Update: The Job Ahead
Research Note
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How are countries tracking on the jobs rebuilding task?

In May 2021, Xero Small Business Insights published *The Job Ahead: Small businesses and the global economic recovery*. In this report Xero estimated how many small business jobs needed to be created during 2021 in Australia, Canada, New Zealand, United Kingdom and the United States to return to the growth trajectory they were on before the shock of the pandemic.

With the jobs numbers for the first half of 2021 now released, we take a look at how each of these countries is tracking in this rebuilding task.

The jobs target set in the initial report related to the number of jobs in businesses employing less than 20 employees that, based on historical growth rates and business size splits, were expected to be created had the pandemic not occurred. This means that achieving the target required both a recovery in all the jobs lost during the pandemic plus two years (2020 & 2021) of 'normal' small business jobs growth.

There remain considerable differences in the jobs rebuilding task across countries, as outlined in the chart below.

Australia is leading the way and was over three-quarters of the way to its target by mid-year. Canada and New Zealand were on schedule to achieve their targets by the end of the year. In contrast, both the United States and the United Kingdom had not returned to pre-pandemic jobs levels and will need a very strong second half of 2021 if they are to close the small business jobs gap.
Australia

2021 small business jobs target: +210,000
Small business jobs created to end of June 2021: +160,000
Overall summary: On track to achieve target by end of 2021

Outlook for second half 2021: Australia’s two largest states have been subject to business trading restrictions for various lengths of time since early July. Early indications are that this is impacting small business jobs. This increases the risk that some of the jobs gains may be unwound in the second half of 2021.

Using the same methodology as The Job Ahead report, Australian small businesses created an estimated 160,000 new jobs in the first six months of 2021.

Other data sources support the assessment that Australia has had a strong job creation experience in the first six months of 2021.

According to Xero Small Business Index (Xero SBI) data, small business jobs are 15.7% above June 2020. This strong result is in part due to base effects caused by the very weak outcome in June 2020 (jobs were down 5.7% y/y). When we adjust for these impacts, using the annualised two-year growth rate, Australia has recorded four months of jobs growth above 4.5% y/y. This is above the average for this series of 3% y/y.

Despite the strong start to 2021, however, there are concerning signs for Australia over the remainder of 2021. The delta variant of COVID-19 has seen the country’s two largest cities, Sydney and Melbourne, under stay-at-home orders from July until early October.

August data highlights the impact of the return to business restrictions. Small business jobs, as measured by the Xero SBI, rose just 1.3% y/y (annualised two-year growth to adjust for base effects). This is the slowest jobs growth since October 2020. The result was dragged down by NSW (where Sydney is the state capital) with jobs now down 2.3% compared to a year ago and Victorian jobs up just 1.9% y/y.

This return to widespread business restrictions in major cities is a clear risk to the Australian jobs outlook for the remainder of 2021.
Canada

2021 small business jobs target: +220,000
Small business jobs created to end of June 2021: +122,000
Overall summary: On track to achieve target by end of 2021

Outlook for second half 2021: The outlook for jobs growth in the second half of the year is positive, given vaccination rates and the expectation that there will be no return to business restrictions.

Using the same methodology as The Job Ahead report, Canadian small businesses created an estimated 122,000 new jobs in the first six months of 2021. Canada has achieved 55% of the small business jobs it needs at the halfway point in the year and is on track to close the 'jobs gap' identified by the end of 2021.

Canada now has more small business jobs than it did at the end of 2019 and is now in phase two of the rebuilding task: seeking to achieve 'normal' jobs growth that would have been expected in 2020 and 2021 without a pandemic.

In its July Monetary Policy Statement the Bank of Canada noted the following about the Canadian labour market recovery.

- Broader immunity, fewer COVID-19 cases and the resulting easing of restrictions are expected to lead to a strong pickup in GDP growth over the second half of 2021.
- Over the coming months, the labour market should continue to see a strong rebound in employment.
- Large increases in jobs are expected to continue over the summer months. This should help further reduce employment gaps across job types and worker groups. However, it could take businesses some time to find workers with the right skills to fill jobs.

This outlook, combined with the 55% target being achieved already, points to Canada being on track to achieve the jobs rebuilding task by the end of 2021.
New Zealand

2021 small business jobs target: +40,000
Small business jobs created to end of June 2021: +25,000
Overall summary: On track to achieve by end of 2021

Outlook for second half 2021: The central outlook for the second half of year jobs growth is mixed amid uncertainty about the length of the current lockdown conditions in Auckland.

Using the same methodology as The Job Ahead report, New Zealand small businesses created an estimated 25,000 new jobs in the first six months of 2021. This means New Zealand has achieved 67% of the small business jobs it needs at the halfway point in the year and is on track to close the 'jobs gap' identified by the end of 2021.

