Information note— Industry analysis

26 May 2022

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Introduction

The Annual Wage Review 2019–20 (2019–20 Review) decision grouped industries according to the impact of the COVID-19 pandemic on the prevailing economic conditions experienced at the time. Three clusters were identified: most adversely affected (upper cluster); adversely affected but not to the same degree (central cluster); less affected (lower cluster).[1] As part of the research program for the Annual Wage Review 2020–21 (2020–21 Review), Professor Jeff Borland conducted a series of reports assessing the economic effects of the COVID-19 pandemic (Borland reports). Included in the research was consideration of whether the industry clusters identified in the 2019–20 Review remained relevant a year later.

The Borland reports assessed the economic conditions and performance of each industry. The analysis began at around 1 year into the pandemic, following the easing of government restrictions that had mostly been imposed during 2020. Although industries were again divided into 3 groups, they were defined by a different set of classifications: fully recovered; almost recovered; and lagging recovery.

Following Professor Borland's work, this information note provides a summary of the performance of industries since the 2020–21 Review. The note has been undertaken by staff of the Fair Work Commission and Professor Borland has provided a conclusion to the analysis.

Since the last Review, the Australian economy has been impacted by restrictions during the second half of 2021, predominantly in New South Wales and Victoria, and higher case numbers in early 2022 due to the Omicron variant affecting all states and territories, leading to an increase in the number of people in isolation and unavailable to work. However, the majority of the eligible population has since received at least 2 doses of a vaccine and the risk of further lockdowns is lower due to a changed approach from governments, including reduced isolation restrictions and fewer restrictions on business operations.

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[1] [2020] FWCFB 3500 at [47], [58], [65].

Labour market indicators

The Australian Bureau of Statistics (ABS) data analysed below include changes in the **number of jobs** based on the Weekly Payroll Jobs and Wages series, **employment and hours worked** from the Labour Force Survey, **job vacancies** and wages growth as measured by the **Wage Price Index (WPI)**. Data on job vacancies and the WPI provide additional information on the amount of labour demand within each industry.

The Weekly Payroll Jobs and Wages in Australia series allows for more frequent observations of the impact of the pandemic than the monthly Labour Force Survey. As noted by the ABS, the weekly payroll jobs series can show larger short-term changes than employment in the Labour Force Survey as employees may be away from paid work for a short period without losing their job,[2] while those that had a job but were not paid (on unpaid leave, temporarily stood down without pay, etc.) are considered employed in the Labour Force Survey.

However, comparisons between the datasets can also be influenced by seasonality. The weekly payroll jobs series is impacted by seasonal affects throughout a year (for example, the Christmas and New Year period). Data on employment from the Labour Force Survey are seasonally adjusted to take these factors into account, while hours actually worked is in original terms. This may result in further differences in outcomes between the two series.

Labour market indicators since the last Review show that payroll jobs have increased across most industries (Table 1). As these data are more susceptible to short-term changes, this may reflect temporary absences from work due to the Omicron variant and floods in early 2022. Seasonally adjusted data on employment show that there have been increases across most industries, including in each of the industries in the 'lagging recovery' group. The number of hours actually worked also increased in each of these industries in this period.

Declines were recorded in each indicator for Manufacturing; Agriculture, forestry and fishing; and Other services. These industries were classified in the 'almost recovered' or 'fully recovered' groups in the Borland report, suggesting that conditions other than the pandemic may be influencing these outcomes.

Each indicator increased for Health care and social assistance, Financial and insurance services, Professional, scientific and technical services, Electricity, gas, water and waste services, Public administration and safety,

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[2] ABS, *Weekly Payroll Jobs and Wages in Australia*, Week ending 12 March 2022, Media release.

Administrative and support services, Education and training and Information media and telecommunications in the period.

The ABS stated that the latest data on payroll jobs to the week beginning 16 April 2022 were impacted by the start of the school holidays and the Easter long weekend, which occurred two weeks later than in 2021. While the growth in payroll jobs was lower in early 2022 than in early 2021, the difference reduced over time.

