

Real jobless rate could reach 30 percent in Australia

Mike Head
22 April 2020

A report by a business and government-backed think tank has effectively undercut efforts by Australian governments to cover up the mass unemployment caused by the coronavirus crisis and its devastating impact, especially on low-paid and casualised workers.

The Grattan Institute report, released on April 19, calls into question the claims of the Liberal-National government and the bipartisan “national cabinet” of state and territory leaders that the government’s unprecedented \$130 billion JobKeeper wage subsidy scheme will keep unemployment down to 10 percent.

Titled *Shutdown: estimating the COVID-19 employment shock*, the report states: “Using our preferred method of estimating the job shock, we estimate that about 3.43 million Australians could be out of work as a result of the response to COVID-19. If all of these people were classified as ‘unemployed’, the unemployment rate would rise to 30.2 percent.” That would be nearly 3.5 million jobless workers.

As the report explains, this reality will be disguised because “not all the people who lose work as a result of COVID-19 will be classed as unemployed.” Some will receive pay from their employer via the JobKeeper program “even if they’re not at work.” Many others will be forced into reduced hours, some will drop out of the workforce and others will not be counted because the official unemployment statistics exclude anyone working as little as an hour a week.

Even so, “the crisis will have an enduring impact on jobs and the economy for years to come. More than half of all workers in the hospitality industry could lose their livelihoods, as will many workers in retail, education, and the arts.”

While saying it is too early to reliably gauge the true figure, the report says its upper estimates would indicate the highest jobless levels “since the Great

Depression in the 1930s.” And there would be no quick turnaround. “History tells us that recovery from periods of high unemployment is rarely fast.”

The report indicates that the pandemic’s impact is exacerbating poverty and social inequality. It states: “Lower-income workers are twice as likely to be out of work as high-income earners. Younger Australians and women are also likely to be hit harder, because they are more likely to work in occupations and industries most affected by the shutdowns.”

According to the report, about 40 percent of low-paid workers—those on less than \$150 a week in personal income—are likely to be thrown out of work. By contrast, people earning more than \$3,000 per week have less than half the risk of losing work.

The lower a person’s income, the more likely their job is at risk. That was “predictable” because industries like hospitality and retail require workers to be in close contact with other people, whereas professional jobs generally usually involve less “proximity to other people and more can be done from home.”

Nearly 40 percent of workers in the hospitality industries, including restaurants and accommodation, were short-term, casual workers who will be ineligible for the JobKeeper program. The “arts and recreation services” industry followed closely behind hospitality.

This will mean widespread impoverishment. The report notes: “Many Australians are poorly placed to support themselves through a substantial period of little or no income.” It cites research showing that “half of working households had less than \$7,000 in the bank before this crisis” and had “5.6 weeks’ income or less in the bank.” Even worse, “a quarter of all working households have less than one weeks’ income in the bank.”

The JobKeeper scheme excludes about 1.1 million

casual workers, international students and 1.4 million foreign workers on temporary visas. Moreover, the payments to employers do not start until next month. Many businesses, particularly smaller ones, will not survive until then. Other employers may keep workers on their books but exploit the scheme to slash their wages to \$1,500 a fortnight—the level of the wage subsidy—and impose deep cuts to conditions, such as leave entitlements and penalty pay rates.

One indicator of the actual lack of employment prospects was that the average number of weekly job posts on the hiring website “Indeed” at the start of April was 50 percent below where it was at the same time in 2019.

Grattan researchers used a range of methods to estimate the size of the “employment shock” and cautioned that the precise magnitude remained unclear, both in Australia and internationally. But even if the JobSeeker wage subsidies hid some of the impact, the official unemployment rate would likely rise to between 10 and 15 percent.

Another report this week gave some idea of the reality behind the JobSeeker scheme. A special survey by the Australian Bureau of Statistics found between the first week of March and the first week of April, nearly 400,000 workers lost their jobs, and three million more lost working hours.

So far, the federal and state governments, Liberal-National and Labor Party like, have handed more than \$325 billion to big business and the banks, including \$130 billion via JobSeeker, since the coronavirus triggered the current crisis. But the Grattan Institute implores governments to go further. The economic shock from COVID-19 “is going to be so big” that more business rescue packages will be needed, although the report makes no specific proposals.

The Grattan report warns that the economic breakdown is not solely a product of the domestic lockdown measures. It notes this month’s IMF World Economic Outlook, which forecasts the global economy to contract by 4.2 percent in 2020, with a 6.7 percent contraction in Australia.

The report states: “Sharp slowdowns in demand among Australia’s major trading partners will sharply reduce demand for Australian exports. For example, the Chinese economy contracted by 6.8 percent in the March quarter of 2020, compared to the same period a

year earlier.

“Economists at the Reserve Bank of Australia have estimated that a 5 percentage point decline in Chinese GDP alone would reduce GDP growth in Australia by up to 2.5 percent. Australia’s other major trading partners are likely to record similarly severe economic contractions in the June quarter of 2020.”

In addition, the prolonged closure of the country’s borders would choke off a large share of Australia’s economic growth in recent years—net overseas migration.

The Grattan report shows why the corporate elite and its political servants in parliament, like their international counterparts, are pushing for a premature return to work, despite the worsening worldwide pandemic. They must seek to extract the cost of the breakdown out of the labour power of workers, and exploit the crisis to accelerate the decades-long assault on social spending and workers’ jobs, wages and conditions.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact