zero hours due to economic reasons are treated in this report as having left work.[25] These individuals, together with those that became unemployed or left the labour force, represent the group that left work by May, and is the main group of interest for Stage 2 in Chapter 4.

For consistency, those who were employed but worked zero hours for economic reasons in March are also not considered to be employed and do not form part of this analysis. However, this group is small and only accounted for 0.6 per cent of total employment in March.

This approach more accurately reflects labour demand during this period, and is similar to alternative measures of the unemployment rate identified by the ABS that is used to compare estimates of unemployment with the United States and Canada.[26]

4 Labour market transitions for those employed in March

Analysis of labour market transitions at the individual level for those employed in March allows for a more detailed understanding of the labour market status of those that have left work than observing changes in aggregate employment levels. The analysis in this section is undertaken in two stages.

In Stage 1, the labour market outcomes of individuals employed in March[27] are identified in May, when aggregate employment was at its lowest.[28]

Those who had left work in May are analysed in Stage 2. The labour market outcomes of this group are tracked over the following months to determine how many returned to work as restrictions eased. Analysis of the characteristics of this group is drawn from a much smaller sample than that obtained from the full monthly LFS sample and limitations of this are discussed below.

Due to the introduction of Stage 3 and 4 restrictions in Victoria from July, the analysis of Stage 2 is undertaken excluding Victoria.

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[24] People can be employed but working zero hours due to non-economic reasons, such as those on leave; illness or injury; standard work arrangements or shift work; bad weather or plant breakdown; began, left or lost a job during the week, or other reasons.

[25] This group likely captures workers receiving JobKeeper while not working any hours.

[26] ABS (2020), *Employment and unemployment: an international perspective*, 17 September.

[27] As discussed earlier, while employment peaked in February 2020, March is used to represent the onset of the pandemic as it is when restrictions were first imposed. Employment in March 2020 was only slightly lower than in February 2020. An advantage of this approach is that it allows for the transitions analysis to observe outcomes to October 2020 rather than to September 2020.

[28] Both in seasonally adjusted and original terms.

4.1 Stage 1: transitions between March and May

The key population of interest in Stage 1 are those employed (and not working zero hours) in March, with the analysis tracking them through to May. Those that left work by May are the sum of those that transitioned to employed but working zero hours due to economic reasons (including some receiving the JobKeeper Payment), unemployed, and not in the labour force. By treating this group as having left work, it more accurately reflects labour demand during this period.

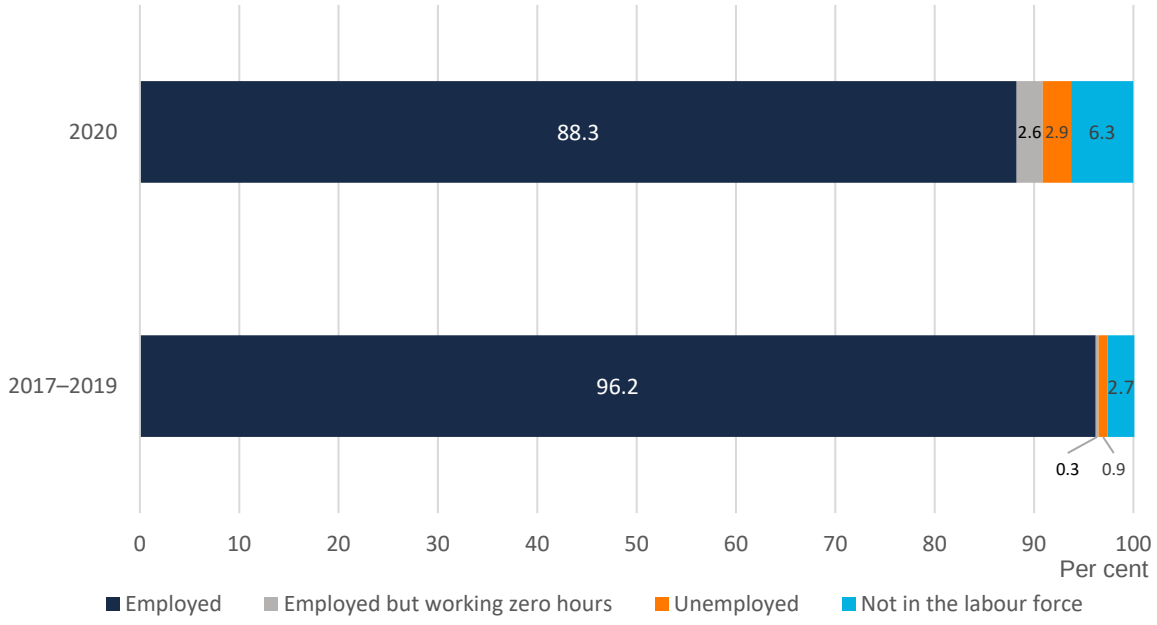
The analysis finds that while the majority of workers stayed in employment, around 12 per cent of those employed in March left work by May. More than half of these people (6.3 per cent) left the labour force, and around one quarter moved to unemployment (2.9 per cent) or became employed but working zero hours due to economic reasons (2.6 per cent) (Chart 7). The removal of mutual obligation requirements for those receiving the JobSeeker Payment would have partly driven the increase in the proportion of workers that left the labour force (as opposed to becoming unemployed), as people could receive the payment without having to actively search for work.

To provide a comparison with 'typical' years, the transitions in 2020 are compared with the previous three years (averaged) over the same months. The proportion that left work in 2020 was more than three times higher than the average for the corresponding months in the previous three years (2017 to 2019), where almost 4 per cent of those employed in March left work by May.

Of those that left work, a smaller proportion left the labour force in 2020 (53.4 per cent) compared with the previous three years (69.2 per cent). This partly reflects that many people left work involuntarily in 2020 as businesses were forced to close or alter their operations, becoming unemployed or receiving JobKeeper or leaving the labour force altogether.

In comparison, there were almost no workers that transitioned to employed but working zero hours due to economic reasons by May in the previous three years. This highlights the impact of the JobKeeper Payment, with individuals still tied to their employer despite not working any hours.

Chart 7: Labour market status in May for those employed in March, 2020 and 2017–2019



Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

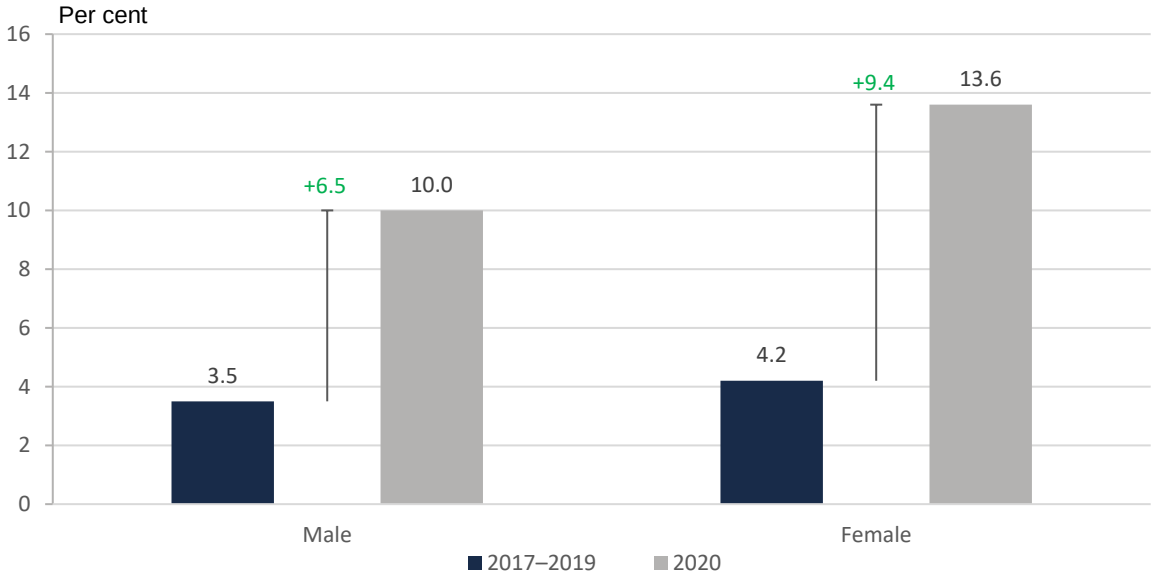
The following sections present this analysis for different groups of workers. Appendix A contains additional charts discussed in these sections.

4.1.1 Sex

Following the onset of the pandemic, females employed in March were more likely to have left work by May than males, with almost 1 in 7 females leaving work compared with 1 in 10 males (Chart 8). This would have been influenced by the higher prevalence of females in industries that were significantly affected by government restrictions, such as Accommodation and food services. The majority of females that left work in May also left the labour force (Chart A1).

While females were also more likely to have left work by May than males in the previous three years, this difference was larger in 2020. The proportion of females that left work in 2020 was over three times larger than in the previous three years, while for males the magnitude was less than three times (Chart 8).

Chart 8: Proportion that left work by May for those employed in March by sex, 2017–2019 and 2020



Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

Females were more likely during the pandemic to spend time caring for children, with homeschooling an additional task that was more likely to be undertaken by females.[29] It is possible that a higher proportion of females had left work by May to assume a carers' role. To assess this, analysis of those with young children is performed.

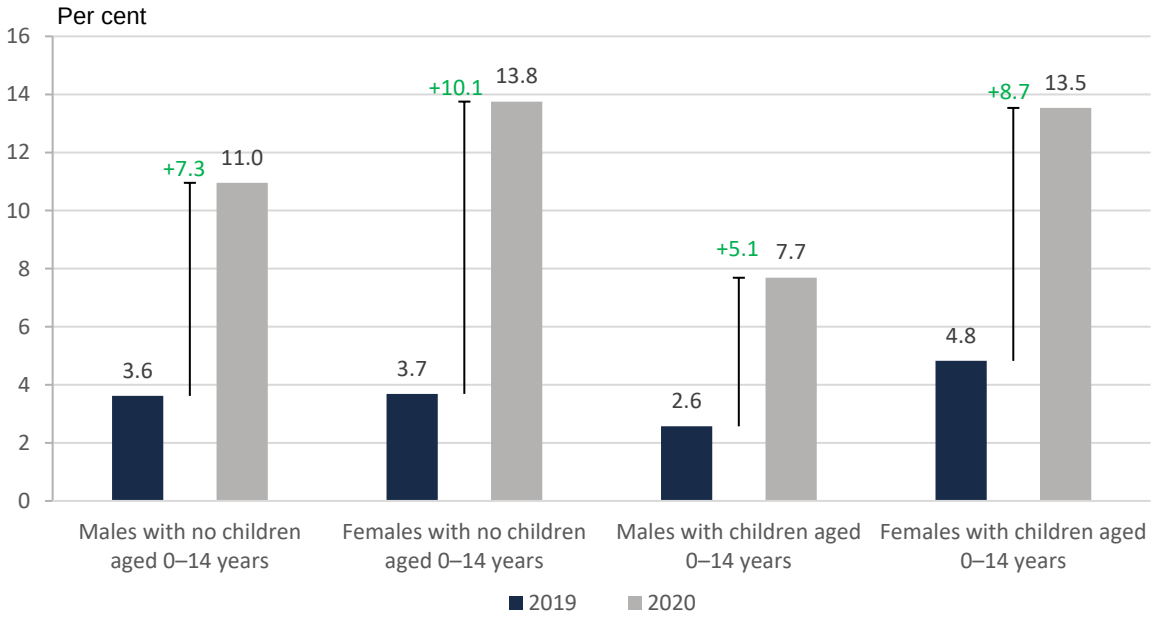
Chart 9 shows that females employed in March either with or without children aged 0 to 14 years were more likely than males to have left work by May and, of this group, were more likely to have left the labour force (Chart A2).

[29] See: Hopkins J and Bardoel A (2020): *Key working from home trends emerging from COVID-19*, report to the Fair Work Commission, November, pp. 11–14.

Males with children aged 0 to 14 years were the least likely to leave work, with only around 1 in 13 leaving work by May and, among those with children aged 0 to 14 years that had left work, they were least likely to have left the labour force.

In 2019, females with children aged 0 to 14 years were most likely to have left work over this period. However, in 2020 there was a larger increase among females without children aged 0 to 14 years having left work (more than 3.5 times).[30] Among the other categories, the proportion that had left work by May 2020 was around 3 times larger than in 2019.

Chart 9: Proportion that left work by May for those employed in March by sex and whether they have children aged 0 to 14 years, 2019 and 2020



Note: The chart considers families living in the same household. A family in the Labour Force Survey is defined as two related people who live in the same household. At least one person in the family has to be 15 years or over. These data excludes individuals who are not family members (i.e., individuals in a household that do not live with a related person). Data on the number of children in the family were not available in 2017 and 2018.

Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

4.1.2 Employment type

Casual employees were the most affected group of workers, with almost 3 in 10 casual employees leaving work between March and May 2020, almost five times higher than permanent employees (Chart 10).

This difference is likely affected by the ineligibility of casual workers who had worked for less than 12 months with their employer to receive the JobKeeper Payment.[31] Casual workers were more likely to transition to the not in the labour force category than those employed on a permanent

[30] Data on the number of children in the family were not available in 2017 and 2018.

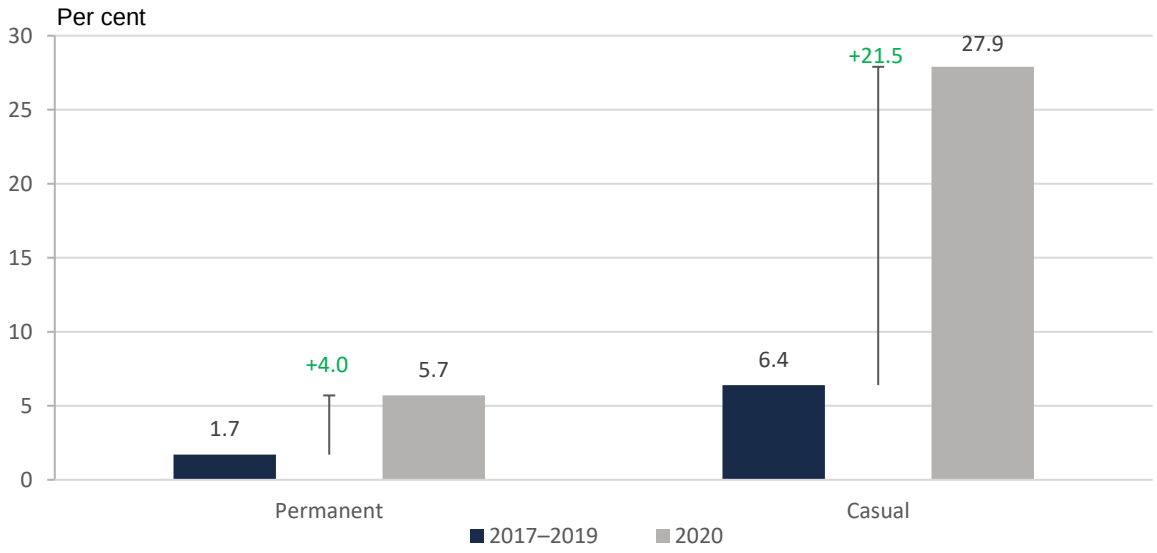
[31] Australian Taxation Office (2020), *Employee test requirements*, 26 October.

basis. Around 6 in 10 casual employees who were no longer working had left the labour force (Chart A3).