Table 1: Jobs and employment indicators by industry, percentage change

	Payroll jobs	Employment	Hours actually worked
	3 July 2021 to 16 April 2022	May quarter 2021 to February quarter 2022	May quarter 2021 to February quarter 2022
Lagging recovery			
Accommodation and food services	−10.1	1.6	1.1
Transport, postal and warehousing	−1.4	3.8	6.9
Information media and telecommunications	3.2	16.9	17.4
Almost recovered			
Manufacturing	−0.8	−6.1	−7.8
Construction	−2.9	0.1	−1.8
Wholesale trade	0.1	−11.3	−13.8
Education and training	3.0	0.4	0.5
Arts and recreation services	11.2	−11.1	−6.1
Fully recovered			
Agriculture, forestry and fishing	−1.4	−3.8	−3.0
Mining	5.0	−0.4	−0.4
Electricity, gas, water and waste services	0.1	14.1	9.7
Retail trade	0.7	−2.0	−2.2
Financial and insurance services	1.2	14.3	15.4
Rental, hiring and real estate services	−3.3	14.0	6.4
Professional, scientific and technical services	3.1	1.3	4.2
Administrative and support services	1.5	2.1	1.5
Public administration and safety	2.3	2.1	2.9
Health care and social assistance	2.1	9.4	9.6
Other services	−3.9	−3.5	−3.5

Note: Data for payroll jobs and hours actually worked are in original terms. Data on employment are seasonally adjusted. The change in the number of payroll jobs is measured from 3 July 2021 as the data are less likely to be impacted by the transition to STP reporting of small employers from 30 June 2021.

Source: ABS, *Weekly Payroll Jobs and Wages in Australia*, Week ending 16 April 2022; ABS, *Labour Force Survey, Australia, Detailed*, March 2022.

A **job vacancy** is a job available for immediate filling and for which recruitment action has been taken.[3] It therefore indicates a planned increase to the workforce. The **vacancy rate**, measured as the number of vacancies as a proportion of the labour force, accounts for changes in the potential pool of labour supply. At the aggregate level, the job vacancy rate has increased since the beginning of the pandemic, rising from 1.7 per cent in February 2020 to 2.7 per cent in May 2021, and was at a record high of 3.0 per cent in February 2022.[4]

At the industry level, the job vacancy rate is calculated as the number of vacancies as a proportion of total employment *plus* job vacancies. Changes in the vacancy rate since the last Review are presented in Chart 1.[5]

The vacancy rate has increased across most industries since the last Review. The largest increases were in Wholesale trade (1.6 percentage points); Administrative and support services (1.2 percentage points); Manufacturing (1.2 percentage points); and Other services (1.1 percentage points). For two of these industries (Wholesale trade and Manufacturing), this improvement is in contrast to the labour market indicators presented in Table 1.

The increase in the job vacancy rate was also relatively large for Accommodation and food services (0.7 percentage points) in the same period.[6] The ABS noted that while Accommodation and food services has been impacted by the effects of the pandemic and floods, there are more than double the number of job vacancies than prior to the pandemic.[7] This suggests that labour market conditions in the industry may be influenced by other impacts, including a lack of skilled or migrant labour.[8]

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[3] ABS, *Job Vacancies, Australia*, February 2022.

[4] See Fair Work Commission (2022), *Statistical report—Annual Wage Review 2021–22*, Version 5, 5 May, Chart 6.11.

[5] The change in job vacancy rate also takes into account that the job vacancy rate is often higher in some industries than others.

[6] This follows the largest increase between February 2020 and May 2021 of all industries (2.6 percentage points).

[7] ABS (2022), *Payroll jobs growth continues to be slower in 2022*, media release, 12 May.

[8] In 2016, there were around 430 000 people working in Australia on temporary visas. These workers accounted for around 18 per cent of all jobs in food trades and 13 per cent in the hospitality sector. Most of these workers were on either temporary visas for skilled workers or student visas. See Lowe P (2021), *The Labour Market and Monetary Policy*, Speech to the Economic Society of Australia, 8 July.

Financial and insurance services (–0.4 percentage points) and Retail trade (–0.3 percentage points) were the only industries where the job vacancy rate declined between May 2021 and February 2022.

Chart 1: Percentage point change in the job vacancy rate, May 2021 to February 2022

Note: Data on job vacancies by industry are in original terms but the job vacancy rate is constructed using seasonally adjusted employment data. Series does not cover Agriculture, forestry and fishing.

Source: ABS, *Labour Force Survey, Australia, Detailed*, March 2022; ABS, *Job Vacancies, Australia*, February 2022.

