



The initial impacts of COVID-19 on the self-employed

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Abstract

This paper provides a summary of the initial impacts of COVID-19 on the self-employed based on data from the 33rd ANUpoll which collected information from 3,155 Australians over the period 14-27 April 2020. It is the first longitudinal survey data on the impact of COVID-19 in Australia, with respondents to the April ANUpoll also interviewed in January and February 2020. The data shows that the negative impact of COVID-19 on the probability of being employed is similar for the self-employed and employees. On other measures, however, the self-employed have been more adversely affected by COVID-19 than the rest of the workforce. Compared to employees, the self-employed had a higher reduction in hours worked, a greater reduction in income, an increase in the probability of not thinking current income was sufficient to meet expenditure (compared to a decline for employees) and a higher chance of accessing retirement savings and/or superannuation early.

Within the self-employed population, almost half experienced a decrease in profits that was either 'substantial', completely eliminated, or had gone out of business. Finally, almost a third of the self-employed did not think their business was viable over the next two months if current trends continued. This uncertainty appears to be leading to significant fear, anxiety, and psychological distress amongst the self-employed.

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1 Introduction

The restrictions on travel and the physical distancing and isolation measures that have been implemented in response to the spread of COVID-19 are having major negative effects on the Australian economy. The Australian Treasurer, in an address to the National Press Club on the 5th of May 2020¹ said “GDP is expected to fall significantly, with Treasury forecasting a fall of over 10 per cent in the June quarter, the equivalent of \$50 billion. ... The forecast fall in GDP, together with the employment effects of the health restrictions, have seen Treasury forecast that the unemployment rate is likely to double. Having fallen in February to 5.1 per cent, it is now forecast to reach 10 per cent in the June quarter.”

On the 14th of May, the Australian Bureau of Statistics (ABS) released data from the April 2020 Labour Force Survey.² The Bureau found that seasonally adjusted employment fell by a little under 600,000 people between March and April 2020, with much of those who left employment leaving the labour force entirely, rather than becoming unemployed. The ABS also found a large decline in hours worked for those who stayed employed. These results are very similar to what was found using the dataset utilised in this paper (Biddle et al. 2020).

The self-employed may be experiencing different effects of COVID-19 and from the associated measures designed to control its spread than the rest of the labour market. In addition to having different demographic and socioeconomic characteristics, the self-employed are found in very different industries. Using data from the 2016 Australian Census of Population and Housing, Table 1 shows the proportion of all employees and owner/managers working in each industry (a rough proxy for the measure of self-employed used in this paper and outlined below). It also shows the percentage of those working in each industry that are owner/managers (the final column). The industries in **bold** are those that have a larger share of the workforce as owner/managers than the national average (14.7 per cent).

According to the *Business Impacts of COVID-19 Survey* conducted by the Australian Bureau of Statistics,³ 69 per cent of businesses reported that they expected reduced demand for goods and services. Of the five industries (out of 19) for which 80 per cent or more of businesses expected a reduction, two had a higher share of the workforce as owner/managers (Administrative and Support Services; and Arts and Recreation Services) whereas the other three that expected a large decline (Manufacturing; Wholesale Trade; and Accommodation and Food Services) had a lower share of the workforce as owner/managers.

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Table 1 Distribution of owner/managers by industry, August 2016

Industry	Per cent of group by industry		Per cent of industry who are owner/managers
	Employees	Owner/managers	
Agriculture, Forestry and Fishing	1.5	6.4	42.1
Mining	2.0	0.4	3.2
Manufacturing	7.0	4.9	10.5
Electricity, Gas, Water and Waste Services	1.3	0.4	4.8
Construction	6.9	20.2	33.1
Wholesale Trade	3.2	2.1	10.0
Retail Trade	10.9	7.0	9.9
Accommodation and Food Services	7.6	4.9	10.0
Transport, Postal and Warehousing	4.8	5.5	16.4
Information Media and Telecommunications	1.9	1.2	10.2
Financial and Insurance Services	4.0	2.5	9.4
Rental, Hiring and Real Estate Services	1.6	2.5	20.9
Professional, Scientific and Technical Services	6.7	13.2	25.2
Administrative and Support Services	3.0	6.6	26.9
Public Administration and Safety	8.2	0.7	1.5
Education and Training	10.2	3.5	5.5
Health Care and Social Assistance	14.3	8.1	8.8
Arts and Recreation Services	1.7	2.1	17.9
Other Services	3.2	7.8	29.1
Total	100	100	14.7

Source: 2016 Census of Population and Housing

Note: Contributing Family Workers are excluded from the table.