The type of jobs that were most adversely affected by the pandemic tended to be among occupations often undertaken by casual workers. These include service-based jobs such as Community and service workers and Sales workers, and those working in Arts and recreation services and Accommodation and food services.[32]

While casual employees were also more likely to have left work by May than permanent employees in the previous three years, the difference was significantly larger in 2020. The proportion of casual employees that left work in 2020 was four times higher than in the previous three years, while for permanent employees it was more than three times higher (Chart 10).

Chart 10: Proportion that left work by May for those employed in March by employment type, 2017–2019 and 2020



Note: While transitions measure those employed in March, data on the worker's employment type were collected in February.

Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

4.1.3 Full-time and part-time

Part-time workers were significantly more likely to have left work than full-time workers between March and May 2020. Almost one-quarter of part-time workers left work, more than three times higher than full-time workers (6.8 per cent) (Chart 11).

The factors that led to casual employees leaving work would also have affected part-time employment, as casual employees are more likely to work part time than full time. Further, many of the industries that were significantly affected by government restrictions, such as those working in Accommodation and food services and Arts and recreation services, have a higher prevalence of

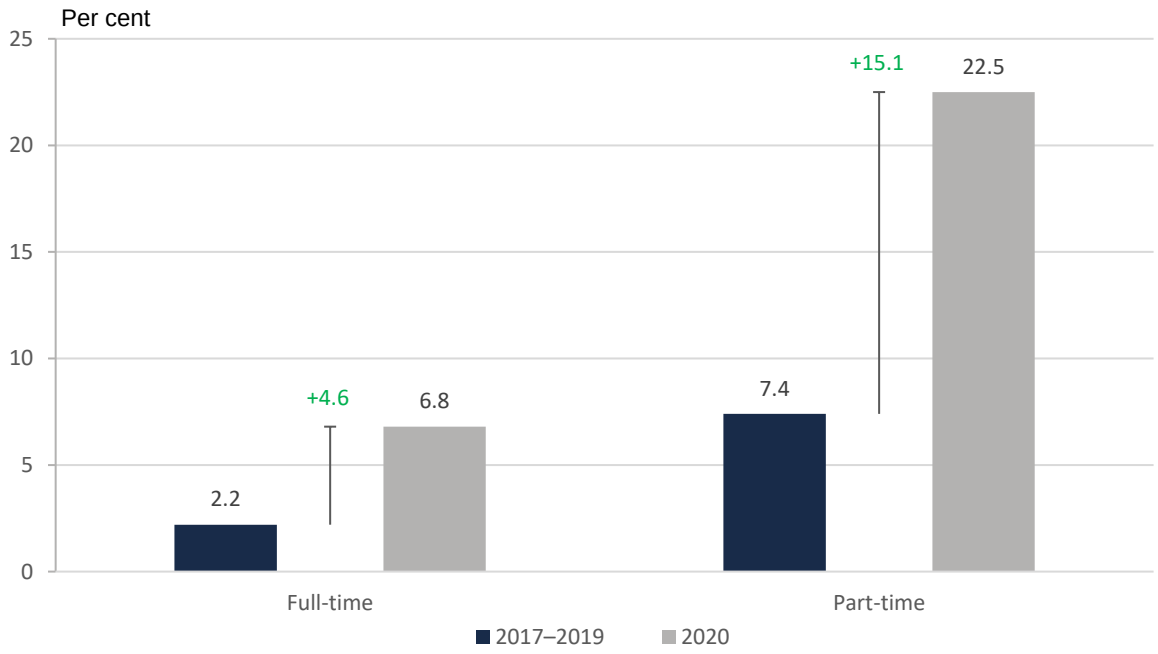
[32] ABS (2020), *Insights into casual employment, occupation and industry*, 23 December.

part-time work.[33] Many businesses within these industries were forced to shut down or modify operations as the pandemic unfolded.

The majority of part-time workers who left work also left the labour force compared with around 4 in 10 full-time workers who left work (Chart A4).

For both part-time and full-time workers, the proportion that left work increased to be over three times higher in 2020.

Chart 11: Proportion that left work by May for those employed in March by full-time/part-time status, 2017–2019 and 2020



Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

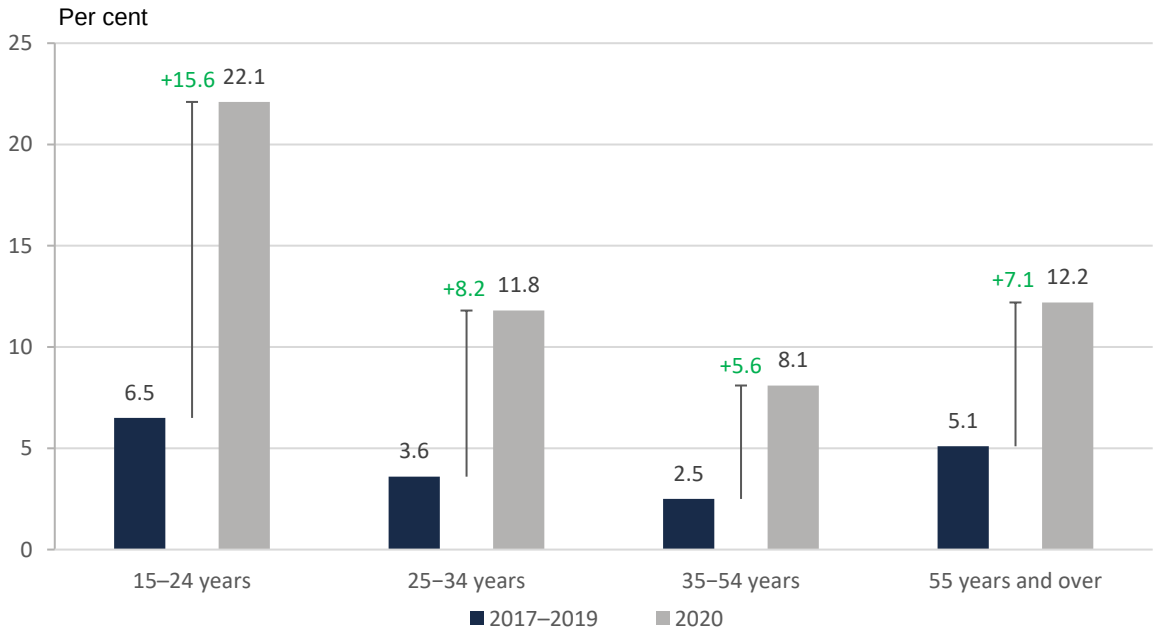
4.1.4 Age

Young people aged 15 to 24 years were significantly more likely to have left work than other age groups, with around one-quarter leaving work between March and May 2020 (Chart 12). While most of these people left the labour force, there was also a relatively high proportion that became unemployed (around one-quarter). Those aged 35 to 54 years were less likely to have left work (Chart A5).

Both young people aged 15 to 24 years and older people aged 55 years and over were more likely to have left work between March and May 2020 in the previous three years. However, while the proportion of workers aged 55 years and over that had left work by May more than doubled in 2020, the magnitudes were greater among other workers. The proportion of workers that had left work by May 2020 increased to be more than three times higher for the remaining age groups, particularly those aged 15 to 24 years (3.4 times) (Chart 12).

[33] ABS, *Labour Force, Australia, Detailed,* August 2020.

Chart 12: Proportion that left work by May for those employed in March by age group, 2017–2019 and 2020



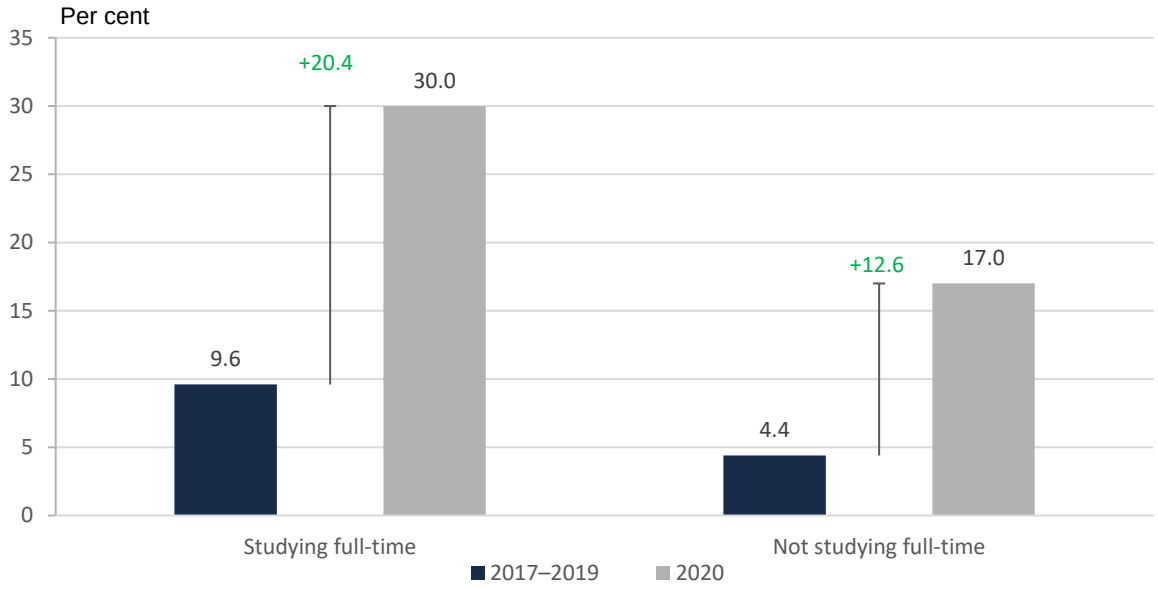
Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

Borland (2020) noted that there was a divergence in employment outcomes among those aged 15 to 24 years in 2020 depending on their study status.[34] This is highlighted in Chart 13 which shows that workers who were studying full time in March 2020 were almost twice as likely to leave work than 15 to 24 year olds not studying full time. Around 3 in 10 workers that were studying full time left work, with around two-thirds leaving the labour force (Chart A6).

However, there was a relatively larger increase in 2020 for those not studying full time than in the previous three years (almost four times) compared with those studying full time (around three times).

[34] Borland J (2020), *Victoria, back in the driver's seat*, Labour market snapshot #72, 4 December.

Chart 13: Proportion of 15–24 year olds that left work by May for those employed in March by study status in March, 2017–2019 and 2020



Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

4.1.5 Industry

As with other labour market data produced by the ABS,[35] between March and May 2020, workers in Accommodation and food services and Arts and recreation services were the most affected by the COVID-19 pandemic, as these industries were significantly impacted by restrictions on business operations. In Arts and recreation services, around 4 in 10 workers left work during this period and over one-third of workers in Accommodation and food services had left work as well. These proportions were more than three times larger than the average (12 per cent) (Chart 14).

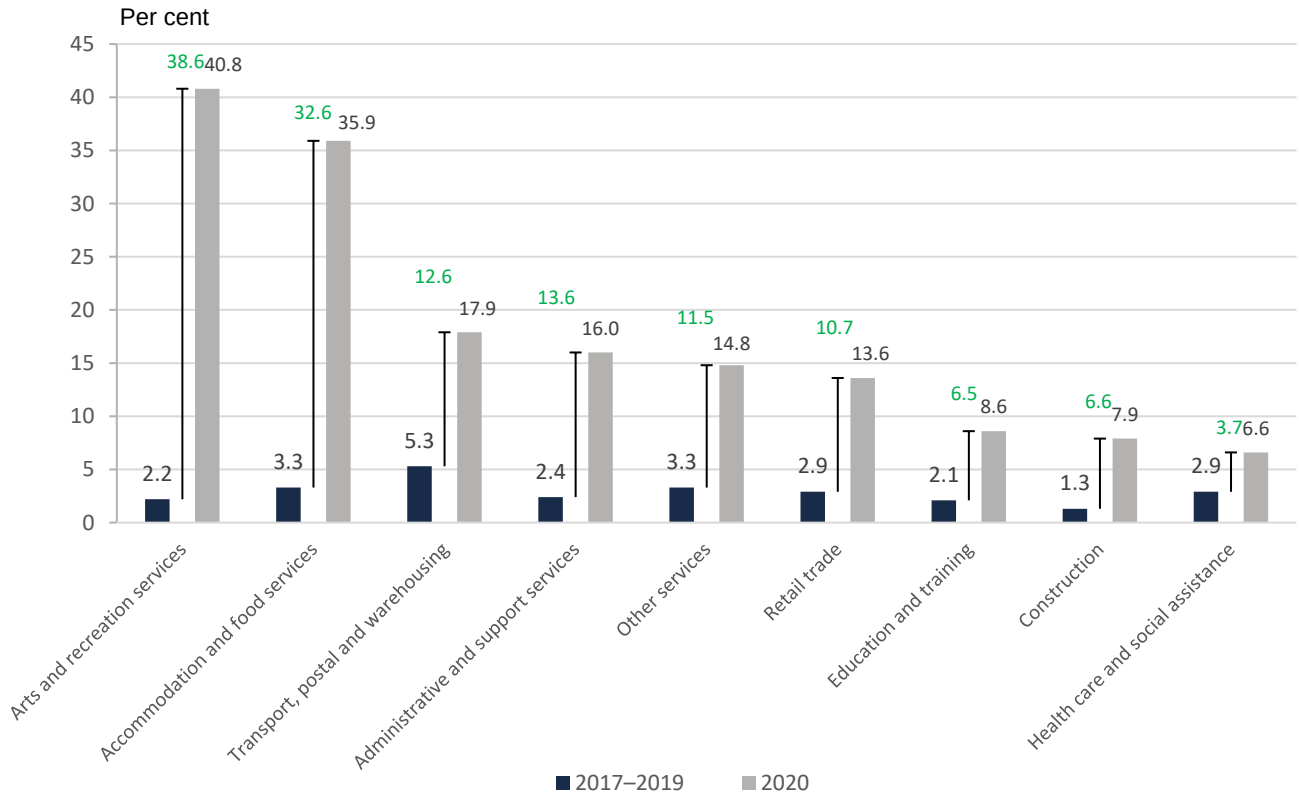
Across all industries, most workers that left work also left the labour force. This was most common for workers in Arts and recreation services (around one-quarter) and workers in Accommodation and food services (around 1 in 5) (Table A1).

Employment transitions were mixed across the award-reliant industries. Around 1 in 7 workers in Other services and Retail trade and 1 in 6 workers in Administrative and support services left work by May 2020, higher than the all industries' average. In contrast, only 1 in 15 workers in Health care and social assistance left work during this period.

There was an increase in the proportion of workers that had left work by May 2020 compared with the previous three years across all industries except for Public administration and safety (Table A2). The largest differences with the previous three years were in Arts and recreation services, where the proportion that left work by May 2020 was more than 18 times larger, and in Accommodation and food services, where the proportion was almost 11 times larger.

[35] ABS, *Weekly Payroll Jobs and Wages in Australia*, 30 January 2021.

Chart 14: Proportion that left work by May for those employed in March by selected industries, 2017–2019 and 2020



Note: The proportion that left work by May for all other industries are included in Table A2 in Appendix A. While transitions measure those employed in March, data on the worker's industry were collected in February.

Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

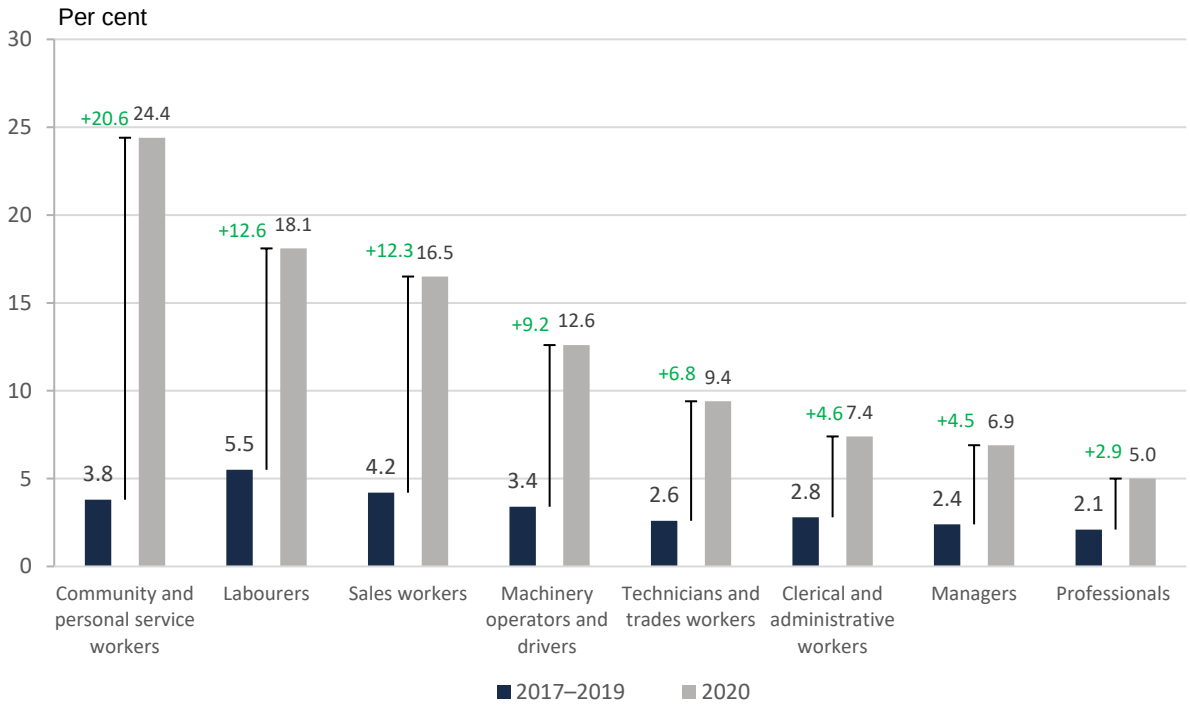
4.1.6 Occupation

Around one-quarter of Community and personal service workers left work between March and May 2020, around double the average (Chart 15). Other occupations where workers were more likely to have left work were Labourers and Sales workers. Baird & Dinale (2020) found that these occupations had less potential capacity to work at home relative to other occupations. In contrast, Clerical and administrative workers, Professionals and Managers had the highest potential capacity to work from home, and also the lowest proportion of workers leaving work.[36]

Labourers, Sales workers and Community and personal services workers were more likely to have left work over the previous three years. The increase in 2020 was largest among Community and personal service workers, where the proportion that left work was more than six times larger, followed by Sales workers (almost four times larger).

[36] Baird M & Dinale D (2020), *Preferences for flexible working arrangements: before, during and after COVID*-19, Fair Work Commission Research Report, November, pp. 22–23.

Chart 15: Proportion that left work by May for those employed in March by occupation, 2017–2019 and 2020



Note: While transitions measure those employed in March, data on the worker's occupation were collected in February.

Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

4.1.7 Skill level

Skill levels represent the required level of formal education and qualifications, or amount of related job experience required, to competently perform tasks for that occupation. The greater the range and complexity of the tasks, the greater the skill level. Under the Australian and New Zealand Standard Classification of Occupations (ANZSCO), each 6-digit occupation is assigned a skill level of 1 (highest) to 5 (lowest). Occupations at skill level 1 are equivalent to having a bachelor degree or higher qualification, or at least five years of relevant experience as a substitute. Skill level 5 occupations are equivalent to having an Australian Qualifications Framework (AQF) Certificate I or compulsory secondary education, though for some occupations a short period of on-the-job training may be required in addition to, or instead of, any formal qualifications. Skill level 4 occupations are equivalent with an AQF Certificate II or III and/or at least one year of relevant experience.[37]

In this analysis, low-skill workers are defined as those with skill levels 4 and 5 and higher-skill workers are those with skill levels 1 to 3.

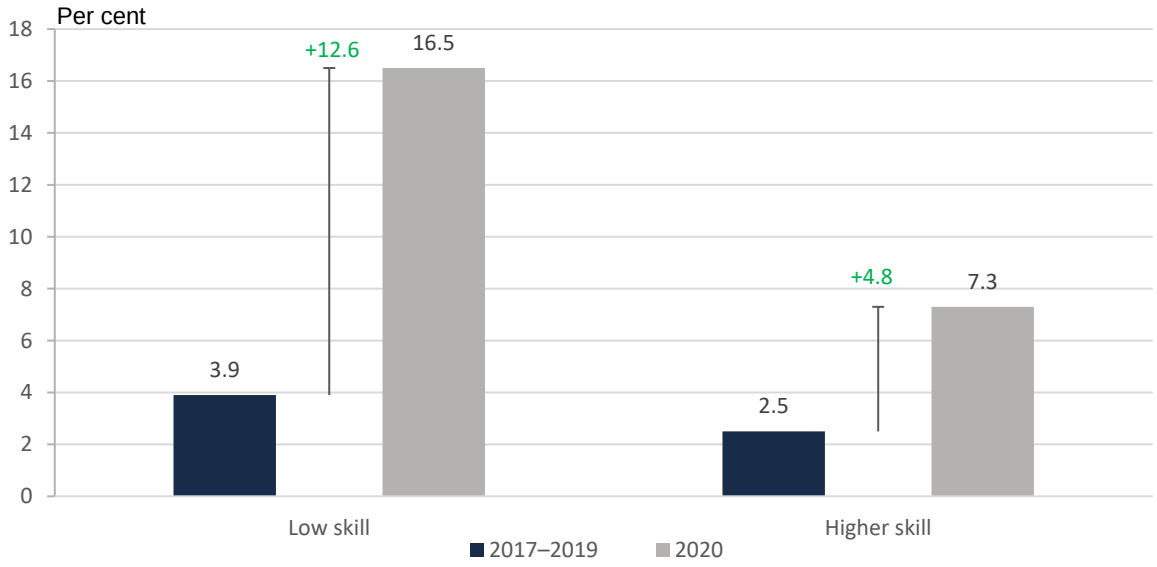
Low-skill workers were significantly more likely to have left work between March and May 2020, with around 1 in 6 leaving work, more than double the proportion of higher-skill workers (around 1 in 14) (Chart 16). As observed, a significant factor driving this is because lower-skilled occupations

[37] ABS, *ANZSCO – Australian and New Zealand Standard Classification of Occupations, 2013, Version 1.3*, Catalogue No. 1220.0, *Conceptual basis of ANZSCO.*

have limited capacity to work from home compared with higher-skilled occupations such as Professionals and Managers.[38] Of those that left work, just over half of low-skill workers left the labour force, while around half of higher-skill workers left the labour force (Chart A8).

Low-skill workers were also more likely to have left work by May over the previous three years. This difference increased in 2020 as the proportion of low-skill workers that left work by May 2020 increased to be more than four times larger, and while this was also the case for higher-skill workers, the magnitude was less than three times larger (Chart 16).

Chart 16: Proportion that left work by May for those employed in March by skill level, 2017–2019 and 2020



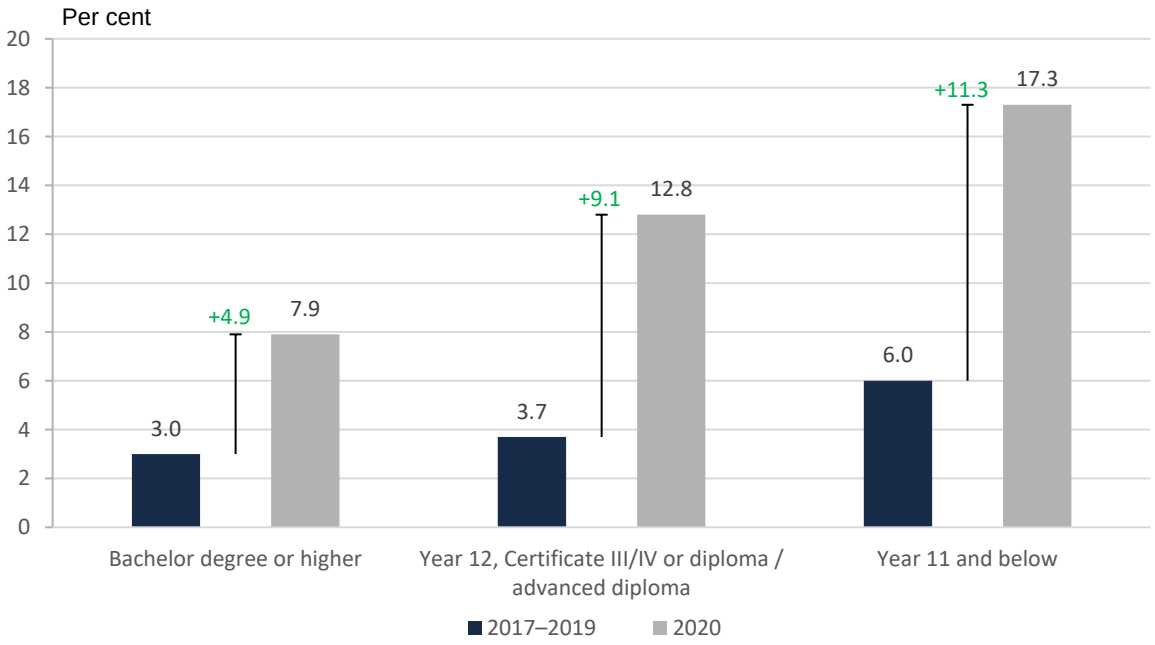
Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

Using an alternative measure of skill, highest level of educational attainment also finds that those with lower levels of educational attainment were more likely to have left work. In this instance, the highest proportion that left work was for those with Year 11 and below as their highest educational attainment (around 1 in 6 workers), with over half of these leaving the labour force (Chart A9). In contrast, around 1 in 8 workers with Year 12, Certificate III/IV, or diploma/advanced diploma, and only 1 in 13 workers with a Bachelor degree or higher had left work by May (Chart 17).

Those with lower levels of educational attainment were also more likely to have left work by May in the previous three years. However, the increase in the proportion of individuals that left work by May 2020 was largest for those with Year 12, Certificate III/IV or diploma/advanced diploma (almost three and a half times larger) and Year 11 and below (around three times larger).

[38] Baird M & Dinale D (2020), *Preferences for flexible working arrangements: before, during and after COVID*-19, Fair Work Commission Research Report, November, pp. 22–23.

Chart 17: Proportion that left work by May for those employed in March by level of highest educational attainment, 2017–2019 and 2020



Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

4.2 Stage 2: tracking the return to work

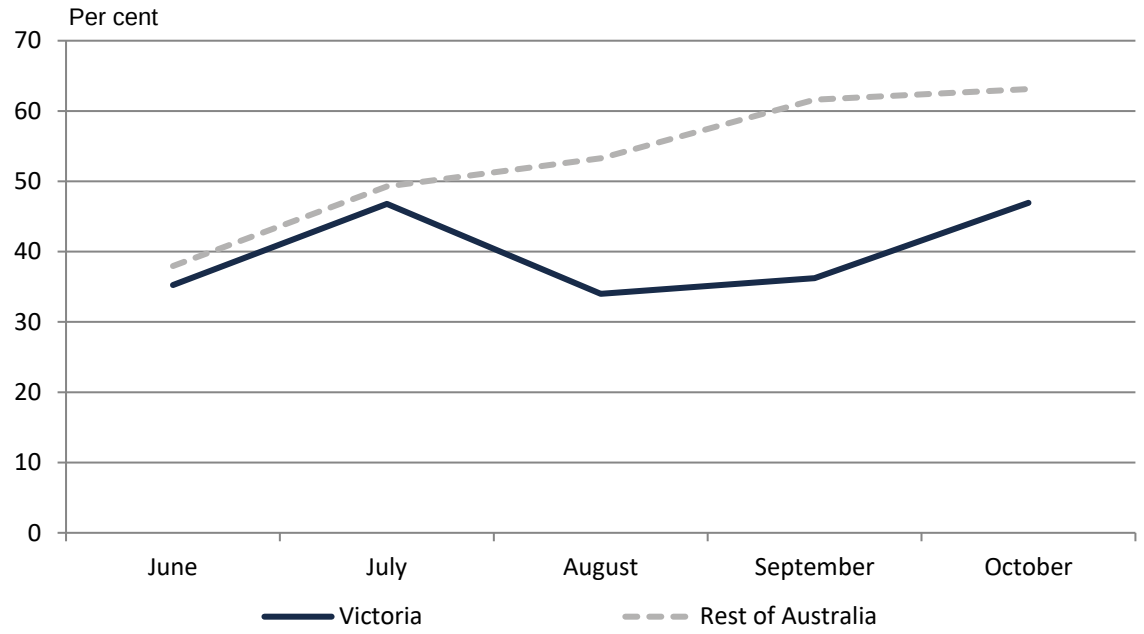
From May, as the number of new cases of COVID-19 declined across Australia, governments began removing some restrictions, enabling businesses to expand their operations and employees to return to work. This section analyses the group of individuals identified in Stage 1 that left work between March and May and explores whether these individuals were able to return to work in the following months.

Stage 3 and 4 restrictions were imposed in Victoria from July. Chart 18 compares the proportion of individuals that returned to work, after having left work by May, for Victoria and the rest of Australia between June and October.

It is clear that the rate at which workers returned to work in Victoria was interrupted by the restrictions and lagged behind the rest of Australia. The most severe restrictions were imposed in August and September, illustrated by a decline in Victorians that returned to work in those months, with the largest gap to the rest of Australia occurring in September. Although restrictions in Victoria eased slightly in October,[39] fewer than half of those that left work in May had managed to return to work by October, compared with almost two-thirds for those in the rest of Australia.

[39] Fair Work Commission, *Information note – Government responses to COVID-19 pandemic*, 19 February 2021.