The **WPI** measures changes over time in the price of wages and salaries unaffected by changes in the quality or quantity of work performed.[9] Between the June quarter 2021 and the March quarter 2022, growth in the WPI was highest in Information media and telecommunications; Arts and recreation services (both 2.5 per cent); and Rental, hiring and real estate services (2.4 per cent); and lowest in Mining and Electricity, gas, water and waste services (both 1.3 per cent) (Chart 2).

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[9] ABS, *Wage Price Index, Australia methodology*, March 2022.

Chart 2: Percentage change in the Wage Price Index, May 2021 to February 2022
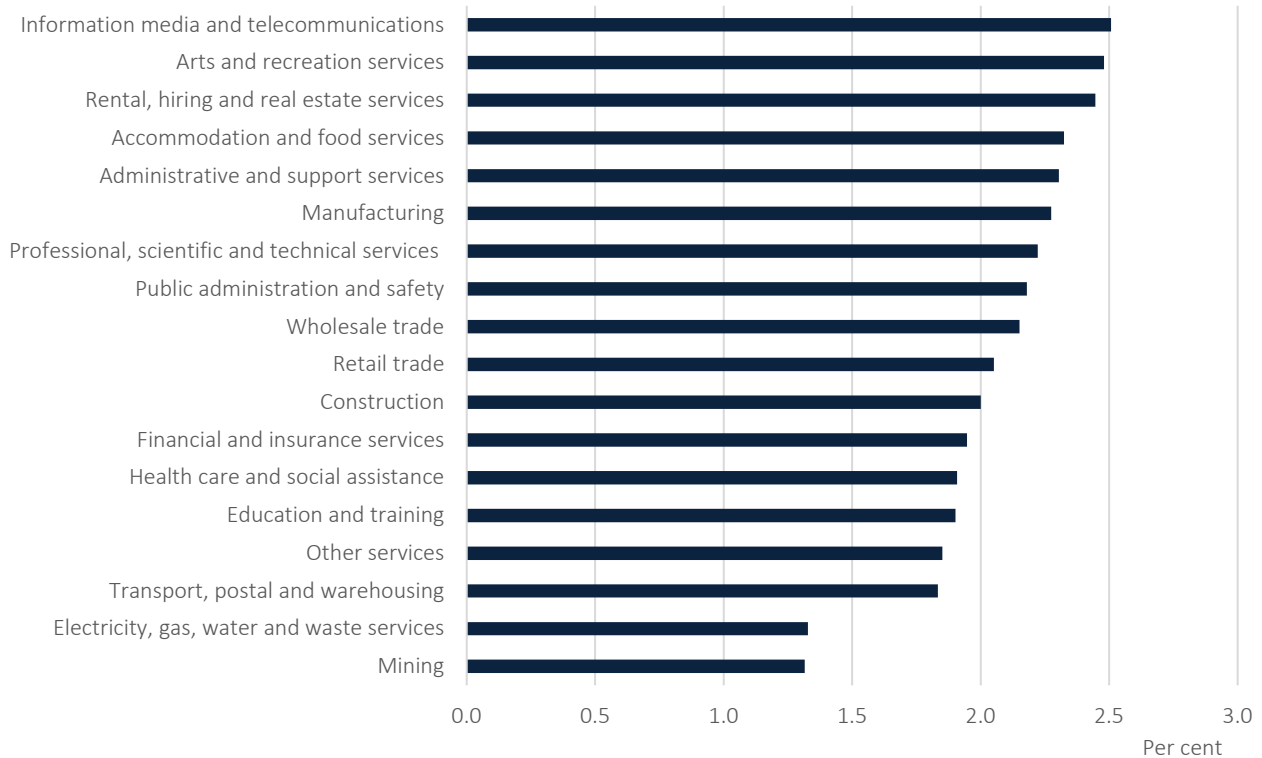
Note: Data are in original terms.

Source: ABS, *Wage Price Index, Australia*, March 2022.

Business performance indicators

The performance of businesses also provides an indication of the conditions in each industry. Similar to the Borland report, this section analyses changes in gross value added (GVA), profits and income of goods and services across industries since the time of the last Review (June quarter 2021 to the December quarter 2021).

Table 2 shows that improvements in GVA and profits occurred across most industries during this time. Declines in each indicator were recorded for Accommodation and food services; Electricity, gas, water and waste services; and Other services.

GVA growth was strongest in Agriculture, forestry and fishing; Professional, scientific and technical services; and Information media and telecommunications. Profit and income growth was highest in Financial and insurance services. Income declined in Manufacturing and Construction, however, profits increased.