The Australian Government has introduced temporary support for businesses including for sole traders, who have experienced a substantial decline in profit following the COVID-19 pandemic. The JobKeeper payment is providing \$1,500 per fortnight per eligible employee until 27 September 2020. Eligibility for the JobSeeker payment has also been temporarily extended to sole traders if their income is negatively affected. Measures have been put in place to support small and medium enterprises (Coronavirus SME Guarantee Scheme), investment incentives (accelerating depreciation deductions), and increased threshold for instant asset write-off. In addition, Australian Banks have agreed to defer loan repayments for small businesses affected by COVID-19 for 6 months.

There is no data yet, however, on the net effect of the spread of COVID-19, public health measures, and economic support packages on the self-employed, and whether these effects are different from those experienced by the rest of the workforce. To help fill this gap, this paper provides data on the initial impacts of COVID-19 on the self-employed in Australia. It is based on the 33rd ANUPoll which collected information from 3,155 Australians over the period 14-27 April 2020. It is the first longitudinal survey data on the impact of COVID-19 with respondents to the April ANUPoll also interviewed in January and February 2020. The initial analysis of the April ANUPoll data was released by the ANU Centre for Social Research and Methods on the 9th May (Biddle et al. 2020).

The next section (Section 2) presents the results for the impact of COVID-19 on the rates of self-employment. Section 3 reports on the impact on the economic outcomes of the self-employed and Section 4 on the subjective views of the self-employed on the economic impacts of COVID-19. The final section concludes.

2 The impact of COVID-19 on self-employment

While the overall employment rate fell from 62.0 to 58.9 per cent between February and April 2020, there was very little change in the rate of self-employment as a proportion of the total workforce. The employment impacts of COVID-19 seem to be the same for the self-employed as for the rest of the workforce. Specifically, respondents were asked ‘In your main job are you...?’ with three options given: An employee; Self-employed/business owner; and Working for your own family’s business.⁴ As a proportion of the total population, the percentage of those self-employed declined from 7.9 to 7.5 per cent (Table 2). However, the proportion of the total workforce who were self-employed (that is, leaving out those who were not employed from the denominator) stayed quite consistent at 12.7 and 12.8 per cent in February and April respectively. COVID-19 appears to have led to a similar rate of net loss of employment amongst employees and the self-employed.

Table 2 Employment status in February and April 2020

	February 2020	April 2020
Not-employed	38.0	41.6
Employed	62.0	58.4
Self-employed (per cent of total)	7.9	7.5
Self-employed (per cent of workforce)	12.7	12.8
Number of observations	3,219	3,108

Source: ANUpoll, April 2020 and Life in Australia Wave 35, February 2020.

3 Measured effect of COVID-19 on the economic outcomes of the self-employed

3.1 Hours worked

While the overall employment change (in percentage terms) was similar for the self-employed and employees, it would appear that COVID-19 had a much larger initial impact on total hours worked for the self-employed compared to the rest of the workforce. This is demonstrated in Table 3 below, where we control for a range of demographic characteristics, as well as the number of hours worked in February 2020, showing that the drop in hours worked between February 2020 and April 2020 for someone who was self-employed in February 2020 and still employed in April was 6.5 hours more than the drop in hours worked for an otherwise identical employee.

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Table 3 Factors associated with hours worked, April 2020

	Coeff.	.Signif.
Hours worked in February 2020	0.658	***
Self-employed	-6.455	***
Working for own family's business	-3.181	
Female	-3.139	***
Aged 18 to 24 years	-1.338	
Aged 25 to 34 years	-0.641	
Aged 45 to 54 years	1.360	
Aged 55 to 64 years	-0.556	
Aged 65 to 74 years	0.198	
Aged 75 years and over	4.145	
Indigenous	2.170	
Born overseas in a main English speaking country	0.103	
Born overseas in a non-English speaking country	-4.994	***
Speaks a language other than English at home	2.141	
Has not completed Year 12 or post-school qualification	-0.427	
Has a post graduate degree	2.744	*
Has an undergraduate degree	0.911	
Has a Certificate III/IV, Diploma or Associate Degree	0.882	
Lives in the most disadvantaged areas (1st quintile)	2.274	
Lives in next most disadvantaged areas (2nd quintile)	-0.747	
Lives in next most advantaged areas (4th quintile)	1.269	
Lives in the most advantaged areas (5th quintile)	1.301	
Lives in a non-capital city	0.170	
Constant	9.724	
Sample size	1,372	