Chart 18: Proportion that returned to work for those that left work by May, Victoria and the rest of Australia, June 2020 to October 2020



Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

With these restrictions impacting the ability of individuals in the state to return to work, Victoria is removed from the remaining analysis below.[40]

4.2.1 Transitions for those that left work by May

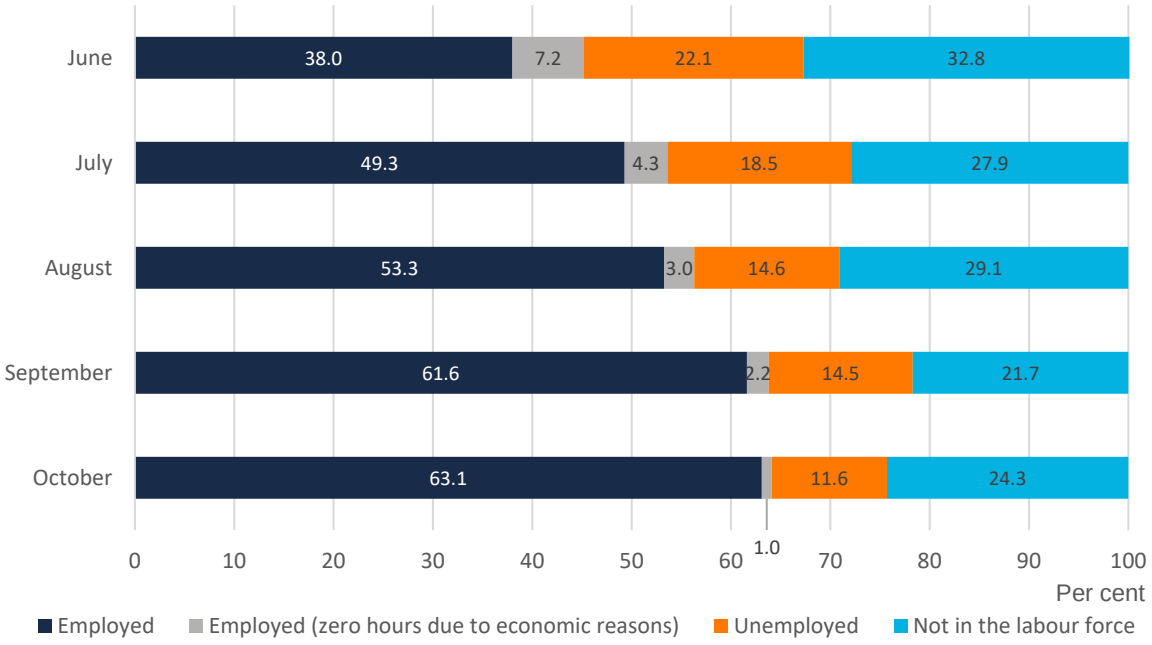
This section looks at the transitions of those that left work by May and observes their labour market status between June and October.

Almost 4 in 10 people who left work between March and May returned to work by June. This proportion increased over subsequent months as government restrictions eased, with around half returning to work by July and almost two-thirds by October. The proportion that returned to work by October is lower than for total employment (around three-quarters) over the same period, in particular because it does not consider new entrants into the labour market.[41] As the proportion returning to work increased, those in each of the non-work categories declined (Chart 19).

[40] Stage 2 analysis by subgroups for Victoria is not undertaken due to small sample sizes.

[41] The transitions analysis also excludes Victoria, which experienced a second wave of COVID-19 cases and had a lower proportion returning to work by October compared with the rest of Australia.

Chart 19: Labour market status for those that left work by May (excluding Victoria)



Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

The remaining analysis focuses on the proportion of those that left work by May and returned to work in the subsequent months across each of the characteristics discussed in Section 4.1.[42]

When characteristics are analysed, the samples for each group are smaller than at the aggregate level.[43] Sample sizes for transitions decline the longer the transition period is analysed because of the design of the LFS, which comprises eight sub-samples, with each sub-sample remaining in the survey for eight months. Every month, one sub-sample leaves the LFS while a new sub-sample is introduced. This becomes an issue when analysing longer transitions as the sample size reduces, and the composition of the sample can change significantly. For example, by October, only respondents from one sub-sample are analysed. To mitigate these issues, the end date for transitions is brought forward to either August or September 2020, depending on the characteristic analysed.

Smaller sample sizes can also create high variability in the results between groups,[44] meaning that outcomes that appear to be different might actually be the same. With the analysis in this section limited to the small group identified in Stage 1 that left work between March and May, an additional analytical tool is used to help identify whether there are 'real' differences in the outcomes between months. To account for this variability, t-tests are used to determine if the proportions that returned to work are actually different between groups. This type of analysis shows whether differences are

[42] The small sample sizes do not allow for further analysis of transitions to the other labour market states.

[43] The end date for the transitions analysis by subgroups is the following: September for sex, full-time/part-time employment, level of highest educational attainment, employment type and skill level; and August for industry and occupation.

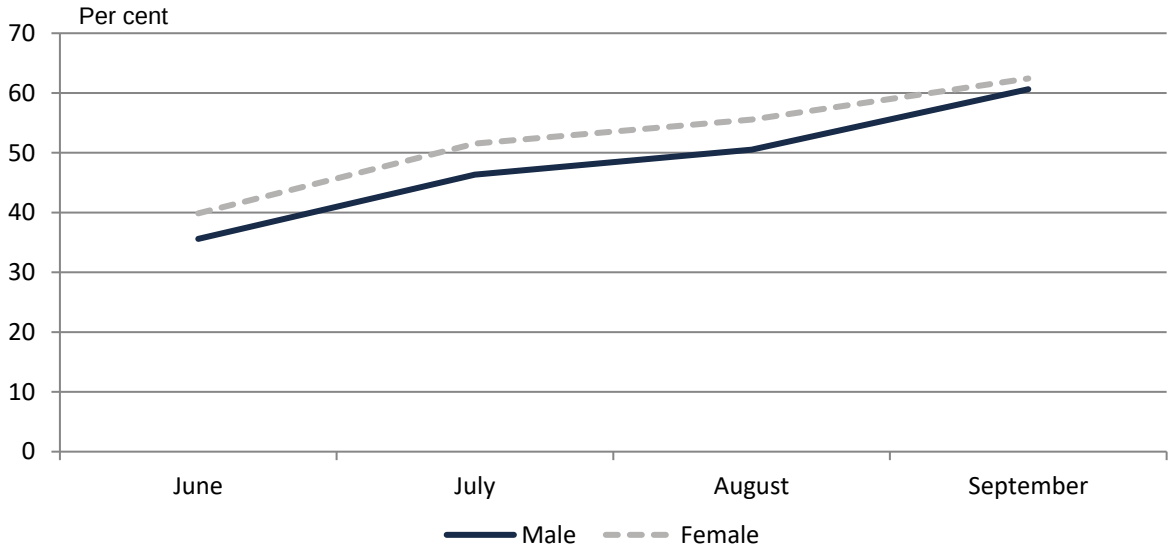
[44] This is due to the higher sampling error from having a smaller sample size. This is particularly an issue for characteristics with many categories, such as industry and occupation.

statistically significant, meaning that their outcomes are proven to be different and not due to chance. The full results of the t-tests are in Tables A3 to A8 in Appendix A.

4.2.1.1 Sex

There was little difference between the proportions of males and females that returned to work, with around 6 in 10 individuals that left work by May returning to work by September (Chart 20). While it may appear that a higher proportion of females initially returned to work between June and September, analysis using t-tests show that these differences were not statistically significant, meaning that males and females were just as likely to return to work over this period as each other (Table A3).

Chart 20: Proportion that returned to work for those that left work by May by sex, June 2020 to September 2020



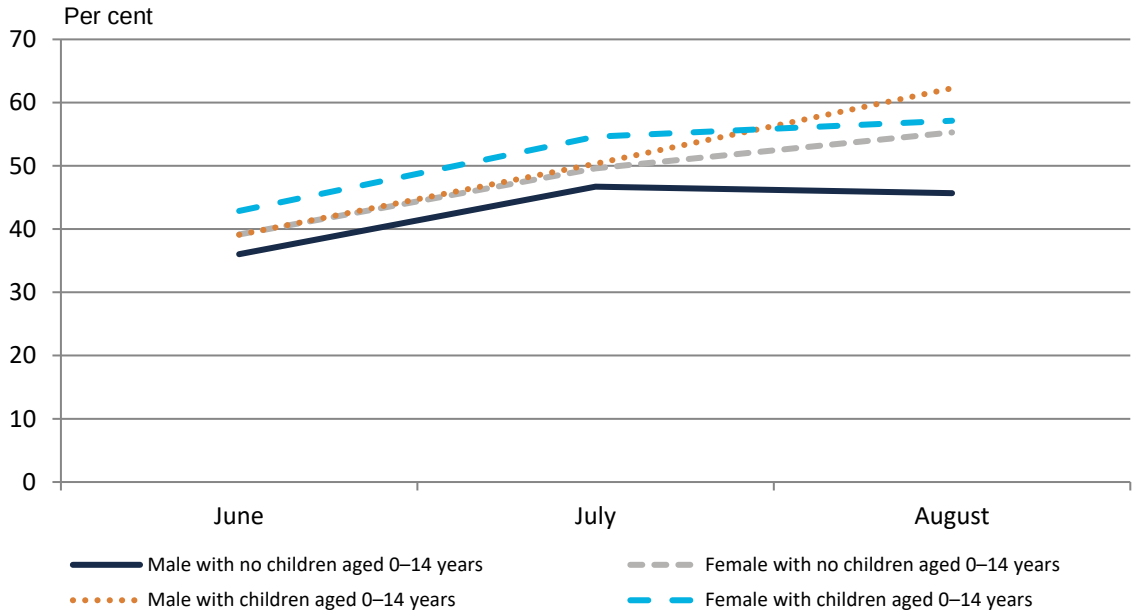
Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

While females were more likely during the pandemic to spend time caring for children,[45] the analysis shows that females with and without children were just as likely to return to work as each other (Chart 21). Males with no children aged 0 to 14 years were least likely to return to work.

Analysis using t-tests confirm that differences between males with no children aged 0 to 14 years and the other categories were statistically significant by August 2020 (Table A4), meaning that males with no children aged 0 to 14 years were less likely to return to work than their counterparts. However, there were no statistically significant differences between the other categories, suggesting they were just as likely as each other to have returned to work.

[45] See Hopkins J & Bardoel A (2020), *Key working from home trends emerging from COVID-19*, report to the Fair Work Commission, November, pp. 11–14.

Chart 21: Proportion that returned to work for those that left work by May by sex and whether they have children aged 0 to 14 years, June 2020 to August 2020



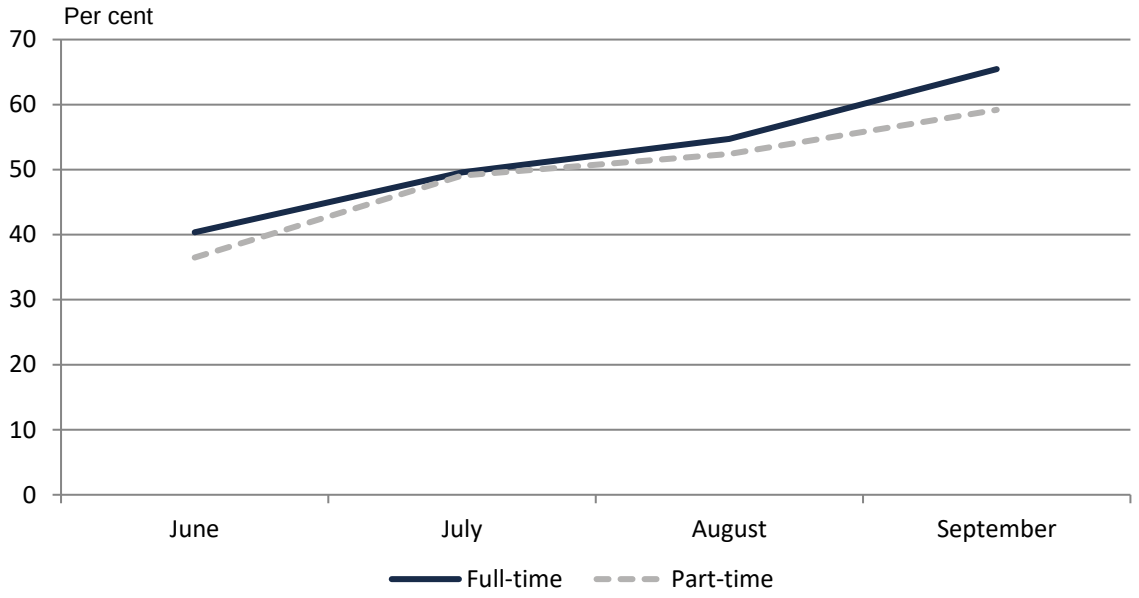
Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

4.2.1.2 Full-time/part-time

Between June and August, the proportions of full-time and part-time workers that left work by May and had returned to work were quite similar. The proportions increased across each month and over half of full-time and part-time workers had returned to work by August. While this increase continued in September, there was a larger increase for full-time workers. By September, around two-thirds of full-time workers had returned to work compared with around 6 in 10 part-time workers (Chart 22).

However, an analysis using t-tests shows that the differences across all months were not statistically significant (Table A3), suggesting that those that were initially employed as full-time workers were just as likely to return to work as those that were initially employed as part-time workers.

Chart 22: Proportion that returned to work for those that left work by May by full-time/part-time status, June 2020 to September 2020



Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

This finding appears to contradict data from Charts 2 and 3 in Chapter 2 which suggests that part-time employment recovered faster than full-time employment. However, the data in Chart 22 do not indicate whether workers are returning to full-time or part-time work (or new entrants to the labour market).

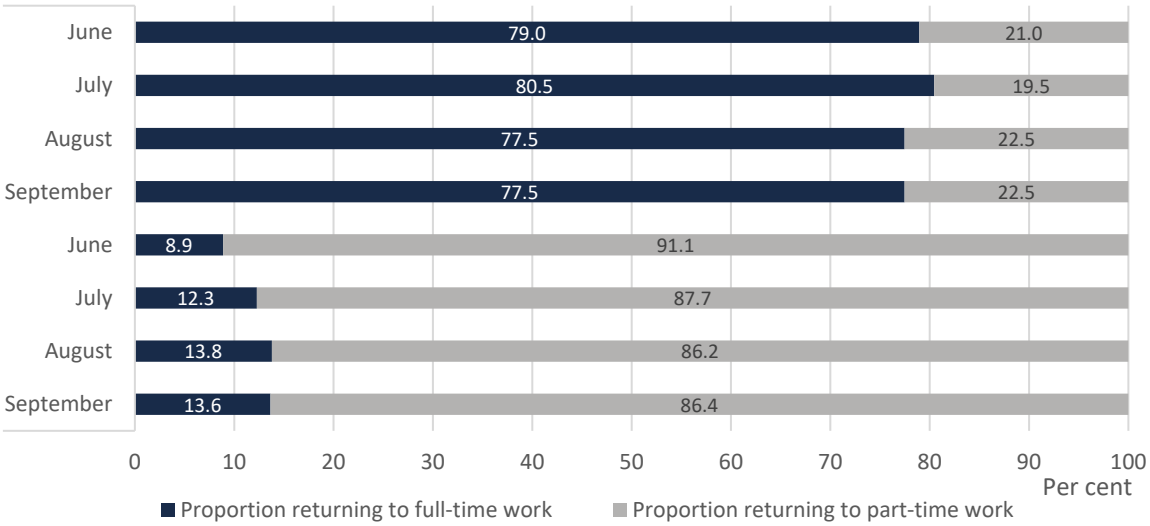
Chart 23 provides detail on whether workers are returning to full-time or part-time work. Most full-time/part-time workers in March that left work by May likely resumed work based on their initial employment status of either working on a full-time/part-time basis in later months. However, there was a higher proportion of full-time workers returning to part-time work than part-time workers returning to full-time work. Around 1 in 5 full-time workers in March returned to part-time work later in the year, while only around 1 in 8 part-time workers returned to full-time work.

