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Research Insights

Who's hit hardest by the economic effects of COVID-19?

Evidence from the Household, Income and Labour Dynamics in Australia (HILDA) Survey on the characteristics of people likely to be experiencing the worst economic effects of COVID-19.

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The industries hit the hardest

All Australians have, to some extent, been adversely affected by the COVID-19 pandemic, but the economic effects have not been uniformly felt. People directly reliant on incomes from industries that have been prohibited from operating or severely constrained in their operations have been most adversely impacted – despite fiscal measures such as the broadened JobSeeker Payment, the Coronavirus Supplement and the JobKeeper Payment.

In this Research Insight, the latest Household, Income and Labour Dynamics in Australia (HILDA) Survey data is used to examine the characteristics and circumstances of individuals and households likely to have been worst hit based on their industry of employment.* To investigate this issue, two categories of affected industries are distinguished.

1. **Directly adversely affected industries**, which were largely forced to cease operations as a result of public health measures. These comprise: Food and Beverage Services; Air and Space Transport; Heritage Activities; Creative and Performing Arts Activities; Sports and Recreation Activities; and Gambling Activities.

2. **Secondarily adversely affected industries,** which, while able to continue operating, experienced precipitous declines in business. These comprise: Textile, Leather, Clothing and Footwear Manufacturing; Furniture and Other Manufacturing; Motor Vehicle and Motor Vehicle Parts Wholesaling; Motor Vehicle and Motor Vehicle Parts Retailing; Fuel Retailing; Other Store-Based Retailing; Accommodation; Rental and Hiring Services (except Real Estate); Property Operators and Real Estate Services; Administrative Services; Tertiary Education; Adult, Community and Other Education; Social Assistance Services; and Personal and Other Services.

Key Insights

How many work in the worst-affected industries?

1 28 per cent of the workforce are in affected industries

Just over one million people were employed in directly adversely impacted industries in 2018, while just over 2.5 million were employed in secondarily adversely affected industries. Short-term casual employees in these two industry groups comprise approximately half a million workers. In total, approximately 3.5 million workers, or 28.0 per cent of all workers, work in the adversely affected industries.

Table 1 presents HILDA Survey estimates for 2018 of the number of workers in each industry grouping. The number employed on a casual basis, and the number employed on a casual basis who had been with their employer less than 12 months (and who would therefore be ineligible for JobKeeper Payment), are also identified for each grouping.

Characteristics of worst-affected workers

2 Women and young people disproportionally affected

Table 2 examines the characteristics of individuals by industry category of employment, as well as also presenting characteristics of non-employed people aged 15 to 66. It shows that women are somewhat more exposed to the adversely affected industries than men. They represent 53.4 per cent of people employed in directly adversely affected industries and 64.5 per cent of workers in secondarily adversely affected industries.

Young people are more exposed to the directly adversely affected industries, with people aged 15 to 24 representing over half of all workers in these industries. They also tend to be slightly over-represented in secondarily adversely affected industries.

*Of course, adverse economic effects are being felt in most parts of the economy. It should also be noted that government policy responses to the pandemic mean that many of those identified here may not in fact be the worst-affected. Most important in this regard is the JobKeeper Payment legislated on 8 April 2020, which provides $1,500 per fortnight for workers in eligible businesses that have experienced a substantial decline in turnover (15% for charitable organisations, 30% for businesses with annual turnover of less than $1 billion, and 50% for other businesses). Many workers in the worst-affected industries will have qualified for this payment. At the same time, many workers will have lost jobs from employers who do not meet the JobKeeper Payment eligibility criteria, and may have been working in industries other than those identified here.

Table 1: HILDA Survey estimates of the number of workers employed in the industries most impacted by COVID-19, 2018

	Number	Percentage of all employed persons
Directly adversely affected industries		
All employed	1,009,431	8.0
Casual	571,902	4.6
Short-term casual	239,990	1.9
Secondarily adversely affected industries		
All employed	2,513,943	20.0
Casual	628,377	5.0
Short-term casual	265,169	2.1
All negatively impacted	3,523,374	28.0

Table 2: Characteristics of workers by type and level of exposure to economic impact of COVID-19, 2018

