

PNG's job crisis and COVID-19

by Stephen Howes and Jotam Sinopane

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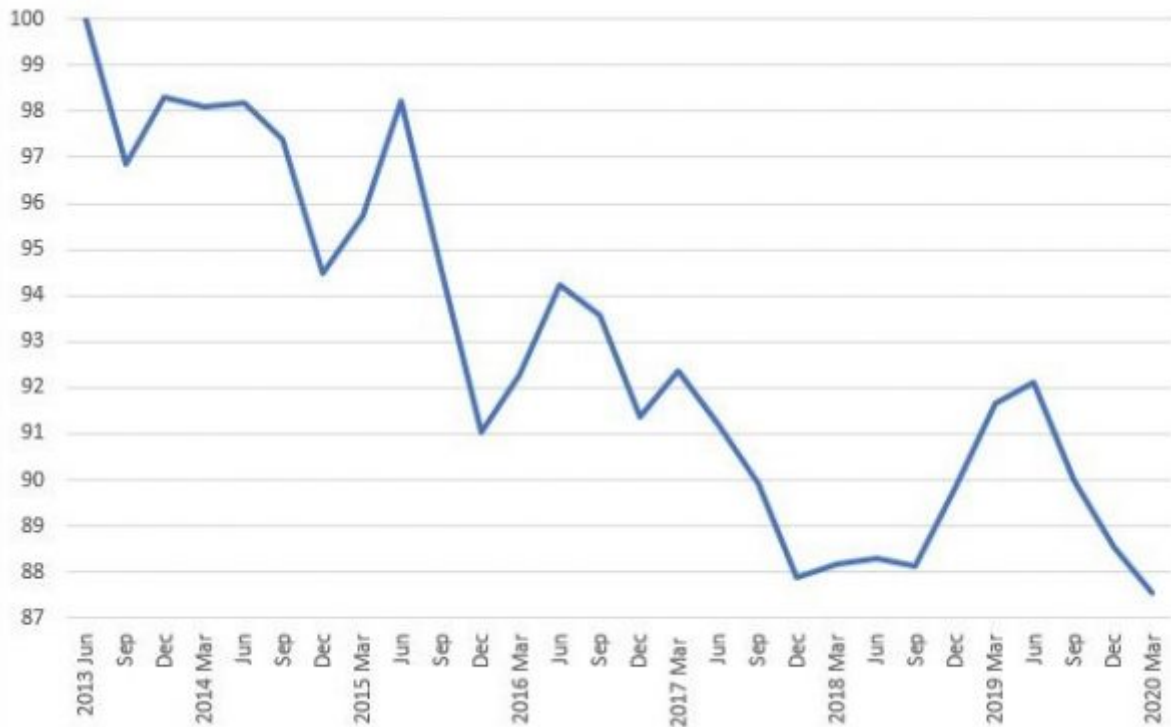
People queueing at the Nasfund Office to apply for unemployment benefits (Jotam Sinopane)

There is no doubt COVID-19 is causing great economic damage all round the world, and Papua New Guinea is no exception. One **estimate** from the PNG Trade Union Congress is that more than 10,000 jobs in the private sector have been lost due to the pandemic and the subsequent state of emergency. Nambawan Super has recently **indicated** that unemployment claims are up by 25% in May and June.

There is no official data yet, but, if we accept the 10,000 figure, how big a blow is it? The sad reality is that PNG has been haemorrhaging jobs since 2013, the year in which PNG LNG construction was completed.

The Bank of PNG (BPNG) tracks formal sector employment every quarter. June 2013 was actually the highest that index has ever reached since independence. For the purposes of this analysis, we set that quarter equal to 100. Employment has fallen most quarters since. There was a brief recovery around the time of APEC at the end of 2018, but the index had fallen by March of this year to 87.6, its lowest since June 2013. This is a level not seen since 2009 – that is, more than a decade ago. In the meantime, the population would have grown by some 30%.

Index of formal sector employment (June 2013=100)



Of course, it's not surprising that there was some job loss when the PNG LNG construction was completed. The project was itself a major employer, as well as a stimulus to the broader economy. What is more disturbing is that the downturn has lasted for so long. This reflects the **persistent foreign exchange rationing**, which has been a major drag on economic activity, and the loss of government revenue following the ending of the resources boom.

It should also be mentioned that these numbers refer to private, formal sector employment, which is only available to a small minority of the workforce, less than 10%. It's not the most important part of the economy, but it is the only part we have recent data on, so we focus on it here as an indicator of the economy's broader economic health. And what it tells us, in summary, is that PNG went into COVID-19 facing a jobs crisis.

How does the COVID-19 job loss compare with this pre-COVID jobs crisis? BPNG only produces an employment index, but it can be used to provide actual numbers, and we can link those older numbers with the more recent index to estimate how many actually have a job in the formal sector. Our estimate using this method is that private formal sector employment reached 305,000 in 2013 but fell to 270,000 by December 2019 and 267,000 by March 2020. That's a job loss of some 29,000. (Note that this number excludes civil servants, but includes employees of state-owned enterprises. Some of the COVID-19 job losses might have been in the March quarter, but employment for this quarter is only 3,000 less than employment for the December quarter, so probably not very much.)

In summary, if the loss of jobs due to COVID-19 is 10,000, that is one-third of the loss of jobs post-2013 but pre-COVID.

This is not to minimise the loss of jobs due to COVID-19. For one thing, more jobs will be lost with the second lockdown and greater number of cases. But it does suggest that even when we come out the other end of this pandemic there will be a lot of work to do in the area of job creation. Recreating those jobs lost to COVID-19 will be hard enough, but that can only be the start.

What can be done in the meantime to provide support to the unemployed? In PNG, those who lose their jobs are entitled to draw down their superannuation benefits starting three months after they lost their job. Announcing the government's economic response to COVID-19, PNG's Treasurer **stated** in early April that those who had lost their job as a result of COVID-19 would be entitled to their accumulated super funds without any wait. Both **the Treasurer** and the **superannuation funds** estimated that this would bring forward some K500 million in benefits.

It was surprising therefore to **hear** in June from the prime minister that this measure was being deferred to August.

It wouldn't be fair to blame the current prime minister and his Treasurer for the employment predicament in which PNG finds itself. The period 2013 to 2019 was part of Prime Minister Peter O'Neill's reign, and COVID-19 is a global shock.

That said, if the Marape government can't deliver on simple promises – such as allowing early access to superannuation – it will lose its credibility in relation to the much tougher challenges it faces such as managing the pandemic and then restoring employment growth. Implementation needs to be the government's number one priority, and for that ministers and the civil service need to work in close unison.

The public also needs to keep the pressure on the government. There was no protest at all when the government announced that it hadn't after all provided early access to superannuation for the newly unemployed. Are expectations of government performance now so low that failure is expected rather than protested?

Unless the public demands more of their politicians, and until the politicians work more effectively with their public servants, PNG will be unable to deal with either of its twin crises: dealing effectively with the current pandemic and providing more employment opportunities to a rapidly growing population.

*This post is part of the **#COVID-19 and the Pacific** series.*

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