These results provide some explanation as to why aggregate part-time employment recovered faster than full-time employment.

Relative to the previous three years, there was mostly a higher proportion of full-time and part-time workers returning to part-time work between June and September 2020 (Chart A10).[46]

[46] However, a higher proportion of full-time workers returning to part-time work by September was recorded in the previous three years (2017–2019).

Chart 23: Proportion that returned to full-time and part-time work for those that left work by May, June 2020 to September 2020

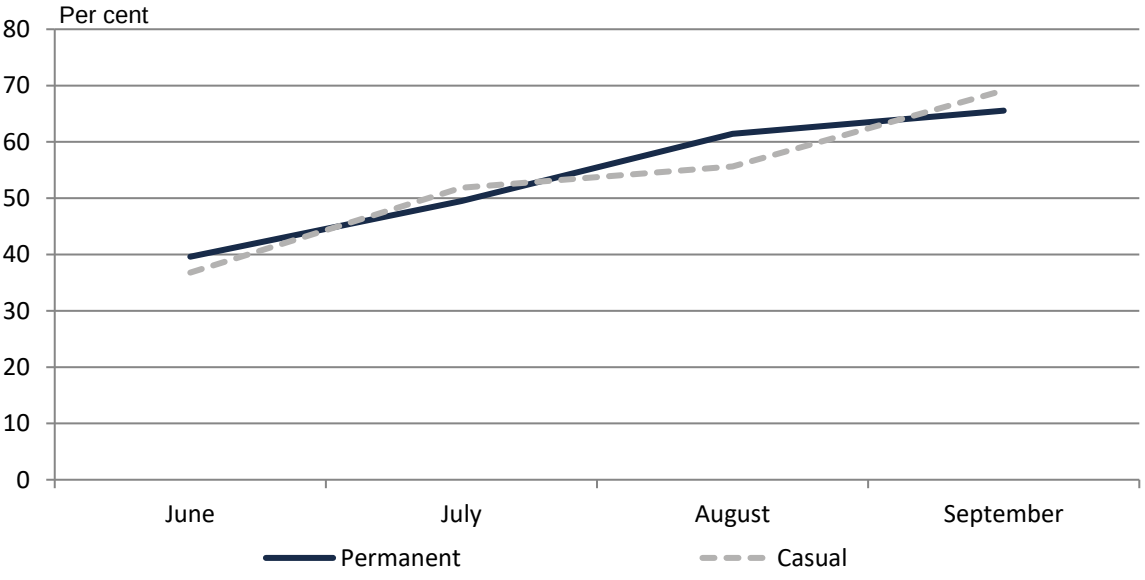


Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

4.2.1.3 Employment type

Permanent and casual workers that left work by May were just as likely to return to work between June and September (Chart 24). Around 4 in 10 had returned by June and around two-thirds had returned to work by September. The t-test analysis confirms that differences between the two are not statistically significant (Table A3), suggesting that both types of workers were just as likely to return to work as each other between June and September.

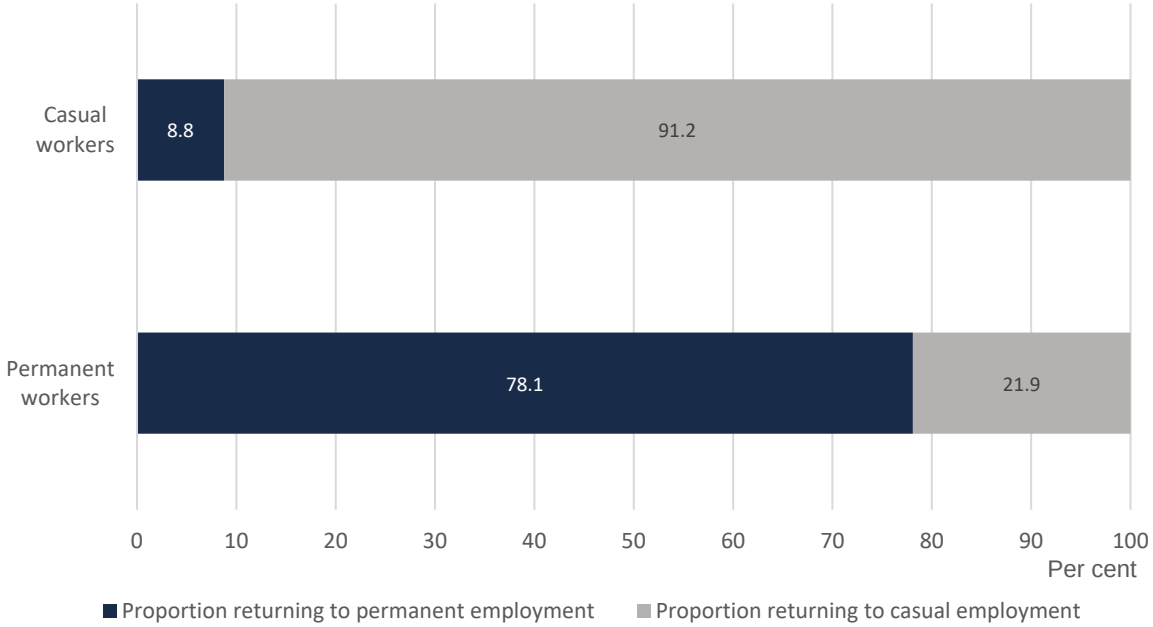
Chart 24: Proportion that returned to work for those that left work by May by employment type, June 2020 to September 2020



Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

Most permanent/casual workers in February that left work by May returned back to working on a permanent/casual basis in August.[47] However, a higher proportion of permanent workers returned to casual work than casual workers that found permanent work. Around 1 in 5 permanent workers returned to work on a casual basis in August, while only around 1 in 11 casual workers returned to work on a permanent basis (Chart 25).

Chart 25: Proportion that returned to permanent and casual employment for those that left work by May, August 2020



Note: Employment type is identified in February and August.

Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

4.2.1.4 Age group

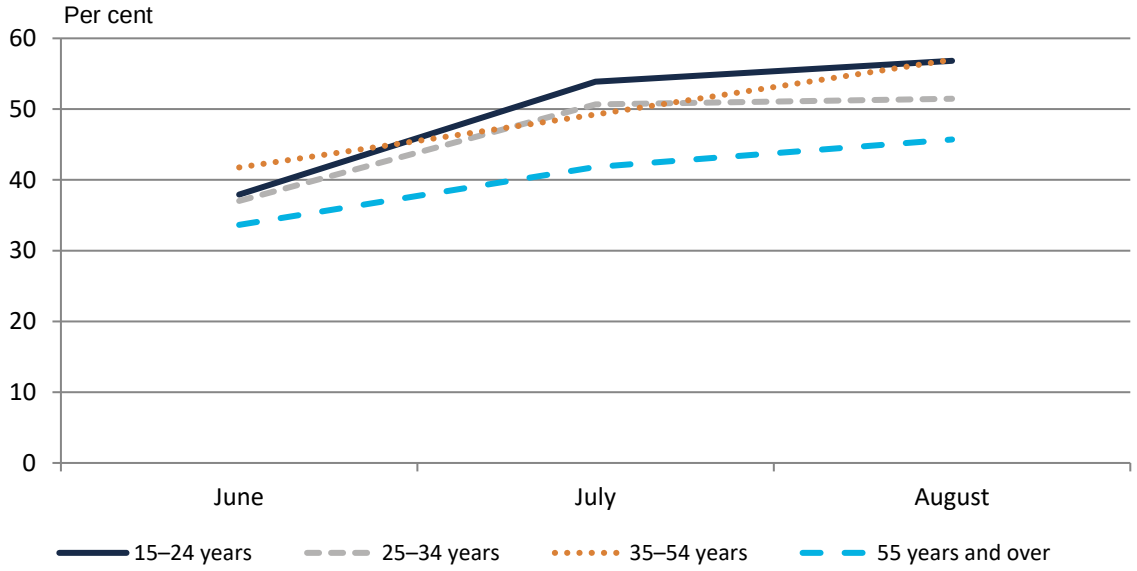
More than half of the youngest age groups (15 to 24 years and 25 to 34 years) returned to work by August, while less than half of those aged 55 years and over had returned to work (Chart 26).

Analysis using t-tests show that differences between those aged 55 years and over and other age groups were statistically significant in July and August (Table A6),[48] suggesting that those aged 55 years and over were less likely to return to work than their counterparts.

[47] Data on employment type are only available quarterly.

[48] Differences between those aged 55 years and over were statistically significant compared with all other age groups in July, and for most age groups except 25 to 34 year olds in August.

Chart 26: Proportion that returned to work for those that left work by May by age group, June 2020 to August 2020



Note: While data by age were available to October, due to low sample sizes only data from June to August are presented.

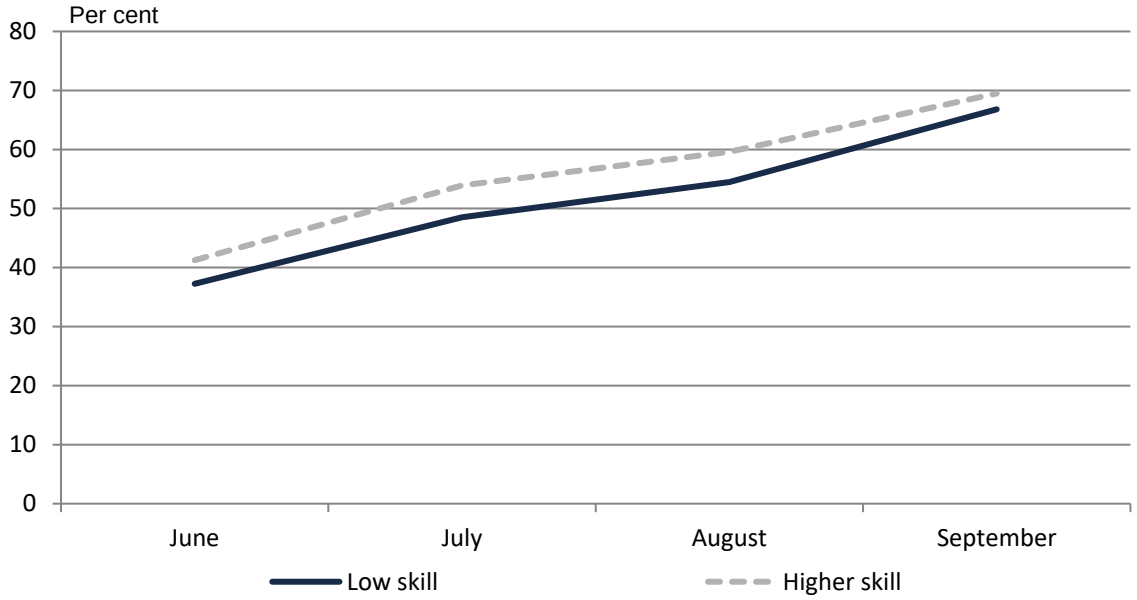
Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

4.2.1.5 Skill level

Chart 27 shows that the proportion of higher-skill workers that left work by May and returned to work was higher than the proportion of low-skill workers that returned to work between June and September. However, by September, there was a relatively small difference between the groups, with around 7 in 10 higher-skill workers having returned to work compared with around two-thirds of low-skill workers.

Analysis using t-tests finds that differences in the proportion between low-skill and higher-skill workers returning to work was not statistically significant (Table A3). This suggests that low-skill workers were just as likely as higher-skill workers to return to work between June and September.

Chart 27: Proportion that returned to work for those that left work by May by skill level, June 2020 to September 2020

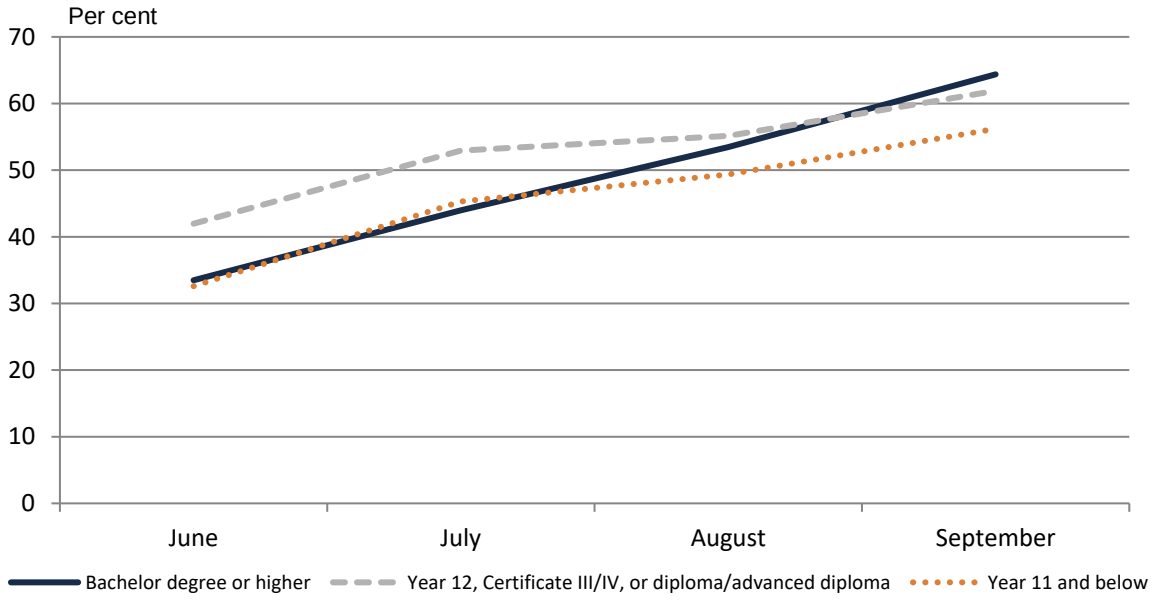


Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

Using the other measure of skill level, highest level of educational attainment, the analysis finds that those with Year 11 and below as their highest level of education who left work by May were less likely to return to work by September relative to the other categories (Chart 28).

Between June and July, higher proportions of individuals with Year 12, Certificate III/IV, or diploma/advanced diploma had returned to work. An analysis of t-tests shows that these initial differences were statistically significant in June and July (Table A5), suggesting that those with Year 12, Certificate III or IV, or diploma/advanced diploma were more likely to return to work than their counterparts. However, t-tests show that the differences between these groups after July were not statistically significant, suggesting that individuals across all three levels of educational attainment were just as likely to return to work as each other, following this period.

Chart 28: Proportion that returned to work for those that left work by May by level of highest educational attainment, June 2020 to September 2020



Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

4.2.1.6 Industry

Analysis by industry (and occupation) observes the transitions of workers from the industry (or occupation) they were initially employed in February. It does not identify the industry (or occupation) that they returned to work in August.

In Stage 1, the industries with the highest proportions of workers leaving employment were Arts and recreation services and Accommodation and food services. By August, around two-thirds of these workers (those that were working in Arts and recreation services and Accommodation and food services in February) had returned to work. This was relatively high compared with other industries. Workers employed in Other services (over 4 in 5) had the highest proportion that returned to work (Table 4).