Each indicator improved for Retail trade; Financial and insurance services, Rental hiring and real estate services, Professionals, scientific and technical services, and Information media and telecommunications in the period.

Table 2: Business performance indicators by industry, percentage change

	Gross Value Added	Income from goods & services	Company gross operating profits
	June quarter 2021 to December quarter 2021	June quarter 2021 to December quarter 2021	June quarter 2021 to December quarter 2021
Lagging recovery			
Accommodation and food services	−6.1	−5.8	−22.7
Transport, postal and warehousing	−0.3	−4.5	10.8
Information media and telecommunications	4.5	3.6	7.5
Almost recovered			
Manufacturing	0.6	−0.1	35.1
Construction	0.9	−1.8	17.4
Wholesale trade	−2.2	−1.7	2.2
Education and training (private)	0.8	n/a	n/a
Arts and recreation services	1.0	0.6	−3.9
Fully recovered			
Agriculture, forestry and fishing	12.7	n/a	n/a
Mining	0.6	−2.9	0.1
Electricity, gas, water and waste services	−1.0	−4.3	−2.4
Retail trade	3.8	0.9	0.1
Financial and insurance services	2.3	18.6	74.2
Rental, hiring and real estate services	2.3	2.3	19.7
Professional, scientific and technical services	4.7	5.1	18.4
Administrative and support services	3.3	3.3	−36.7
Public administration and safety (private)	2.5	n/a	n/a
Health care and social assistance (private)	3.5	n/a	n/a
Other services	−0.3	−0.4	−2.1

Source: ABS, *Business Indicators, Australia*, December 2021; ABS, *Australian National Accounts, National Income, Expenditure and Product*, December 2021.

Summary and conclusion

Table 3 summarises the outcomes of the labour market and business performance indicators since the last Review. Following the table is a conclusion from Professor Borland that includes a reclassification of the industry clusters accompanied by an explanation.

Table 3: Summary of labour market and business performance indicators by industry

Industry	Summary of data
Lagging recovery	
Accommodation and food services	Payroll jobs and business performance indicators are lower, however employment is higher and the change in the vacancy rate and wages growth are above average
Transport, postal and warehousing	Payroll jobs, GVA and income are lower and wages growth is below average, however employment and profits are higher
Information media and telecommunications	Improvements in both labour market and business performance indicators, although the change in the vacancy rate is below average
Almost recovered	
Manufacturing	Labour market indicators generally show a decline, although the change in the vacancy rate and wages growth is above average and profits have increased
Construction	Payroll jobs and hours worked are lower and employment slightly higher, while profits have increased despite a decline income
Wholesale trade	Labour market indicators generally show a decline except for an above average change in the vacancy rate, profits have increased despite a decline in GVA and income
Education and training	Both labour market and business performance indicators were fairly stable, while wages growth was below average
Arts and recreation services	Payroll jobs are higher and the change in the vacancy rate and wages growth are above average, however employment and profits are lower
Fully recovered	
Agriculture, forestry and fishing	Labour market indicators have declined, although output has increased
Mining	Labour market indicators show improvement except for below average wages growth, income has declined while GVA and profits are slightly higher
Electricity, gas, water and waste services	Labour market indicators show improvement except for below average wages growth, although business indicators are lower
Retail trade	Labour market indicators are lower except for a higher number of payroll jobs, however business performance indicators have improved
Financial and insurance services	Labour market indicators have generally improved except for the vacancy rate, business performance indicators also show improvement
Rental, hiring and real estate services	Payroll jobs are lower, however employment, hours worked, above average wages growth and business performance indicators suggest improvement
Professional, scientific and technical services	Improvements in both labour market and business performance indicators
Administrative and support services	Labour market indicators show improvement as do most business performance indicators, although profits are lower
Public administration and safety	Improvements in both labour market and business performance indicators
Health care and social assistance	Labour market indicators show improvement except for below average wages growth, business performance indicators also suggest improvement
Other services	Labour market indicators are generally lower except for the change in vacancy rate, business performance indicators are also lower

Conclusion of Professor Borland

In my final report for the Annual Wage Review 2020-21 (Borland, 2021) I adopted nomenclature and associated definitions for classifying industries based on the impact of COVID-19 as of April 2021:

- **Fully recovered**: Industries where the number of jobs and activity has recovered to now be at or above the level prior to the onset of COVID-19;

- **Almost recovered**: Industries where the number of jobs and economic activity remain marginally below the level prior to the onset of COVID-19 (in the case of jobs, 1 to 2 per cent below the level prior to COVID); and

- **Lagging recovery**: Industries where the number of jobs and economic activity has not fully recovered or has progressively decreased to now be below the level prior to the onset of COVID-19 by a significant amount (in the case of jobs, 5 to 10 per cent below the level prior to COVID-19).