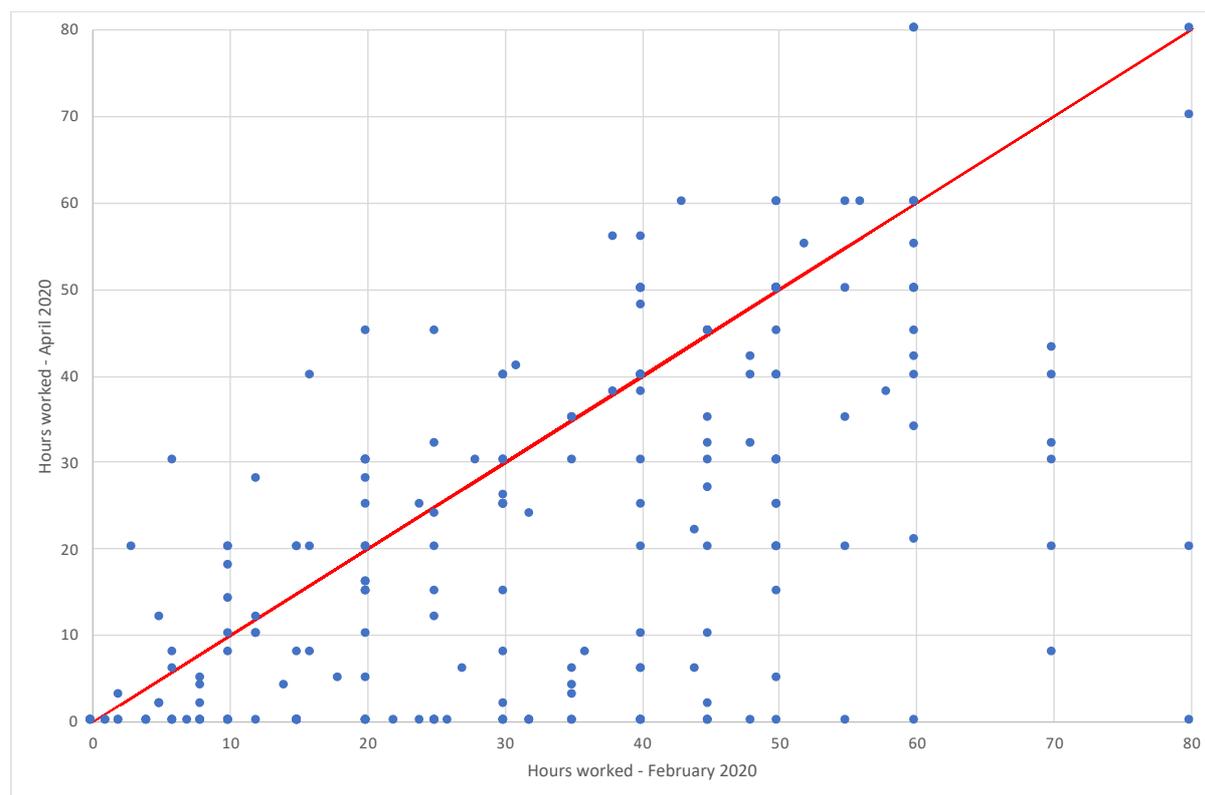
Source: ANUpoll, April 2020 and Life in Australia Wave 35, February 2020.

Notes: OLS Regression Model. The base case individual is female; aged 35 to 44; non-Indigenous; born in Australia; does not speak a language other than English at home; has completed Year 12 but does not have a post-graduate degree; lives in neither an advantaged or disadvantaged suburb (third quintile); and lives in a capital city. Coefficients that are statistically significant at the 1 per cent level of significance are labelled ***; those significant at the 5 per cent level of significance are labelled **, and those significant at the 10 per cent level of significance are labelled *.

Even without these controls there are large differences, with employees having an average drop in hours worked of 3.1 hours compared to an average drop of 9.3 hours for the self-employed.