Education and training (around two-thirds) also had a high proportion of workers returning to work, while fewer than half of workers in Construction; Transport, postal and warehousing; and Retail trade returned to work by August. An analysis of t-tests compares outcomes between industries (Table A7). It confirms that differences across these industries were statistically significant, suggesting that there were actual differences between the highest four industries and the lowest three industries listed in Table 4.

Table 4: Proportion that returned to work for those that left work by May by selected industries, August 2020

	Proportion that returned to work (%)
Other services	81.7
Arts and recreation services	69.7
Education and training	66.3
Accommodation and food services	64.0
Health care and social assistance	63.1
Professional, scientific and technical services	57.3
Administrative and support services	54.5
Retail trade	47.5
All other industries	45.2
Transport, postal and warehousing	44.8
Construction	44.3

Note: All other industries includes the remaining industries where the sample size was too small to publish separately as the proportion that left work was not high enough for meaningful analysis. These were Agriculture, forestry and fishing; Mining; Manufacturing; Electricity, gas, water, and waste services; Wholesale trade; Information media and telecommunications; Financial and insurance services; Rental hiring and real estate services; and Public administration and safety.

Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

4.2.1.7 Occupation

Those employed as Managers and Community and personal service workers in February were more likely to return to work by August (around two-thirds), while those employed as Machinery operators and drivers and Sales workers were less likely to return to work (Table 5). An analysis of t-tests confirms that the differences between these occupations were statistically significant (Table A8).

Table 5: Proportion that returned to work for those that left work by May by occupation, August 2020

	Proportion that returned to work (%)
Managers	66.9
Community and personal service workers	65.8
Labourers	62.0
Technicians and trade workers	60.8
Professionals	52.6
Clerical and administrative workers	49.9
Sales workers	47.3
Machinery operators and drivers	38.0

Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

4.2.2 Workers returning to different industries and occupations

Analysis by the Commonwealth Treasury found that following the easing of restrictions, most people did not return to their former job. Using unpublished administrative data from the Australian Taxation Office's (ATO) Single Touch Payroll, Treasury finds that only around 40 per cent of the employment recovery between mid-April and mid-June was from people returning to their old jobs.[49]

However, the analysis finds that for industries particularly affected by government restrictions, such as Accommodation and food services and Arts and recreation services, the proportion that returned to their former jobs was relatively high, at around 70 to 80 per cent.

Similar analysis is undertaken below using data from the Longitudinal Labour Force. Chart 29 shows whether those that returned to work by August had returned to the same industry or occupation that they were observed working in February. The findings align with those of the Treasury, which show that most people that returned to work did so in a different job. As a benchmark, these data are compared with outcomes recorded over the previous three years.

The data show that less than 4 in 10 people returned to work in the same industry and occupation in 2020. Over 4 in 10 people had gained employment in both a different occupation and industry than recorded in February. Around 1 in 13 individuals that returned to work were employed in the same industry but in a different occupation and around 1 in 10 individuals that returned to work were employed in the same occupation but different industry.

In total, for those individuals that returned to work by August, around 52 per cent had changed occupations and around 55 per cent had changed industries.

These findings correspond with anecdotal evidence that companies were hiring staff from other industries and occupations where there was increased demand. For example, Woolworths hired 25 000 people from companies that were forced to temporarily stand down their employees because of the pandemic, with Qantas accounting for a large proportion of these employees.[50]

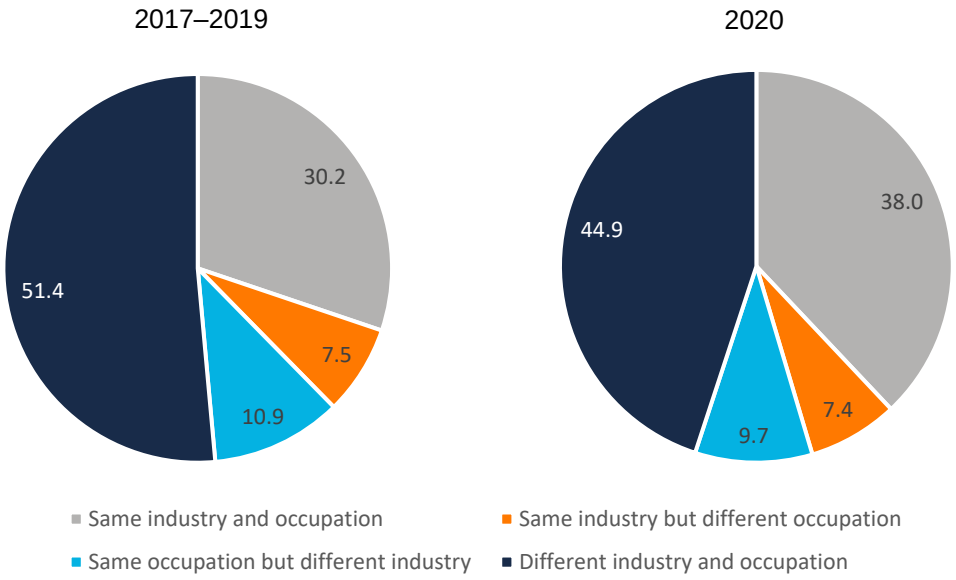
However, comparing the transitions of workers for the same time period but over the previous three years shows that a lower proportion of individuals changed both the industry and occupation that they were previously employed in when returning to work in 2020.

This suggests that the higher proportion of individuals returning to work in the same industry and occupation in 2020 partly reflects the effects of JobKeeper, which has maintained the relationship between employers and employees, and allowed for the return of some workers to the same job as restrictions were eased and activity improved.

[49] Kennedy S (2020), *Policy and the evolution of uncertainty*, speech to the Australian Business Economists, 5 November. Analysis uses unpublished data.

[50] Australian Financial Review (2020), *Pilot in aisle two: Woolies and Qantas share crisis lessons*, 24 August.

Chart 29: Proportion that returned to work by August, 2017–2019 and 2020



Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

While this analysis can be done at the aggregate level, sample sizes for each individual industry and occupation are too small to determine whether individual workers returned to the same industry/occupation. That is, we cannot determine whether those who worked in Arts and recreation services were more likely to return to work in that industry than those who worked in Retail trade.

Given the above findings, the next section looks at the industry and occupation of where these individuals returned to work in August.

4.2.2.1 Industry

Table 6 presents analysis on the industry characteristics for all workers that left work by May and compares them with those who returned to work by August.

The first column shows the industry in which these individuals were initially employed in February. Of all workers that left work by May, the highest proportions were employed in Accommodation and food services (over 1 in 5) and Retail trade (around 1 in 9).

These differ from the results in Stage 1 as rather than estimating the proportion of workers within an industry that left work, it focuses on the entire group who had left work by May and the industries in which these individuals were initially employed. Therefore, those who worked in smaller industries, such as Arts and recreation services, which were also significantly impacted by restrictions, accounted for a smaller proportion of those that left work overall (6.5 per cent).

The second column shows that, among those that returned to work in August, over one-quarter found work in Accommodation and food services. The next highest proportions that found work were in Health care and social assistance and Education and training (each accounting for around 1 in 10 individuals).

Table 6: Characteristics of those that left work and returned to work by industry

	Left work by May (%)	Returned to work by August (%)
Construction	6.0	4.4
Retail trade	11.7	7.8**
Accommodation and food services	22.4	26.2
Transport, postal and warehousing	8.3	4.4***
Professional, scientific and technical services	5.3	6.3
Administrative and support services	4.7	4.5
Education and training	7.2	10.3*
Health care and social assistance	8.0	10.4
Arts and recreation services	6.5	5.8
Other services	5.5	6.3
All other industries	14.5	13.7
All industries	**100.0**	**100.0**

Note: All other industries includes the remaining industries where the sample size was too small to publish separately as the proportion that left work was not high enough for meaningful analysis. These were Agriculture, forestry and fishing; Mining; Manufacturing; Electricity, gas, water, and waste services; Wholesale trade; Information media and telecommunications; Financial and insurance services; Rental hiring and real estate services; and Public administration and safety. * Statistically significant difference at a 10 per cent level; ** Statistically significant difference at a 5 per cent level; *** Statistically significant difference at a 1 per cent level.

Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

The analysis using t-tests compares the results presented in the two columns, that is, the proportion of all individuals that left work by May with the proportion of individuals that returned to work by August by industry. The results find statistically significant differences for the following three industries: Retail trade; Transport, postal and warehousing; and Education and training. For Retail trade and Transport, postal and warehousing, a lower proportion of individuals that returned to work in August were employed in these industries compared to the proportion that were employed at the onset of the pandemic but had left work by May. For Education and training, the proportion was higher among those that returned to work in August than those that had left work by May.

The results suggest that those who were able to return to work in August were less likely to find work in Retail trade and Transport, postal and warehousing. A factor that could be affecting Retail trade is the accelerated shift towards online retail shopping, which could have led to less demand for retail workers. Analysis of the ABS Retail turnover data shows that online shopping accounted for around 10 per cent of total retail turnover between April and October, higher than the 6 per cent over 2019.[51]

[51] ABS, *Retail trade, Australia*, November 2020.

A significant factor driving the lower proportion finding work in Transport, postal and warehousing is that it includes the Airline transport industry, which has been affected by border restrictions on international and interstate travel.

These findings correspond with results presented in Table 4 which show that workers initially employed in Retail trade and Transport, postal and warehousing were less likely to return to work, and workers previously employed in Education and training were more likely to return to work.

4.2.2.2 Occupation

Similar to the previous analysis, this section focuses on those that left work by May and the occupations they returned to in August.

Almost one-quarter of all workers who left work by May were Community and personal service workers. This was followed by Labourers (around 1 in 6 workers) and Sales workers (around 1 in 8 workers) (column 1 in Table 7).

Among those that returned to work by August (column 2), Community and personal service workers accounted for a higher proportion (over one-quarter), followed by Labourers and Professionals (both around 1 in 7). However, the increases for Community and personal service workers and Professionals were not found to be statistically significant.

Occupations where the proportion that returned to work was lower than the proportion that left work were for Sales workers and Machinery operators and drivers. These differences were found to be statistically significant, suggesting that workers in these occupations were less likely to return to work. This finding aligns with the industry analysis, where Sales workers comprise a high proportion of Retail trade employment, and Machinery operators and drivers comprise a high proportion of Transport, postal and warehousing employment.

These findings are also consistent with earlier findings in Table 5 which show that workers previously employed in these occupations were less likely to return to work.

Table 7: Characteristics of those that left work and returned to work by occupation

	Left work by May (%)	Returned to work by August (%)
Managers	7.8	8.2
Professionals	11.7	14.3
Technicians and trade workers	11.8	11.7
Community and personal service workers	23.1	26.5
Clerical and administrative workers	8.6	10.5
Sales workers	13.0	9.3*
Machinery operators and drivers	7.8	4.4**
Labourers	16.2	15.0
All industries	**100.0**	**100.0**

Note: * Statistically significant difference at a 10 per cent level; ** Statistically significant difference at a 5 per cent level; *** Statistically significant difference at a 1 per cent level.

Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

5 Conclusion

The effects of the COVID-19 pandemic and the government restrictions that shutdown or reduced economic and social activity had a large and immediate impact on employment compared with previous economic downturns. The gradual easing of restrictions have so far led to a faster recovery, and despite the possibility of further outbreaks, the rollout of vaccines from February 2021 provides the prospect of activity returning to pre-pandemic levels.

Analysis of those employed in March 2020 shows that around 12 per cent left work by May, with most of these people leaving the labour force. The proportion that left work was more than three times higher in 2020 than over the same period in the previous three years.

This analysis has highlighted the workers particularly affected by the COVID-19 pandemic during the initial stages and early recovery periods. It has shown that workers employed in service industries such as Accommodation and food services and Arts and recreation services, that rely on physical interaction with customers and people to gather, were more likely to have left work. Those who worked as Community and personal service workers, part-time, casual and younger workers, and those with lower skill levels were also more affected, as they tend to be employed in these industries.

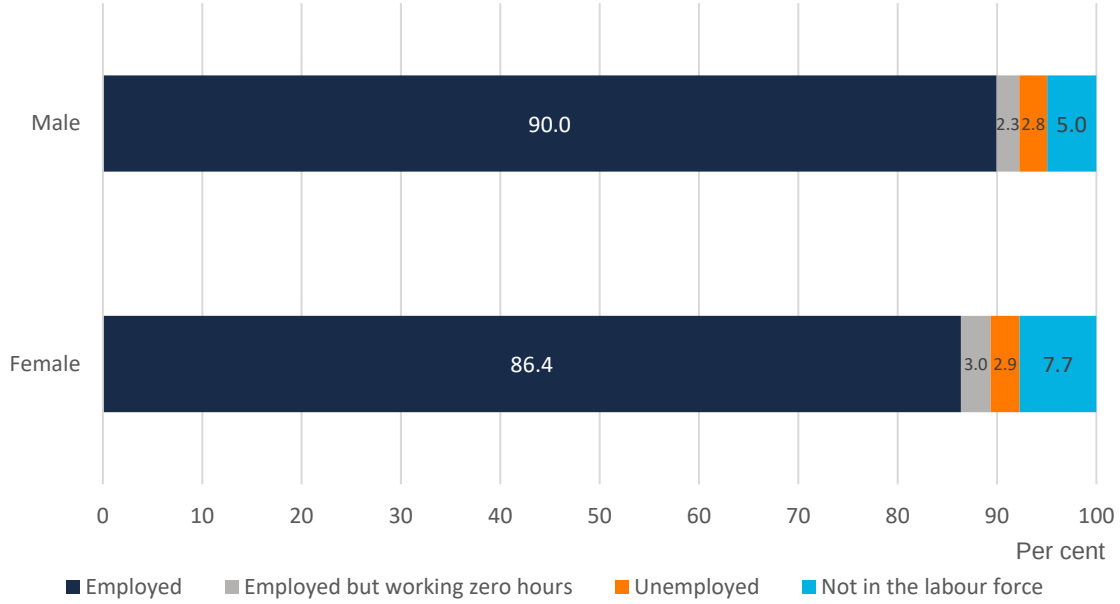
Analysis of individuals who left work by May finds that, excluding those in Victoria, almost two-thirds returned to work by October. This is lower than the recovery in total employment (around three-quarters) over the same period, with one reason being new entrants into the labour market finding employment, as well as the exclusion of Victoria. As the economy recovered from the middle of 2020, workers that were previously employed in Other services; Education and training; Arts and recreation services; and Accommodation and food services, or as Managers and Community and personal service workers were more likely to return to work.

However, older workers (aged 55 years and over), those previously employed in Construction; Transport, postal and warehousing; and Retail trade as well as Machinery operators and drivers and Sales workers were less likely to do so.

More than half of workers returning to work had changed industries or occupations, however, this was actually lower than in previous years as the JobKeeper Payment kept workers attached to their employer. While returning workers were less likely to find employment in Retail trade and Transport, postal and warehousing, or as Sales workers and Machinery operators and drivers, they were more likely to find employment in Education and training.

