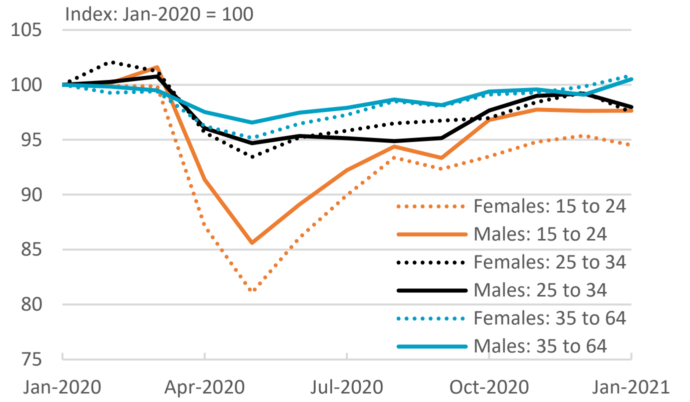
ASFA Economic Snapshot: week ending 12 March

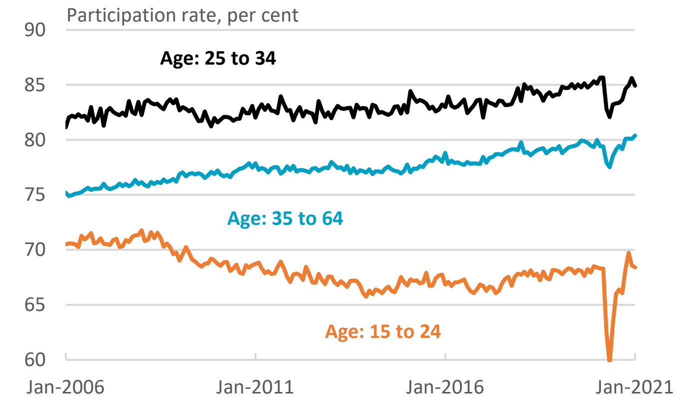
This is a weekly update on the impact of the COVID-19 pandemic on financial and economic conditions, in Australia and globally, and government policy measures to support economic activity and employment.

The crisis hit employment more for younger age groups



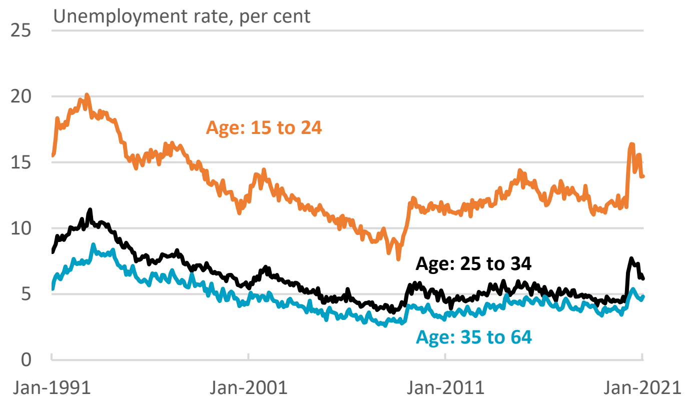
This chart shows the impact of the crisis on employment. While employment for those aged 35 to 64 is back at pre-crisis levels, employment among younger age groups is still lower – particularly for young women. Initially, the crisis hit hardest in sectors in which women are disproportionately employed, such as in retail and the arts.

Participation is back to pre-crisis levels



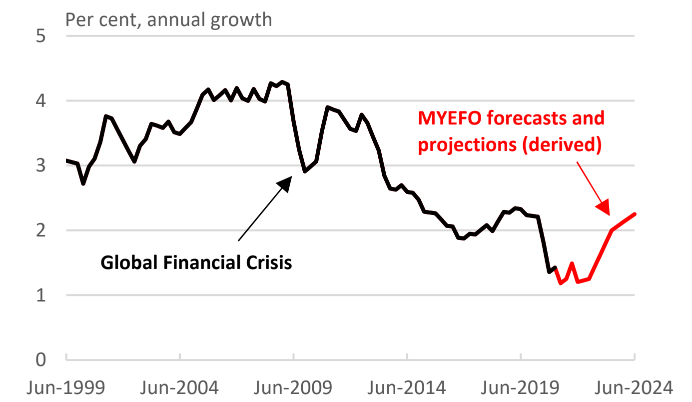
The participation rate is the share of people aged 15+ who are in the labour force (employed or seeking work). The path for participation in the crisis largely reflects people who lost their job dropping-out of the labour force, and then returning as conditions improve. Some people have entered the labour force for the first time, notably school leavers.