Figure 1 presents the results of combining this data with the drop of employment in the previous section by plotting hours worked in April 2020 against hours worked in February 2020. Very few of the self-employed are above the 45 degree line (they increased their hours worked) or even on the line (their hours worked stayed the same). Many more of the self-employed in our sample were below the line, with a significant number dropping to zero hours in April.

Figure 1 Hours worked in April 2020 by hours worked in February 2020, self-employed



Notes: Restricted to respondents who were self-employed in February 2020 and responded to both the February and April 2020 waves of ANUPoll.

Sources: ANUpoll, April 2020 and Life in Australia Wave 35, February 2020.

In total, we find that those who were self-employed in February 2020 had a total decline in hours worked of 32.4 per cent between February and April (from 35.2 to 23.8 hours). This is far larger than the decline for employees, which was only 16.3 per cent (35.5 to 29.7 hours), neither of which were made up for by the 2.5 hours worked per week in April 2020 for those who weren't employed in February but were in April.

3.2 Income

With the drop in hours worked identified above, it is perhaps not surprising that there was a larger drop in income for someone who was self-employed in February 2020 compared to an otherwise identical person who was an employee. While this is not apparent from simple averages – average income declined by \$85 for employees compared to \$87 for the self-employed – the regression results presented in Table 4 show that there are large differences once other characteristics are controlled for, and particularly when income in February 2020 is controlled for. On average, the drop in income for someone who was self-employed in February 2020 (between February 2020 and April 2020) was \$66.7 more than the drop in income for an otherwise identical employee.

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Table 4 Factors associated with income, April 2020, controlling for income in February 2020

	Coeff.	Signif.
Income in February 2020	0.712	***
Not employed	-65.238	***
Self-employed	-66.693	***
Working for own family's business	-30.874	
Female	0.944	
Aged 18 to 24 years	-68.913	*
Aged 65 to 74 years	-5.967	
Aged 75 years and over	10.708	
Indigenous	-47.769	
Born overseas in a main English speaking country	25.257	
Born overseas in a non-English speaking country	-25.101	
Speaks a language other than English at home	-11.199	
Has not completed Year 12 or post-school qualification	-27.106	
Has a post graduate degree	12.876	
Has an undergraduate degree	1.769	
Has a Certificate III/IV, Diploma or Associate Degree	-15.686	
Lives in the most disadvantaged areas (1st quintile)	30.201	
Lives in the most advantaged areas (5th quintile)	71.961	***
Lives in a non-capital city	7.650	
Constant	162.238	
Sample size	2,498	

Source: ANUpoll, April 2020 and Life in Australia Wave 35, February 2020.

Notes: The base case individual is female; aged 35 to 44; non-Indigenous; born in Australia; does not speak a language other than English at home; has completed Year 12 but does not have a post-graduate degree; lives in neither an advantaged or disadvantaged suburb (third quintile); and lives in a capital city.

Coefficients that are statistically significant at the 1 per cent level of significance are labelled ***; those significant at the 5 per cent level of significance are labelled **, and those significant at the 10 per cent level of significance are labelled *.

4 Subjective views on the economic impacts of COVID-19

Those who were self-employed in April 2020 were asked a number of questions about their subjective experience specifically related to COVID-19 and their business. The first question was on the overall effect that COVID-19 had on their business' profit. Only 7.9 per cent of the self-employed reported that COVID-19 had a positive effect on their profits, alongside 10.3 per cent who reported no effect. More than four-in-five of the self-employed Australians in our sample reported a negative effect.

For many of the self-employed who did experience a negative impact, the loss was quite large. About one-in-twenty (5.1 per cent) said their profits had been eliminated completely, 21.6 per cent said it had been reduced to its lowest point ever and 21.9 per cent said that COVID-19 has reduced their profits substantially.⁵ That is, almost half of the self-employed population in Australia feel that COVID-19 has already had at least a substantial effect on their profits.

When asked 'if current financial trends continue, would you say your business is economically viable in the next two months?', almost one-third (31.6 per cent) said that their business would not be viable. When asked whether if current financial trends continued whether their business would be economically viable in six months 40.1 per cent said that it would not be.