	Directly adversely affected industries	Secondarily adversely affected industries	All other industries	Non-employed people aged 15-66
Female (%)	53.4	64.5	42.5	58.3
Age group (%)				
15-24	51.9	22.2	12.0	25.8
25-34	19.1	21.9	25.0	16.0
35-44	11.7	19.5	24.5	12.2
45-54	9.3	20.8	22.3	13.2
55-66	8.0	15.6	16.2	32.9
Total	100.0	100.0	100.0	100.0
Family relationship in household (%)				
Couple	14.4	21.0	21.5	21.4
Couple parent	17.9	35.9	45.5	26.3
Single parent	2.7	7.4	4.8	9.3
Child (Dependent or nondependent)	48.4	21.7	14.0	27.7
Single person (not living with parents)	16.7	14.0	14.2	15.3
Total	100.0	100.0	100.0	100.0
Region of residence (%)				
Major urban	71.3	66.6	68.2	60.4
Other urban	15.6	18.4	15.8	23.8
Non-urban region	13.1	15.0	15.9	15.8
Total	100.0	100.0	100.0	100.0
Mean SEIFA decile	5.9	6.1	6.1	5.1
Educational attainment (%)				
Bachelor's degree or higher	16.4	30.4	38.6	16.5
Other post-school qualification	25.4	35.3	33.1	29.5
Completed high school	33.5	21.3	15.4	17.1
Less than high school completion	24.8	12.9	12.8	37.0
Total	100.0	100.0	100.0	100.0
Mean weekly wage ($, December 2018 prices)	654	1,008	1,433	-
Mean hourly wage ($, December 2018 prices)	25.15	31.76	38.68	-

3 People living with their parents are the most exposed, but many couples with children are also vulnerable

Looking at the family situation of vulnerable workers – that is, workers in the most exposed industries – unsurprisingly a high proportion of those directly affected (48.4 per cent) are children (both dependent and nondependent) living with their parents. Significantly, however, the proportion of those in secondarily affected industries who are members of a couple with children is, at 35.9 per cent, quite high. Nonetheless, couples with children are disproportionately found in the industries less affected by COVID-19, accounting for 45.5 per cent of workers in these industries.

4 Effects are being felt right across Australia

Region of residence is similarly distributed for workers in adversely affected industries as for workers in other industries, reflecting the widespread reach of the shutdown across all of Australia. That said, workers in directly adversely affected industries are slightly more likely to live in major urban areas, and slightly less likely to live in non-urban regions, than workers in other industries: 71.3 per cent of workers in directly adversely affected industries live in major urban areas and 13.1 per cent live in non-urban regions, compared with 68.2 per cent and 15.9 per cent, respectively, of workers in the less-affected industries.

Workers in directly adversely affected industries tend to live in slightly less socio-economically advantaged regions (as measured by the index of relative socio-economic advantage/disadvantage (SEIFA) decile of the region constructed by the Australian Bureau of Statistics) than workers in either the secondarily adversely affected industries and workers in the less-affected industries. The mean decile is 5.9 for workers in directly adversely affected industries (meaning, on average, 59 per cent of the population lives in less well-off regions and 41 per cent lives in better-off regions), compared with 6.1 for other workers.

5 Lower-skilled workers more exposed

In part, reflecting the young age of many workers in directly adversely affected industries, they tend to have low educational attainment. Nearly 60 per cent of these workers have no post-school qualifications, compared with 34 per cent of workers in secondarily adversely affected workers and 28 per cent of workers in the other (less-affected) industries.

Finally, we see that workers in the adversely affected industries have lower average wages than workers in other industries, with workers in *directly* adversely affected industries having particularly low average wages.

Characteristics of people in worst-affected households

6 Workers most affected are often not the main household breadwinner

In Table 3, attention is switched to people who are in vulnerable households, based on the household's dependence for its income on affected industries. Under this approach, a person is in a vulnerable household if the highest earner in the household is employed in adversely affected industries.

Similar to Table 2, the distinction is drawn between households in which the main earner is employed in a directly adversely affected industry and households in which the main earner is employed in a secondarily adversely affected industry. For comparison purposes, the table also presents the characteristics of individuals in households in which the main earner is employed in any other industry.

Here we see that approximately 645,000 people aged 15 to 66 are in directly vulnerable households, and a further 2.3 million are in secondarily vulnerable households, while 11.8 million people aged 15 to 66 are in other employed households. Thus, the number of people employed in directly adversely affected industries is actually considerably higher than the number of people in households in which the main earner is employed in one of those industries (one million versus 645,000). The implication is that people employed in these industries are commonly not the main earner in their household.

The number of people employed in secondarily adversely affected industries is also slightly higher than the number of people in households in which the main earner is employed in one of those industries (2.5 million versus 2.3 million), again reflecting a tendency for workers in secondarily adversely affected industries to be secondary earners in their household. (Note that approximately 12.6 million people were employed in 2018, whereas 14.7 million people aged 15 to 66 lived in an employed household. If people in adversely affected industries were equally likely to be main earners as other workers, we would expect the number of people in vulnerable households to exceed (by approximately 16%) the number of people employed in adversely affected industries.)