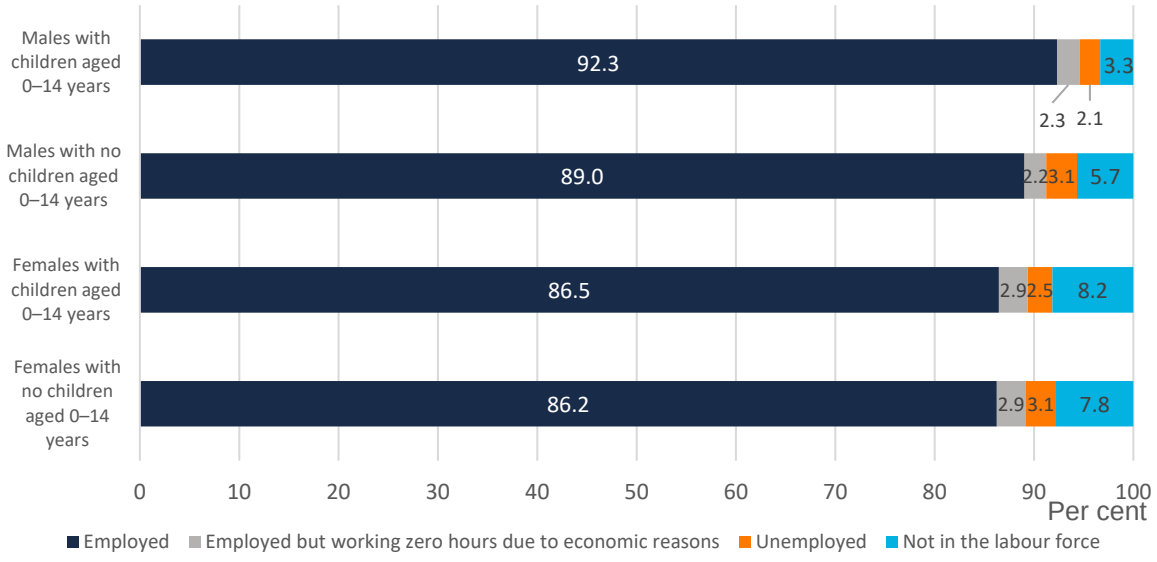
Appendix A—Labour market transitions for those employed in March

Chart A1: Labour market status in May for those employed in March by sex, 2020



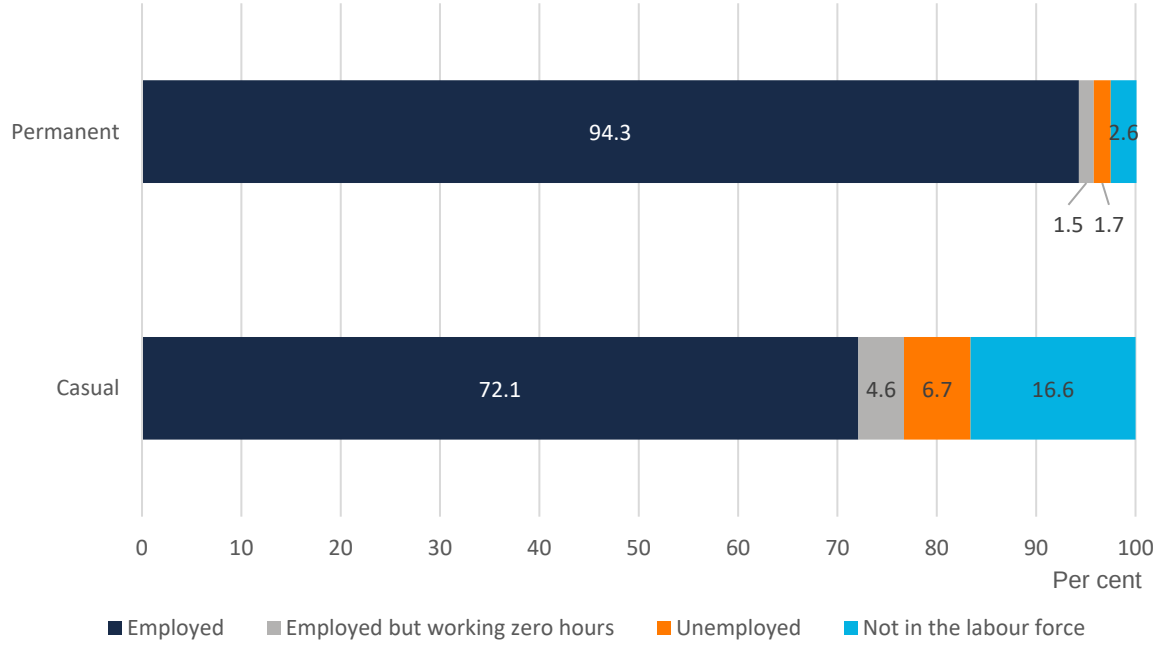
Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

Chart A2: Labour market status in May for those employed in March by sex and whether they have children aged 0 to 14 years, 2020



Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

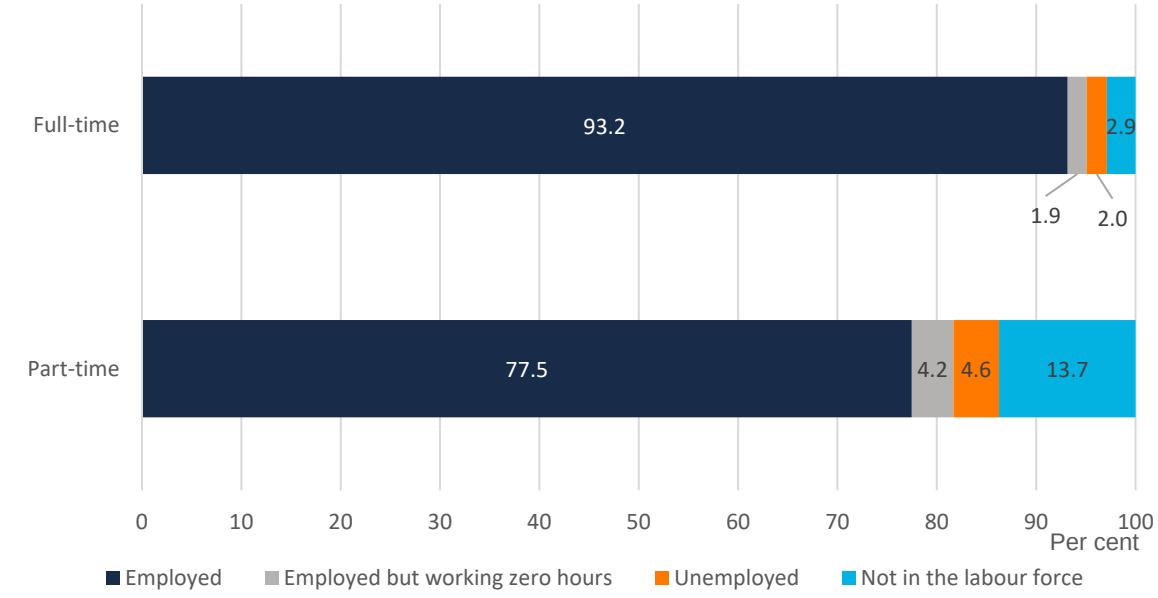
Chart A3: Labour market status in May for those employed in March by employment type, 2020



Note: Data on the worker's employment type were collected in February.

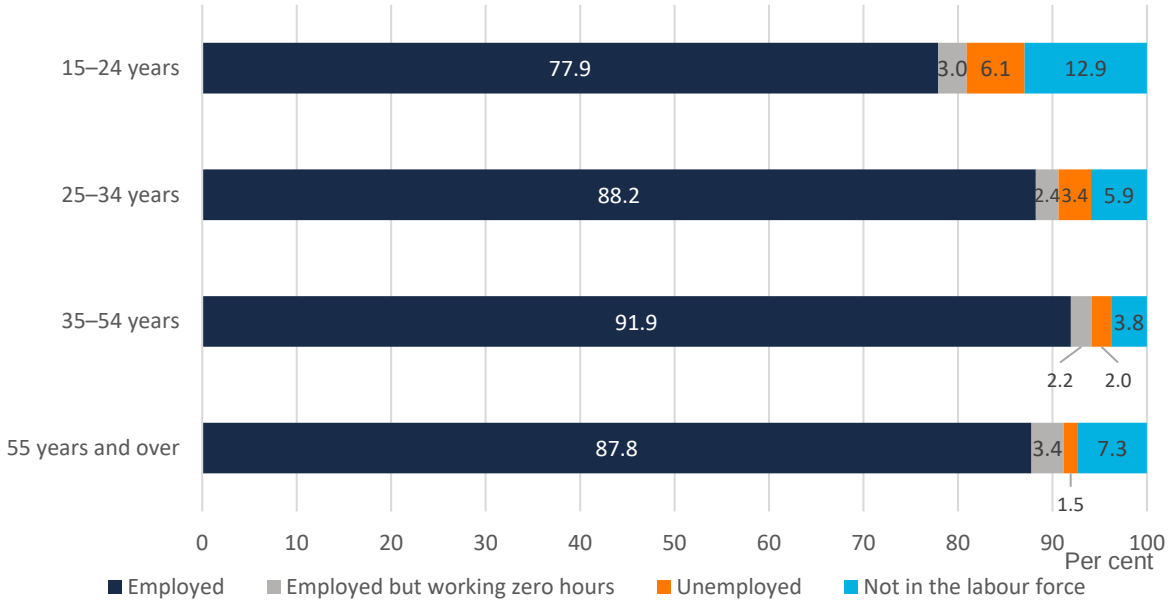
Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

Chart A4: Labour market status in May for those employed in March by full-time/part-time status, 2020



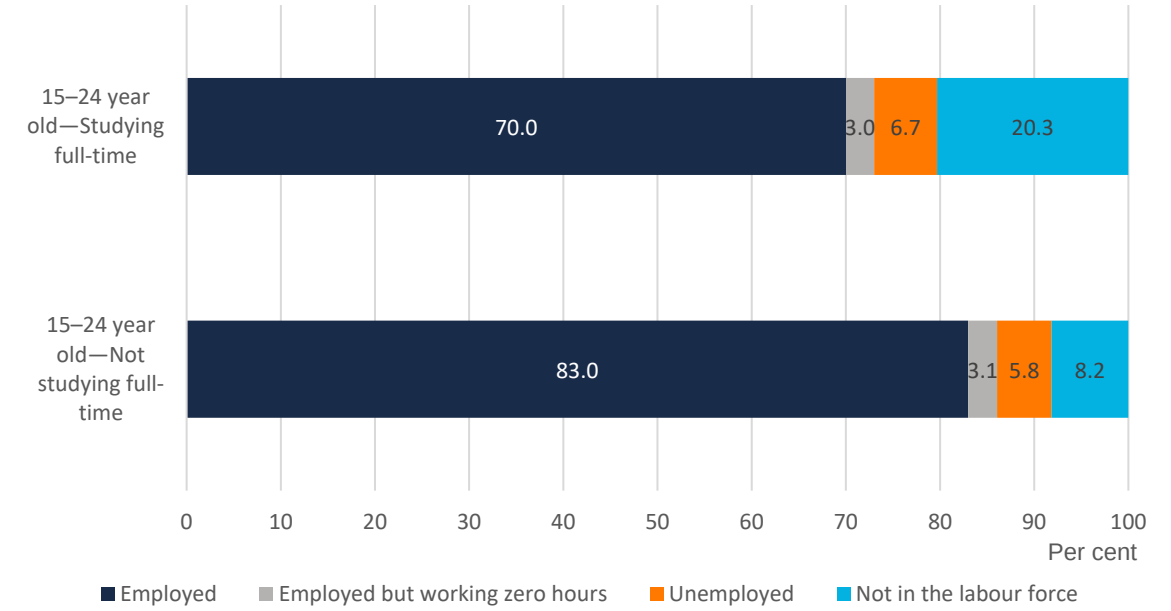
Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

Chart A5: Labour market status in May for those employed in March by age group, 2020



Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

Chart A6: Labour market status in May for those employed in March by study status in March (15–24 year olds), 2020



Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

Table A1: Labour market status in May for those employed in March^ by industry, 2020

	Employed	Employed (zero hours due to economic reasons)	Unemployed	NILF
Agriculture, forestry and fishing	92.4	1.9*	np	4.5
Mining	94.6	np	np	np
Manufacturing	93.3	1.5*	2.4	2.8
Electricity, gas, water and waste services	96.0	np	np	np
Construction	92.1	2.4	2.7	2.9
Wholesale trade	94.6	np	np	2.8
Retail trade	86.4	2.9	3.4	7.3
Accommodation and food services	64.1	6.5	9.1	20.3
Transport, postal and warehousing	82.1	6.2	3.5	8.2
Information media and telecommunications	91.0	4.1	0.0	5.0
Financial and insurance services	97.0	np	np	np
Rental, hiring and real estate services	90.3	np	np	4.7*
Professional, scientific and technical services	94.2	0.7*	2.0	3.1
Administrative and support services	84.0	4.1	4.9	7.0
Public administration and safety	97.0	0.8*	0.8*	1.4*
Education and training	91.4	1.9	1.6	5.1
Health care and social assistance	93.4	1.5	0.9	4.3
Arts and recreation services	59.2	9.2	7.0	24.7
Other services	85.2	5.1	2.8	6.9
All industries	**88.3**	**2.6**	**2.9**	**6.3**

Note: * Relative standard error between 25 and 50 per cent and should be interpreted with caution. Np = not available for publication due to confidentiality. ^ Data on the worker's industry were collected in February.

Source: ABS, Microdata: Longitudinal Labour Force, Australia.