Having reviewed my previous report, the data presented in the preceding sections of this this report and made my own investigation of those data, my revised recommended classification of industries into the same set of clusters as of May 2022 is:

Table 4: Revised industry classifications

Lagging recovery:	Transport, postal and warehousing	
Almost recovered:	Accommodation and food services Wholesale trade	
Fully recovered:	Agriculture, forestry and fishing	Rental, hiring and real estate services
	Mining	Professional, technical and scientific services
	Manufacturing	Administrative support services
	Electricity, gas, water and waste services	Public administration and safety
	Construction	Education and training
	Retail trade	Health care and social assistance
	Information media and telecommunications	Arts and recreation services
	Finance and insurance services	Other services

Table 5 presents a summary of information on changes in industry-level labour market outcomes (number of filled jobs and vacancy rate) and GVA from prior to COVID-19 to the most recent time period for which those data are available. Table 6 presents my recommendations on the classification of industries into the three clusters; and supporting discussion. Note that the comparison I am making to determine the extent of

recovery is current outcomes against outcomes immediately prior to COVID-19. With a bit over two years now having elapsed since the onset of COVID-19, it is important to be aware that other factors are also likely to be affecting industry-level outcomes, such as longer-run structural change in the industry composition of output and employment. Hence what I refer to as the extent of recovery from COVID-19 will reflect whether outcomes are still being affected by COVID-19-related factors but also other influences on the economy and labour market.

Table 5: Per cent changes in number of jobs, employment and GVA, by industry

	Number of filled jobs	Vacancy rate	Gross Value Added
	14 March 2020 to 16 April 2022	March quarter 2020 to December quarter 2021	March quarter 2020 to December quarter 2021
Agriculture, forestry and fishing	+4.5	+0.4	+49.5
Mining	+8.3	+1.3	−1.8
Manufacturing	−3.9	+1.9	+1.1
Electricity, gas, water and waste services	+6.4	+1.2	−0.8
Construction	+3.7	+1.3	+1.7
Wholesale trade	−2.2	+0.9	+5.3
Retail trade	+2.7	+0.7	+8.5
Accommodation and food services	−12.5	+2.3	−4.1
Transport, postal and warehousing	−7.3	+0.9	−6.0
Information media and telecommunications	0.0	+0.9	+7.9
Finance and insurance services	+6.6	+1.4	+5.0
Rental, hiring and real estate	−2.9	+1.8	+6.4
Professional, technical and scientific services	+9.0	+1.0	+5.7
Administrative and support services	+5.5	+0.5	−2.1
Public administration and safety	+3.3	+0.5	+5.1
Education and training	+3.6	+0.4	+2.1
Health care and social assistance	+11.9	+1.3	+10.5
Arts and recreation services	+7.2	+1.5	−0.3
Other services	+0.2	+1.0	+2.6
Total	**+4.8**	**+1.1**	**+4.0**

Sources: Number of jobs: ABS, *Weekly Payroll Jobs and Wages, Australia*, Week ending 16 April 2022, Table 4; Vacancy rate: ABS, *Labour Accounts, Australia*, Industry Summary Table; GVA: ABS, *Australian National Accounts: National Income, Expenditure and Product*, Table 6.
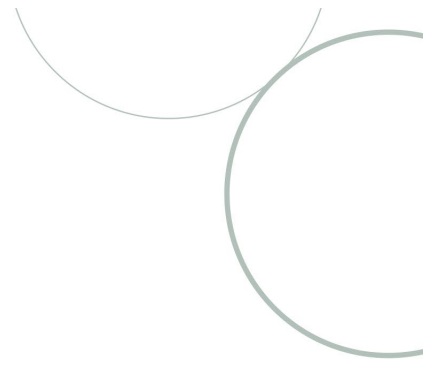
Table 6: Explanations of the classification of industries into clusters