Table 3: People aged 15 to 66 in 'vulnerable' households, 2018

	Directly vulnerable	Secondarily vulnerable	Others in employed households
Number of people	645,492	2,274,788	11,810,889
Female (%)	50.0	51.8	49.4
Age group (%)			
15-24	30.0	21.9	19.7
25-34	24.0	21.2	22.7
35-44	15.3	18.0	21.7
45-54	17.8	20.8	19.2
55-66	12.9	18.1	16.7
Total	100	100	100
Family type (%)			
Couple	21.8	25.4	26.6
Couple with dependent children	32.1	35.8	44.2
Single parent	8.6	9.1	4.2
Nondependent child	10.9	9.6	12.0
Single person (not living with parents)	26.7	20.1	13.0
Total	100	100	100
Region of residence (%)			
Major urban area (100,00 or more people)	68.6	68.7	67.5
Other urban	18.6	17.2	16.5
Non-urban region	12.8	14.0	16.0
Total	100	100	100
SEIFA decile	5.6	5.8	6.1
Housing tenure type (%)			
Homeowner	52.7	61.9	70.9
Private rental	41.9	36.3	27.8
Social housing	5.4	1.7	1.3
Total	100	100	100
In poor general health (%)	24.9	19.1	17.5
In poor mental health (%)	30.8	24.3	23.8
Has a moderate or severe disability (%)	14.4	14.0	9.6
Mean equivalised income ($, December 2018 prices)	43,176	50,257	58,502
Mean household net wealth ($, December 2018 prices)	291,767	422,011	619,334
Mean of household bank accounts ($, December 2018 prices)	10,026	14,037	17,646
Mean rent or mortgage payments per week ($, December 2018 prices)	302	347	372
Mean superannuation balance ($, December 2018 prices)	60,158	115,303	154,417
In income poverty - Before housing costs (%)	10.7	5.1	3.4
In income poverty - after housing costs (%)	16.0	8.5	5.9
In financial stress (%)	24.4	22.1	18.5
Difficulty raising $3,000 in an emergency (%)	29.8	24.4	20.3

7 But there are still many people in very vulnerable households

Despite the relatively low likelihood of workers in adversely affected industries being primary earners in their households, the number of people of working age in vulnerable households is, at 2.9 million, still very large. The characteristics of people in such households are, however, somewhat different to the characteristics of all employed people in adversely affected industries. Notably, women are no more likely than men to be in directly vulnerable households, although they are slightly more likely to be in secondarily vulnerable households.

People in vulnerable households tend to be younger than others in employed households, but the differences are much more muted compared with the differences evident in Table 2. Similarly, differences in the family types by economic vulnerability to the coronavirus are less pronounced than for individual employment exposure. It is nonetheless clear that single people (not living with their parents) and single parents have much greater economic vulnerability to the coronavirus restrictions than people in other family types. Single people account for 26.7 per cent of people in directly vulnerable households and 20.1 per cent of people in secondarily vulnerable households, but only 13 per cent of other people in employed households. Similarly, single parents account for approximately 9 per cent of people in vulnerable households, but only 4.2 per cent of others in employed households.

8 Vulnerable households were the least advantaged to begin with

Most striking from Table 3 is that the defining trait of people in vulnerable households – particularly the 650,000 people in directly vulnerable households – is that they tend to be in more socio-economically disadvantaged circumstances. They live in lower socioeconomic status regions (as captured by their SEIFA decile), and they are more likely to be renting their home, and in particular renting social housing – 47.3 per cent of people in directly vulnerable households rent, compared with 29.1 per cent of people in 'non-vulnerable' employed households.

They have a lower average income ($43,176 for those in directly vulnerable households versus $58,502 for those in non-vulnerable households), lower average wealth ($291,767 versus $619,334) and relatively little cash in the bank ($10,026 versus $17,646). Further, they are considerably more likely to be in poverty, to experience financial stress, and to have difficulty raising $3,000 at short notice. Also evident is that people in vulnerable households have much higher rates of poor general health and poor mental health, and higher rates of disability. In short, those most severely impacted by the economic shutdown are also those least able to cope with it.

9 Not all regions appear to have been equally impacted

Table 4 examines differences across regions in economic vulnerability in more detail, using both the individual and household-level measures of vulnerability. It takes a different approach to Tables 2 and 3 by examining the risk of being vulnerable, as measured by the proportion of people in the region who are vulnerable. For this table, directly and secondarily adversely affected industries are combined.

The table shows that 28 per cent of all employed persons in Australia are employed in the adversely affected industries, and approximately 17 per cent of all people aged 15 to 66 live in a household in which the main earner is employed in one of those industries.