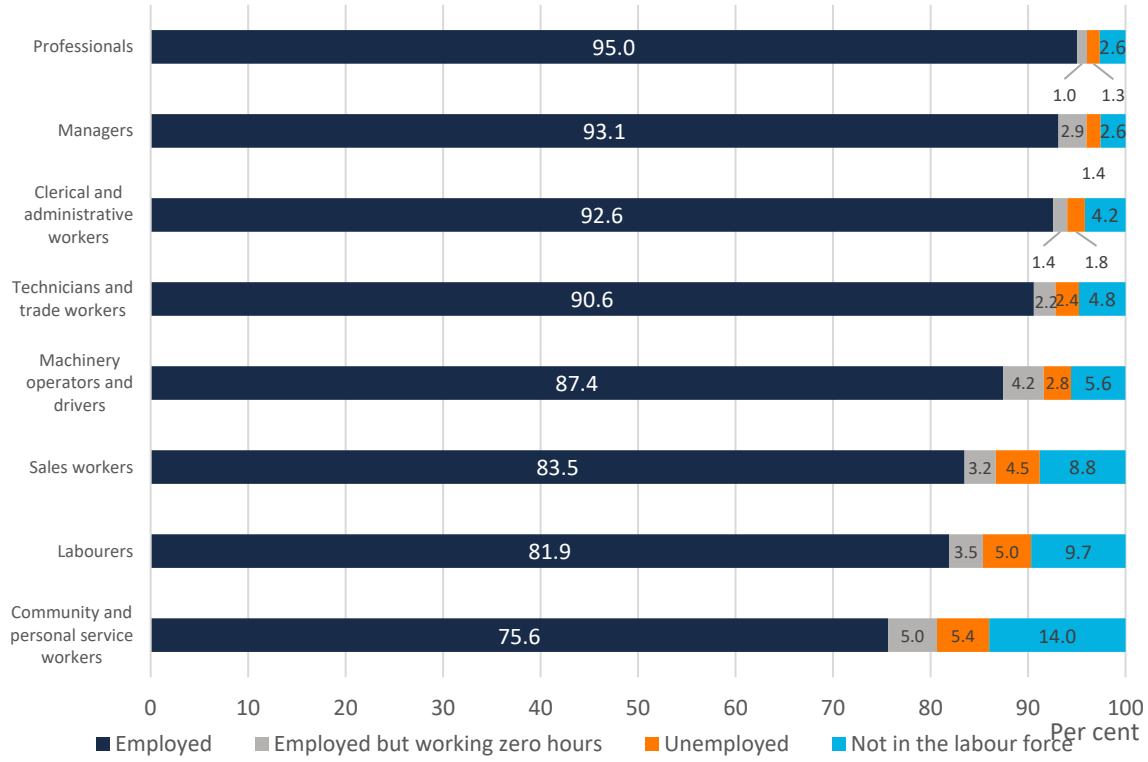
Table A2: Proportion that left work by May for those employed in March, by industry, 2017–2019 and 2020

	2017–2019	2020	Change
	(%)	(%)	(ppt)
Agriculture, forestry and fishing	6.3	7.6	1.3
Mining	5.1	5.4	0.3
Manufacturing	3.0	6.7	3.7
Electricity, gas, water and waste services	2.4	4.0	1.6
Construction	1.3	7.9	6.6
Wholesale trade	3.5	5.4	1.9
Retail trade	2.9	13.6	10.7
Accommodation and food services	3.3	35.9	32.6
Transport, postal and warehousing	5.3	17.9	12.6
Information media and telecommunications	3.5	9.0	5.5
Financial and insurance services	2.7	3.0	0.3
Rental, hiring and real estate services	2.6	9.7	7.1
Professional, scientific and technical services	3.6	5.8	2.2
Administrative and support services	2.4	16.0	13.6
Public administration and safety	4.1	3.0	–1.1
Education and training	2.1	8.6	6.5
Health care and social assistance	2.9	6.6	3.7
Arts and recreation services	2.2	40.8	38.6
Other services	3.3	14.8	11.5
All industries	**3.8**	**11.7**	**7.9**

Note: While transitions measure those employed in March, data on the worker's industry were collected in February.

Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

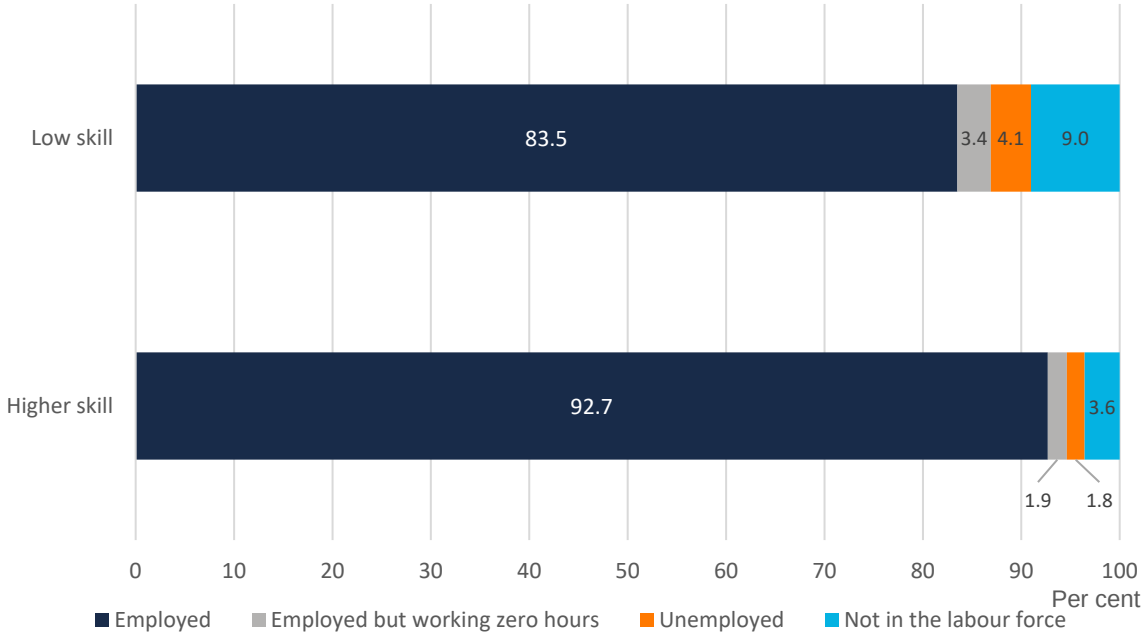
Chart A7: Labour market status in May for those employed in March by occupation, 2020



Note: While transitions measure those employed in March, data on the worker's occupation were collected in February.

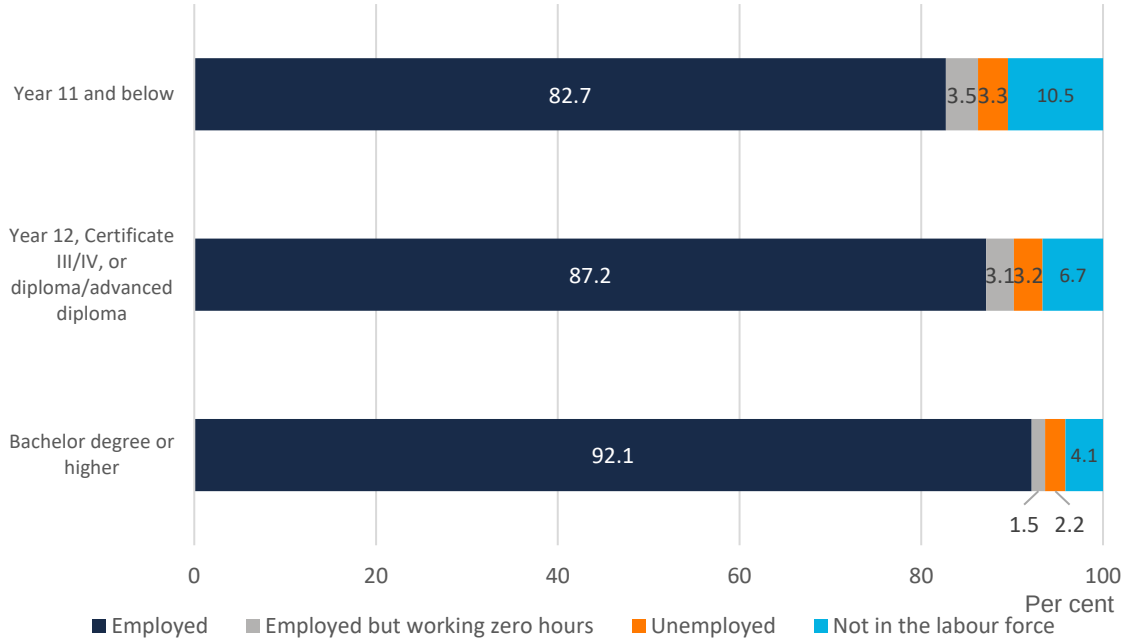
Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

Chart A8: Labour market status in May for those employed in March by skill level, 2020



Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

Chart A9: Labour market status in May for those employed in March by level of highest educational attainment, 2020



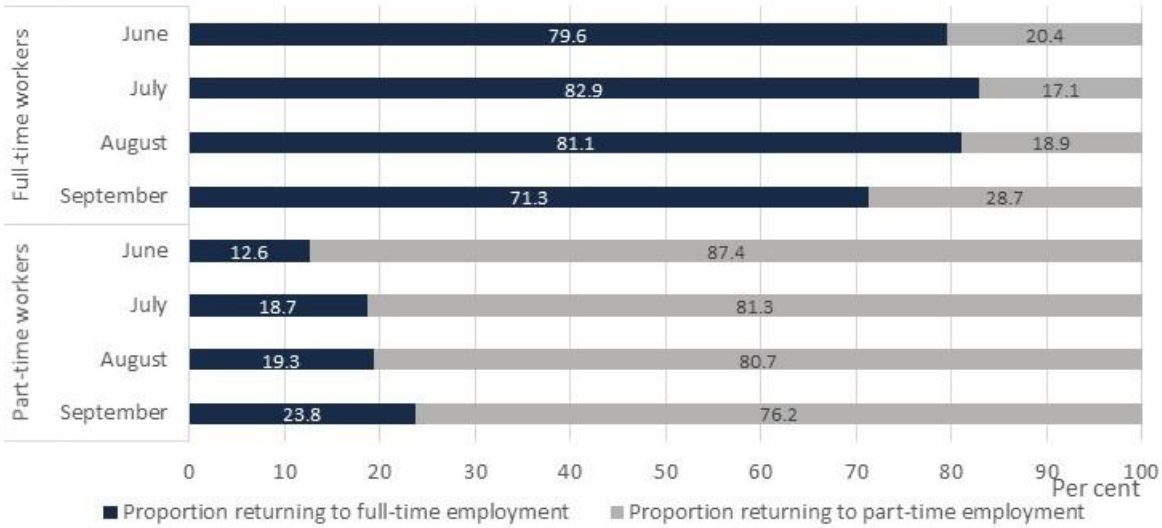
Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

Table A3: P-values from t-tests, Stage 2 analysis by sex, full-time/part-time status, employment type, and skill level

	June	July	August	September
Males and females	0.13	0.11	0.20	0.71
Full-time and part-time workers	0.18	0.88	0.57	0.20
Low-skill and higher skill workers	0.24	0.18	0.31	0.70
Permanent and casual workers	0.47	0.61	0.33	0.67

Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

Chart A10: Proportion that returned to full-time and part-time work for those that left work by May, 2017–2019



Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

Table A4: P-values from t-tests, Stage 2 analysis by sex and whether they have children aged 0 to 14 years

	June	July	August
Male with children aged 0–14 years (base)			
Male with no children aged 0–14 years	0.53	0.53	0.01
Female with no children aged 0–14 years	0.99	0.90	0.29
Female with children aged 0–14 years	0.47	0.48	0.46
Male with no children aged 0–14 years (base)			
Male with children aged 0–14 years	0.53	0.53	0.01
Female with no children aged 0–14 years	0.42	0.51	0.07
Female with children aged 0–14 years	0.10	0.10	0.04
Female with children aged 0–14 years (base)			
Male with no children aged 0–14 years	0.10	0.10	0.04
Male with children aged 0–14 years	0.47	0.48	0.46
Female with no children aged 0–14 years	0.37	0.29	0.75
Female with no children aged 0–14 years (base)			
Male with no children aged 0–14 years	0.42	0.51	0.07
Male with children aged 0–14 years	0.99	0.90	0.29
Female with children aged 0–14 years	0.37	0.29	0.75

Note: Shaded cells highlight t-tests that were significant at a 10 per cent level.

Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

Table A5: P-values from t-tests, Stage 2 analysis by highest level of educational attainment

	June	July	August	September
Bachelor degree or higher (base)				
Year 12, Certificate III/IV, or diploma/advanced diploma	0.01	0.03	0.73	0.67
Year 11 and below	0.82	0.79	0.48	0.25
Year 12, Certificate III/IV, or diploma/advanced diploma (base)				
Bachelor degree or higher	0.01	0.03	0.73	0.67
Year 11 and below	0.01	0.06	0.24	0.36
Year 11 and below (base)				
Bachelor degree or higher	0.82	0.79	0.48	0.25
Year 12, Certificate III/IV, or diploma/advanced diploma	0.01	0.06	0.24	0.36

Note: Shaded cells highlight t-tests that were significant at a 10 per cent level.

Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

Table A6: P-values from t-tests, Stage 2 analysis by age group

	June	July	August
15–24 years (base)			
25–34 years	0.83	0.51	0.36
35–54 years	0.31	0.28	0.98
55 years and over	0.28	0.01	0.04
25–34 years (base)			
15–24 years	0.83	0.51	0.36
35–54 years	0.24	0.76	0.32
55 years and over	0.42	0.08	0.33
35–54 years (base)			
15–24 years	0.31	0.28	0.98
25–34 years	0.24	0.76	0.32
55 years and over	0.03	0.09	0.03
55 years and over (base)			
15–24 years	0.28	0.01	0.04
25–34 years	0.42	0.08	0.33
35–54 years	0.03	0.09	0.03

Note: Shaded cells highlight t-tests that were significant at a 10 per cent level.

Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

Table A7: P-values from t-tests, Stage 2 analysis by industry, August

	Base industry										
	Construction	**Retail trade**	**Accommodation and food services**	**Transport, postal and warehousing**	**Professional, scientific and technical services**	**Administrative and support services**	**Education and training**	**Health care and social assistance**	**Arts and recreation services**	**Other services**	**All other industries**
Construction		0.82	0.09	0.97	0.40	0.51	0.10	0.17	0.08	0.01	0.94
Retail trade	0.82		0.10	0.83	0.49	0.62	0.11	0.20	0.09	0.00	0.83
Accommodation and food services	0.09	0.10		0.06	0.58	0.44	0.81	0.92	0.60	0.06	0.02
Transport, postal and warehousing	0.97	0.83	0.06		0.38	0.50	0.07	0.14	0.06	0.00	0.97
Professional, scientific and technical services	0.40	0.49	0.58	0.38		0.86	0.51	0.68	0.40	0.08	0.35
Administrative and support services	0.51	0.62	0.44	0.50	0.86		0.40	0.55	0.31	0.05	0.47
Education and training	0.10	0.11	0.81	0.07	0.51	0.40		0.78	0.79	0.18	0.04
Health care and social assistance	0.17	0.20	0.92	0.14	0.68	0.55	0.78		0.61	0.11	0.09
Arts and recreation services	0.08	0.09	0.60	0.06	0.40	0.31	0.79	0.61		0.34	0.03
Other services	0.01	0.00	0.06	0.00	0.08	0.05	0.18	0.11	0.34		0.00
All other industries	0.94	0.83	0.02	0.97	0.35	0.47	0.04	0.09	0.03	0.00	

Note: Shaded cells highlight t-tests that were significant at a 10 per cent level.

Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.

Table A8: P-values from t-tests, Stage 2 analysis by occupation, August

	Base occupation							
	Managers	**Professionals**	**Technicians and trade workers**	**Community and personal service workers**	**Clerical and administrative workers**	**Sales workers**	**Machinery operators and drivers**	**Labourers**
Managers		0.19	0.57	0.91	0.15	0.09	0.03	0.63
Professionals	0.19		0.39	0.12	0.80	0.61	0.22	0.30
Technicians and trade workers	0.57	0.39		0.55	0.31	0.20	0.06	0.90
Community and personal service workers	0.91	0.12	0.55		0.10	0.05	0.01	0.62
Clerical and administrative workers	0.15	0.80	0.31	0.10		0.82	0.35	0.23
Sales workers	0.09	0.61	0.20	0.05	0.82		0.46	0.14
Machinery operators and drivers	0.03	0.22	0.06	0.01	0.35	0.46		0.04
Labourers	0.63	0.30	0.90	0.62	0.23	0.14	0.04	

Note: Shaded cells highlight t-tests that were significant at a 10 per cent level.

Source: ABS, *Microdata: Longitudinal Labour Force, Australia*.