



Contents

AUSTRALIAN JOURNAL OF LABOUR ECONOMICS
Volume 23 • Number 2 • 2020

- From the Managing Editor
Phil Lewis
- 99 JobKeeper: The efficacy of Australia's first short-time wage subsidy
Rebecca Cassells and Alan Duncan
- 129 Early estimates of the impact of COVID-19 disruptions on jobs, wages, and lifetime earnings of schoolchildren in Australia
Gigi Foster
- 153 Measuring the impacts of COVID-19 on job postings in Australia using a reweighting-estimation-transformation approach
Kailing Shen and Bledi Taska
- 173 Scarring effects: A review of Australian and international literature
Jeff Borland
- 189 How might COVID-19 affect the Indigenous labour market?
Yonatan Dinku, Boyd Hunter and Francis Markham
- 211 The urgent need for tax reform in Australia in the COVID-19 world
Tristram Sainsbury and Robert Breunig
- 231 The Proposed Job-ready Graduate Package: a misguided arrow missing its target
Anne Daly and Phil Lewis

© 2020 THE CENTRE FOR LABOUR MARKET RESEARCH
ISSN 1328-1143

Also available from INFORMIT LIBRARY at: <http://search.informit.com.au>
and PROQUEST LIBRARY at: <http://www.proquest.com>

From the Managing Editor

Welcome to the second issue of the *Australian Journal of Labour Economics* (AJLE) for 2020. This year Australia, like every country in the world has experienced one of the biggest shocks to its economy due to the COVID-19 pandemic with enormous impacts on the labour market. Given its importance we have made this issue of AJLE a Special Issue devoted to the effects of COVID-19 on the Australian labour market. This issue covers different aspects of the topic, including the impacts on jobs, policies to reduce unemployment such as JobKeeper, the long-run effects on jobseekers through scarring and the particular impacts on Indigenous Australians. Finally, certain policies which have been proposed to aid recovery of the economy, such as taxation reform and education reform are discussed.

The paper by Rebecca Cassells and Alan Duncan, of the Bankwest Curtin Economics Centre, examines the effectiveness of the JobKeeper program. This analysis provides some important lessons not only for future wage subsidy schemes that are used in similar emergency circumstances, but also in the context of the likelihood of further iterations of the scheme. They point out that while one of the primary goals of JobKeeper was to retain the employer-employee match, enabling businesses to reopen rapidly without having to recruit and train employees, the exclusion of so many workers undermined the ability of the program to achieve this overarching objective. This is particularly relevant within the most affected industries in the service sector, where a critical mass of excluded workers is employed. It is suggested that a better solution for any future emergency wage subsidy would be to keep as many workers in scope as possible.

Gigi Foster, of the University of New South Wales, examines the effects the COVID-19 disruptions has had on Australia's present and future labour force. She finds that the COVID-19 lockdowns have disproportionately affected both jobs and wages in certain industries and have been regressive in their substantially different impacts on workers of different ages. Mid-life workers have been by far the least affected and young workers are disproportionately likely to have dropped out of the labour force. An interesting feature of the paper is the estimation of lifetime losses in income of students as a result of school closures which occurred because of the permanent loss of human capital of school students.

Kailing Shen, of the Australian National University and Bledi Taska, of Burning Glass Technologies (BGT), adopt a novel estimation technique to a data set not usually seen in the labour economics literature. They use data from BGT on job postings to estimate trends in labour demand immediately following the COVID-19 restrictions and in July 2020. Interestingly, they find that the overall labour demand in Australia reached its lowest point in May 2020 but by July it had slowly recovered. Their results also suggest that the impacts of the pandemic are relatively evenly distributed across skill levels, but vary substantially across states, industries and occupations. The results suggest that skill-targeted policies might not be as effective as policies targeted at the state and industry levels to facilitate economic recovery.

The paper by Jeff Borland, of Melbourne University, discusses the effect of ‘scarring’ due to the huge rise in unemployment, particularly among younger workers, as a result of COVID-19. It is well-known in the labour economics and macroeconomic literature that shocks to the economy have lasting effects on some workers’ employment prospects and are not simply reversed when the economy recovers. Jeff does an excellent job explaining the phenomenon, examining the literature and summarising the empirical evidence. From this he draws the conclusion that scarring is going to be a serious consequence of the current employment downturn and suggests policies to ease the long-run deleterious effects on workers.

Yonatan Dinku, Boyd Hunter and Francis Markham, of the Australian National University, examine the short-run and longer-term impacts of the COVID-19 shock on Indigenous Australians. While previous research has indicated the impact of macroeconomic shocks on the Indigenous labour force is limited, their paper suggests that the impacts are significant. Most of the paper is devoted to the impacts on employment in the longer term and they find that may be far more important than the short-run effects. They propose that the COVID-19 economic shock could unwind the labour market gains in closing the gaps between Indigenous and non-Indigenous Australians. This suggests the need for a more radical approach to Indigenous economic policy that takes into account persistent issues such as long-term social exclusion and discrimination.

Tristram Sainsbury and Robert Breunig, of the Tax and Transfer Policy Institute at ANU, make a contribution to the policy debate on how the economy can best recover after the health problems of COVID-19 have been tackled. Politicians and commentators have expressed the need for economic reforms if Australia is going to achieve the economic growth necessary to recover. The authors look specifically at Australia’s tax system and whether it is ‘fit for purpose’ to achieve good economic outcomes. They find that outcomes arising from the current tax system violate the core, broadly agreed upon, tax design principles of equity, efficiency, and simplicity. They put forward a case for comprehensive, structural tax reform to be a central plank in efforts to manage the post-COVID-19 Australian economy.

The final paper by Anne Daly and myself, of the Centre for Labour Market Research at the University of Canberra, looks at a post-recovery policy proposed by the Federal Minister for Education, Dan Tehan, to gear Australia’s University student choice of subjects to areas deemed to be relevant to demands of the labour market. The main feature of the proposals was the considerable raising of fees for subjects not considered providing ‘job-ready’ outcomes while reducing those for subjects that are. While the proposals will no doubt be amended, or even voted down in the Senate, by the time of publication, the fundamentals of the analysis still hold. The paper draws on evidence of employment patterns of new graduates and established graduates in the Australian labour market to assess the economic argument that certain degree disciplines are more ‘job ready’ than others; the rationale behind ‘picking winners’; and the economic case for the proposed funding structure. It concludes that the ideas behind any variant of the proposals are misconceived.

A lot of work has gone into this Special Issue of AJLE, not least by the contributing authors, who deserve thanks for delivering their excellent papers in a

timely fashion. I would also like to thank the co-editors, particularly Anne Daly, Mike Dockery and Boyd Hunter who provided me with exceptional support in the editorial process. Finally, this issue could not have come to fruition without the excellent support of the AJLE's editorial assistant, Sandie Rawnsley. I give her special thanks for her splendid work on the issue.

Phil Lewis
Managing Editor