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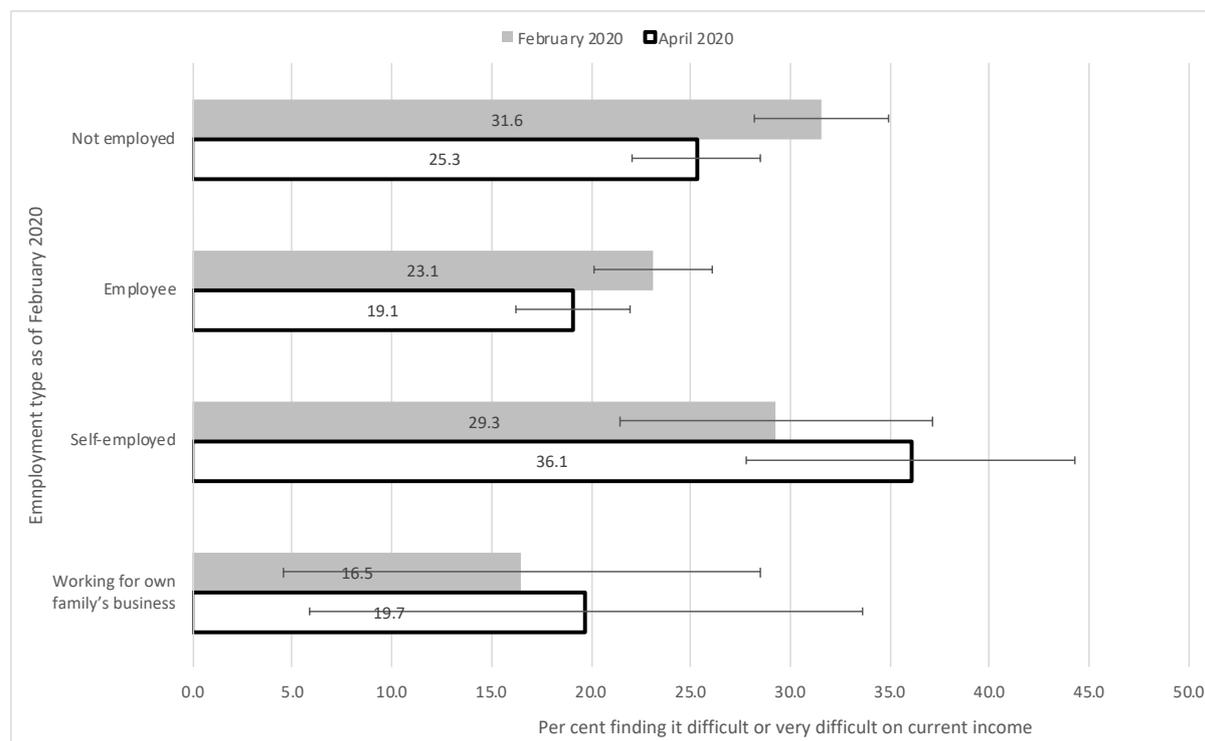
In February and April 2020, respondents were asked about how comfortably they could live on their household's present income. Possible responses were living comfortably, coping, finding it difficult and finding it very difficult. Despite the substantial fall in income across the population described above, the proportion of all adult Australians who said that they were finding it difficult or very difficult on their current income decreased from 26.7 per cent in February to 22.8 per cent in April. As shown in Biddle et al. (2020), this is due to increases in government payments at the bottom of the income distribution.

However, as shown in Figure 2, changes in the extent to which people were finding it difficult or very difficult on their current income were not consistent across the employment types in February. Specifically, those who were not employed in February 2020 had a large decline in the percentage who did not think they could get by on their current income (from 31.6 per cent to 25.3 per cent). There was also a decline, albeit a smaller one, for those who were employees in February. For those who were self-employed, on the other hand, the per cent who felt they could not get by increased from 29.3 per cent to 36.1 per cent.

While there is a large confidence interval around these estimates making it difficult to be precise about the exact size of the increase, we can say that in February 2020 the probability of not being able to get by was not significantly different for the self-employed compared to employees or the not employed. By April 2020, however, it was significantly higher for the self-employed. Furthermore, in a probit model where we control for not being able to get by in February and a range of demographic, socioeconomic, and geographic variables, the self-employed have a significantly and substantially higher probability of saying they could not get by in April 2020 (Appendix Table 1).

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Figure 2 Per cent finding it difficult or very difficult to manage on present income in February and April 2020, by employment status in February 2020



Notes: The “whiskers” on the bars indicate the 95 per cent confidence intervals for the estimate.

Source: ANUpoll, April 2020 and Life in Australia Wave 35, February 2020.

The April ANUPoll asked whether people had drawn on their savings for retirement over the last three-months and whether they had accessed their superannuation early. While access to superannuation was asked of all respondents, the question is likely to have a different interpretation for those who are under retirement age and those who over retirement age. Given this Table 5 reports on the extent to which Australians have accessed retirement savings or superannuation early for the working age population (18-64 years). The self-employed are much more likely to have accessed retirement savings or superannuation early (21.4 per cent) than are employees (7.1 per cent), but are similar to those who were not-employed (20.3 per cent).

Table 5 Per cent who accessed retirement savings and superannuation early by employment status, April 2020

Employment type in April	Accessed retirement savings	Accessed superannuation early	Accessed retirement savings and/or superannuation early
Not-employed	16.8	8.5	20.3
Employee	6.1	2.2	7.1
Self-employed	18.9	5.5	21.4

Notes: People working in family businesses are classified as being an employee. Table population is respondents aged 18 to 64 years.

Source: ANUpoll, April 2020.

It is not surprising that the economic uncertainty due to COVID-19 is impacting on the general outlook of the self-employed. While there is no difference in the general level of anxiety and worry about COVID-19 and measures of subjective wellbeing between the self-employed and employees once other characteristics are controlled for, we do find significant variation within the self-employed population based on some of the measures above.

One of the key determinants is whether the respondent thinks that their business is viable into the future. Specifically, 68.6 per cent of those self-employed Australians who think their business is not viable report that they are anxious and worried about COVID-19 compared to 59.4 per cent of those who think their business is viable. Life satisfaction is also lower for the self-employed who think their business is not viable compared to those who do (5.6 on a scale of 0 to 10 compared to 7.0), as is the Kessler-6 measure of psychological distress (12.6 on a scale of 6 to 30 compared to 11.1). While these differences are not necessarily causal, they do hold once we control for demographic, socioeconomic and geographic variation within the self-employed, as well as lagged values of these outcomes (Appendix Table 2).

5 Concluding comments

The data presented in this paper is the first analysis (to the authors' knowledge) of longitudinal data from before and during the spread of COVID-19 for the self-employed population. The data shows that the negative impact of COVID-19 on the probability of being employed is similar for the self-employed and employees. On other measures though, the self-employed have been more adversely affected by COVID-19. Compared to employees, those who were self-employed prior to the spread of COVID-19 had a higher reduction in hours worked, a greater reduction in income, an increase in the probability of not thinking current income was sufficient to meet expenditure (compared to a decline for employees) and a higher chance of accessing retirement savings and/or superannuation early.

Furthermore, within the self-employed population, almost half experienced a decrease in profits that was either 'substantial', completely eliminated, or had gone out of business. Finally, almost a third of the self-employed did not think their business was viable over the next two months if current trends continued. This uncertainty appears to be leading to significant fear, anxiety, and psychological distress.

The current policy framework includes a significant amount of targeted assistance for the self-employed. In the absence of such interventions, it is quite likely that the outcomes summarised in this paper would be far worse. However, as some of the physical distancing requirements begin to ease, and some businesses are able to re-open, it is very important that the objective and subjective outcomes of the self-employed continue to be monitored.

References

Biddle, N., B. Edwards, M. Gray, and K. Sollis (2020). "Hardship, distress, and resilience: The initial impacts of COVID-19 in Australia", COVID-19 Briefing Paper, ANU Centre for Social Research and Methods, Australian National University, Canberra.

Appendix 1 About the survey

The fieldwork for the April 2020 ANUPoll commenced on the 14th of April and continued for a two-week collection period. The majority of data collection occurred at the start of this survey window, with 52.4 per cent of the sample enumerated in the first two days of full data collection. A total of 3,950 active panel members were invited to take part in the survey, of which 3,155 responded, leading to a completion rate of 79.9 per cent for the survey.

We linked data from previous waves of ANUpoll and from other data collection using Life in Australia™. Between October-December 2019, the panel was refreshed with n = 347 panellists being retired and n = 1,810 new panellists being recruited. This recruitment used a G-NAF (Geocoded National Address File) sample frame and push-to-web methodology. Only online participants were recruited in order to balance the demographics (the age profile of panel members was older and more educated than that of the Australian population). The recruitment rate (RECR) for the replenishment was 12.1 per cent.