Industry	Discussion of classification
Agriculture, forestry and fishing	Recommendation: Remain in fully recovered cluster. Number of filled jobs and GVA are above levels prior to COVID-19. Vacancy rate has increased.
Mining	Recommendation: Remain in fully recovered cluster. Number of filled jobs above level prior to COVID-19 and vacancy rate has increased. GVA slightly lower but not enough to warrant change in status.
Manufacturing	Recommendation: Shift to fully recovered cluster. Number of filled jobs is below level prior to COVID-19 but vacancy rate is higher. Labour Accounts data on total jobs (filled plus vacancies; March quarter 2020 to December quarter 2021) indicates an increase of 4 per cent relate to prior to COVID-19. GVA is above level prior to COVID-19.
Electricity, gas, water and waste services	Recommendation: Remain in fully recovered cluster. Number of filled jobs and vacancy rate are well above levels prior to COVID-19. GVA slightly lower but not enough to warrant change in status.
Construction	Recommendation: Shift to fully recovered cluster. Number of filled jobs and GVA are above levels prior to COVID-19. Vacancy rate has increased.
Wholesale trade	Recommendation: Remain in almost recovered cluster. Number of filled jobs remains below levels prior to COVID-19. Although vacancy rate is above level prior to COVID-19, Labour Accounts data on total jobs (filled plus vacancies; March quarter 2020 to December quarter 2021) indicates a decrease of 6 per cent relative to prior to COVID-19. GVA above level prior to COVID-19.
Retail trade	Recommendation: Remain in fully recovered cluster. Number of filled jobs and vacancy rate are above levels prior to COVID-19. GVA well above level prior to COVID-19.
Accommodation and food services	Recommendation: Shift to almost recovered cluster. Number of filled jobs is below level prior to COVID-19 but vacancy rate is higher. Labour Accounts data on total jobs (filled plus vacancies; March quarter 2020 to December quarter 2021) indicates an increase of 3.6 per cent relate to prior to COVID-19. GVA remains below level prior to COVID-19.
Transport, postal and warehousing	Recommendation: Remain in lagging recovery cluster. Number of jobs filled remains 7.3 per cent below prior to COVID-19. Although vacancy rate is higher, Labour Accounts data on total jobs (filled plus vacancies; March quarter 2020 to December quarter 2021) indicates a decrease of 2.0 per cent relate to prior to COVID-19. GVA remains below level prior to COVID-19.
Information media and telecommunications	Recommendation: Shift to fully recovered cluster. Number of jobs at level prior to COVD-19 and vacancy rate is higher. GVA is above level prior to COVID-19.
Finance and insurance services	Recommendation: Remain in fully recovered cluster. Number of jobs above level prior to COVD-19 and vacancy rate is higher. GVA is above level prior to COVID-19.

Industry	Discussion of classification
Rental, hiring and real estate	Recommendation: Shift to fully recovered cluster. Number of filled jobs is below level prior to COVID-19 but vacancy rate is higher. Labour Accounts data on total jobs (filled plus vacancies; March quarter 2020 to December quarter 2021) indicates an increase of 4 per cent relate to prior to COVID-19. GVA is above level prior to COVID-19.
Professional, technical and scientific services	Recommendation: Remain in fully recovered cluster. Number of jobs above level prior to COVD-19 and vacancy rate is higher. GVA is above level prior to COVID-19.
Administrative and support services	Recommendation: Remain in fully recovered cluster. Number of filled jobs above level prior to COVID-19 and vacancy rate has increased. GVA slightly lower but not enough to warrant change in status.
Public administration and safety	Recommendation: Remain in fully recovered cluster. Number of filled jobs above level prior to COVID-19 and vacancy rate has increased. GVA is above level prior to COVID-19.
Education and training	Recommendation: Shift to fully recovered cluster. Number of filled jobs above level prior to COVID-19 and vacancy rate has increased. GVA is above level prior to COVID-19.
Health care and social assistance	Recommendation: Remain in fully recovered cluster. Number of filled jobs well above level prior to COVID-19 and vacancy rate has increased. GVA is well above level prior to COVID-19.
Arts and recreation services	Recommendation: Shift to fully recovered cluster. Number of filled jobs above level prior to COVID-19 and vacancy rate has increased. GVA slightly lower but not enough to warrant change in status.
Other services	Recommendation: Remain in fully recovered cluster. Number of jobs above level prior to COVD-19 and vacancy rate is higher. GVA is above level prior to COVID-19.