Significantly, there is considerable variation across regions in exposure to the adversely affected industries. The territories and urban Western Australia outside of Perth stand out as having relatively small proportions of employed people working in these industries, and very low proportions of people aged 15 to 66 living in vulnerable households. Urban South Australia, inclusive of Adelaide, also has relatively low exposure to the adversely affected industries.

At the other end of the spectrum, urban Queensland outside of Brisbane, urban Tasmania and urban New South Wales outside of Sydney all have relatively high proportions of their workforces employed in the adversely affected industries, and also have relatively high proportions of people aged 15 to 66 living in vulnerable households.

Table 4: Probability of being 'COVID-19-vulnerable' by region of residence, 2018 (%)

	Proportion of employed persons who work in adversely affected industries	Proportion of persons aged 15 to 66 who live in vulnerable households
Sydney	27.5	18.2
Other urban New South Wales	31.7	22.9
Melbourne	28.8	19.8
Other urban Victoria	30.3	17.3
Brisbane	24.2	12.5
Other urban Queensland	34.7	22.8
Adelaide	27.0	14.8
Other urban South Australia	27.1	10.9
Perth	29.0	14.9
Other urban Western Australia	22.7	7.9
Urban Tasmania	34.2	21.0
Urban Northern Territory & Australian Capital Territory	20.7	8.6
Non-urban Australia	26.1	15.4
All of Australia	28.0	17.4

10 Debt exposure of vulnerable households is less than for other households, but still substantial

The debt exposure of vulnerable households is considered in Table 5. This provides additional information on the economic vulnerability of these households, but it also provides some information on the greater systemic risks to the economy from the pandemic.

Vulnerable households on average carry less debt than other employed households, with an average debt of $258,244 for directly vulnerable households and $240,131 for secondarily vulnerable households, compared with $335,982 for other employed households.

Nonetheless, the debt exposure of vulnerable households is considerable. Indeed, among the 38.7 per cent of directly vulnerable households with home mortgage debt, the mean debt is $428,963, considerably above that for other employed households with mortgage debt, among whom mean debt is $378,186. However, secondarily vulnerable households with mortgage debt have the lowest mean debt ($321,736).

Exposure to debt on property other than the family home is lowest from directly vulnerable households and is highest for the non-vulnerable households. Again, the proportion of households carrying debt on non-home property is nonetheless sizeable, as is the mean value of that debt. Credit card debt is likewise on average lowest for directly vulnerable households and highest for non-vulnerable households, but the differences are not particularly large, ranging from $1,572 for directly vulnerable households to $2,085 for non-vulnerable households.

Table 5: Debt exposure of COVID-19-vulnerable households

	Directly vulnerable	Secondarily vulnerable	Other employed households
Mean value of all debt ($, December 2018 prices)	258,244	240,131	335,982
Have home debt (%)	38.7	45.8	53.7
Mean home debt of those with debt ($, December 2018 prices)	428,963	321,736	378,186
Have debt on other property (%)	7.8	13.0	16.7
Mean debt on other property of those who have debt ($, December 2018 prices)	413,501	498,758	517,787
Mean credit card debt ($, December 2018 prices)	1,572	2,019	2,085

Targeted government support will be required

The HILDA Survey evidence is that the approximately 3.5 million people employed in the industries most impacted by the economic shutdown in response to COVID-19 tend to be low-wage workers and are disproportionately female and/or young. While a significant proportion of these workers are secondary earners in their households, the HILDA Survey nonetheless shows that approximately 2.9 million people are in households that derive their main source of income from the industries worst-affected by the Coronavirus pandemic. Moreover, these households have relatively low economic resources and were relatively disadvantaged even before the public health measures were introduced.

It remains to be seen how long restrictions on economic and social activity will remain in place, and therefore how long-term their effects will be, but it seems inevitable that additional government income and other support will be required well beyond September or October of this year, when many of the current supports are scheduled to expire. The evidence presented here serves as a reminder that such supports need to be particularly focused on socio-economically disadvantaged members of the community. Moreover, as has been noted by others, a major challenge will be improving the labour market prospects of young people, whose employment has been disproportionately affected by the economic shutdown.

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Further Information

Datasets:

This analysis uses Wave 18 of the Household, Income and Labour Dynamics in Australia (HILDA) Survey, Australia's nationally representative longitudinal household study. Commenced in 2001, the HILDA Survey follows approximately 17,000 individuals from across the country, annually interviewing respondents about their family life, health, economic wellbeing and a range of other aspects of life in Australia. The richness of the HILDA data, including detailed information on the household circumstances of individuals, makes it well suited to the study of the characteristics and circumstances of individuals most impacted by the Coronavirus pandemic.

Further Information:

Go to melbourneinstitute.unimelb.edu.au/hilda for more information about the HILDA Survey.

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