Unemployment rates still elevated for younger ages



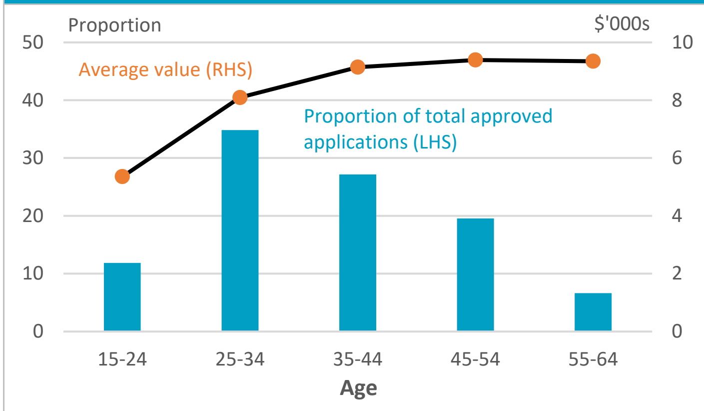
Unemployed people are those who do not have a job and are seeking work. A long-standing feature of the labour market is higher rates of unemployment in younger age groups. With respect to the crisis, for those aged 15 to 24 in particular, lower employment coupled with (now) higher participation is reflected in elevated unemployment.

Wage growth is expected to remain low



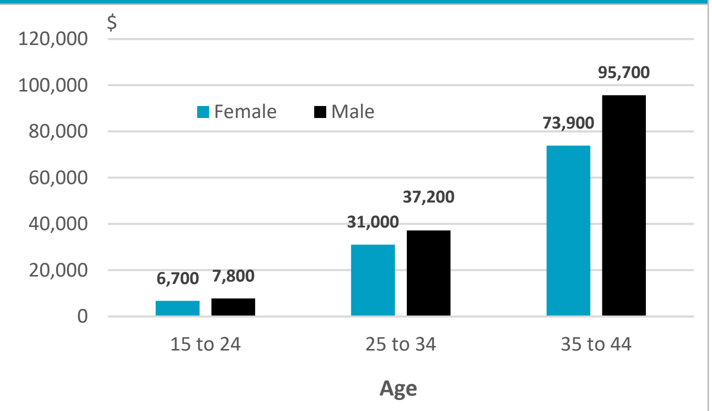
The Wage Price Index incorporates the wage rates for about 18,000 jobs. In terms of annual growth, outcomes have been trending down for about 10 years – and have fallen sharply during the crisis. For those who will be employed in the future, the most recent government forecasts suggest that wage growth will remain low for some time.

Many younger people accessed their super …



The COVID early release of superannuation program allowed eligible applicants to withdraw up to $10,000 from 20 April to 30 June 2020, and up to $10,000 in the following six months.* This chart shows that the largest proportion of approvals was for the 25-to-34 age group, with an average approved amount of around $8,100. For those aged 15 to 24, the average approved amount was around $5,400.**

… but could least afford to do so



This chart shows average super balances before the crisis.*** Panel 5 suggests that, on average, withdrawals by young people represented a large share of initial balances. More broadly, about 160,000 accounts were emptied, and more than 1 million were left with less than $1,000. For young people in particular, employment and wages data (above) suggest a challenging environment ahead for rebuilding balances.

Sources for each panel: (1 to 4) ABS, *Labour Force,* January 2021; (5) ATO, *Demographic data*; (6) ATO, *Taxation Statistics 2017-18.* * Initially, the COVID-19 early release of super program was from 20 April 2020 to 30 June 2020, but was extended to 31 December 2020. Applicants were able to withdraw a maximum of $10,000 in each financial year. ** The withdrawal data is for the period until 26 July 2020. *** The balance data is for the end of the 2017-18 financial year.