The linkage rates to previous waves of data collection that were used in this analysis were:

- February 2020 – 92.6 per cent (2,920 participants)
- January 2020 – 91.5 per cent (2,886 participants)

The Social Research Centre collected data online and through Computer Assisted Telephone Interviewing (CATI) in order to ensure representation from the offline Australian population. Around 6.5 per cent of interviews were collected via CATI. The contact methodology adopted for the online Life in Australia™ members is an initial survey invitation via email and SMS (where available), followed by multiple email reminders and a reminder SMS. Telephone non-response of panel members who have not yet completed the survey commenced in the second week of fieldwork and consisted of reminder calls encouraging completion of the online survey.

The contact methodology for offline Life in Australia™ members was an initial SMS (where available), followed by an extended call-cycle over a two-week period. A reminder SMS was also sent in the second week of fieldwork. Taking into account recruitment to the panel, the cumulative response rate for this survey is 8.1 per cent.

Unless otherwise stated, data in the paper is weighted to population benchmarks. For Life in Australia™, the approach for deriving weights generally consists of the following steps:

1. Compute a base weight for each respondent as the product of two weights:
 - a. Their enrolment weight, accounting for the initial chances of selection and subsequent post-stratification to key demographic benchmarks
 - b. Their response propensity weight, estimated from enrolment information available for both respondents and non-respondents to the present wave.
2. Adjust the base weights so that they satisfy the latest population benchmarks for several demographic characteristics.

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In designing the questionnaire for the April 2020 ANUpoll, the project team balanced six often competing priorities:

- The rapidly changing policy environment related to COVID-19;
- Keeping questions consistent with pre-pandemic survey items in order to facilitate longitudinal analysis of change through time;
- Being able to compare items to comparable international surveys in order to compare outcomes in Australia to those internationally;
- Benchmarking results to nationally representative population estimates;
- Setting the survey up for future analysis and monitoring using subsequent waves of data collection; and
- Minimising harm and distress to survey participants.

The ethical aspects of this research have been approved by the ANU Human Research Ethics Committee (2014/241).

Appendix 2 Regression tables

Appendix Table 1 Factors associated with not being able to get by on current income

	Coeff.	Signif.
Not able to get by in February 2020	1.400	***
Not employed	0.200	**
Self-employed	0.538	***
Working for own family's business	-0.242	
Female	-0.068	
Aged 18 to 24 years	0.282	*
Aged 65 to 74 years	-0.318	***
Aged 75 years and over	-0.400	***
Indigenous	-0.689	***
Born overseas in a main English speaking country	-0.028	
Born overseas in a non-English speaking country	0.097	
Speaks a language other than English at home	0.183	
Has not completed Year 12 or post-school qualification	0.188	
Has a post graduate degree	-0.028	
Has an undergraduate degree	0.045	
Has a Certificate III/IV, Diploma or Associate Degree	0.250	*
Lives in the most disadvantaged areas (1st quintile)	-0.043	
Lives in the most advantaged areas (5th quintile)	-0.012	
Lives in a non-capital city	0.023	
Constant	-1.486	
Sample size	2,746	

Source: ANUpoll, April 2020 and ANUpoll, January 2020.

Notes: Coefficients generated from maximum likelihood estimation of the Probit Model. The base case individual is female; aged 35 to 44; non-Indigenous; born in Australia; does not speak a language other than English at home; has completed Year 12 but does not have a post-graduate degree; lives in neither an advantaged or disadvantaged suburb (third quintile); and lives in a capital city.

Coefficients that are statistically significant at the 1 per cent level of significance are labelled ***; those significant at the 5 per cent level of significance are labelled **, and those significant at the 10 per cent level of significance are labelled *.

Endnotes

- 1 <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/speeches/address-national-press-club>
- 2 <https://www.abs.gov.au/ausstats/abs%40.nsf/mediareleasesbyCatalogue/F00771E26218DFB1CA258479001AAD2E?OpenDocument>
- 3 <https://www.abs.gov.au/ausstats/abs@.nsf/mf/5676.0.55.003>
- 4 Additional information is given as follows: 'If you have more than one job, please answer about the one which you work(ed) the most hours per week. If two jobs are exactly equal, answer about the more highly paid of the two.'
- 5 Of the other two categories, 14.5 per cent reduced it to below average, 18.7 per cent said it had little effect.