New Zealand now has significantly more small business jobs than it did at the end of 2019 and is well into phase two of the rebuilding task: seeking to achieve 'normal' jobs growth that would have been expected in 2020 and 2021 without a pandemic.

Other data sources also indicate that New Zealand has had a solid job creation performance in the first six months of 2021.

According to Xero Small Business Index (Xero SBI) data, small business jobs are 9.7% above June 2020. This strong result is in part due to base effects caused by the very weak outcome in June 2020 (jobs were up only 0.9% y/y). When we adjust for these impacts, using the annualised two-year growth rate, New Zealand recorded four out of six months of jobs growth above 4.5% y/y in the first half of the year. This is above the average for this series of 3% y/y.

Early indications for the second half of 2021 are mixed. According to Xero SBI data, small business jobs rose 5.6% y/y in August (annualised two-year growth rate). More recently, however, the country entered Alert Level 4 stay-at-home orders in mid-August after the delta strain of COVID-19 was detected. While the rest of New Zealand started to re-open in early September, Auckland moved to Alert Level 3 meaning many small businesses remain closed or only able to do takeaway or delivery. The ability of New Zealand to reach the jobs target will depend on how long this current lockdown period lasts for.
United Kingdom

2021 small business jobs target: +410,000
Small business jobs created to end of June 2021: +40,000
Overall summary: Not on track to achieve by end of 2021

Outlook for second half 2021: There will need to be a significant acceleration in jobs growth in the second half of 2021 for the United Kingdom to close the jobs gap.

Using the same methodology as The Job Ahead report, United Kingdom small businesses jobs were only 40,000 higher in June 2021 than they were at the end of 2020. This means the United Kingdom is not on track to close the 'jobs gap' identified by the end of 2021.

The United Kingdom still has fewer small business jobs than it did at the end of 2019 and is yet to enter phase two of the rebuilding task seeking to achieve 'normal' jobs growth that would have been expected in 2020 and 2021 without a pandemic.

Other data sources also indicate that the United Kingdom is lagging in the job creation task in the first six months of 2021 and is yet to recover all the lost jobs during the pandemic.

According to Xero Small Business Index (Xero SBI) data, small business jobs are 22.8% above June 2020. This strong result is largely due to base effects caused by the very weak outcome in June 2020 (jobs were down 20.7% y/y). When we adjust for these impacts, using the annualised two-year growth rate, UK small business jobs remain 1.3% lower in June 2021 than 2020.

Early data for the second half of the year suggests the jobs rebuilding task is progressing but remains slow. Adjusting for base effects small business jobs, as measured by Xero SBI, remain down 0.9% y/y in August.

There will need to be a significant acceleration in jobs growth in the second half of 2021 for the United Kingdom to close the jobs gap.
United States

2021 small business jobs target: 2 million
Small business jobs created to end of June 2021: +520,000
Overall summary: Not on track to achieve by end of 2021

Outlook for second half 2021: There will need to be a significant acceleration in jobs growth in the second half of 2021 for the United States to close the jobs gap.

Using the same methodology as The Job Ahead report, United States small businesses created an estimated 520,000 new jobs in the first six months of 2021. This means the US has only achieved 25% of the small business jobs it needs at the halfway point in the year and is not on track to close the 'jobs gap' identified by the end of 2021.

The United States still has fewer small business jobs than it did at the end of 2019 and is yet to enter phase two of the rebuilding task: seeking to achieve 'normal' jobs growth that would have been expected in 2020 and 2021 without a pandemic.

Over the second half of 2021, the US Federal Reserve is reasonably positive about labour market prospects. For the year as a whole real GDP was projected to post a substantial increase, with a correspondingly large decline in the unemployment rate. But the task is substantial, given not all lost jobs in 2020 have yet been recouped post-pandemic.
About Xero
Xero is a cloud-based accounting software platform for small businesses with over 2.7 million subscribers globally. Through Xero, small business owners and their advisors have access to real-time financial data any time, anywhere and on any device. Xero offers an ecosystem of over 1,000 third-party apps and 300 plus connections to banks and other financial partners. In 2020 and 2021, Xero was included in the Bloomberg Gender-Equality Index and in 2020, Xero was recognised by IDC MarketScape as a leader in its worldwide SaaS and cloud-enabled small business finance and accounting applications vendor assessment.

About Xero Small Business Insights
The aim of Xero Small Business Insights is to create insights to help inform decision makers in support of the small business economy as a whole. These insights were produced by Xero and Accenture for Xero Small Business Insights.

The principal source of small business insights in this report is customer data from Xero - a small business platform that supports online accounting and a range of other applications. Xero are responsible custodians of our customers sensitive data and do not release any data that could identify individual businesses. The data used is aggregated and anonymised to ensure the privacy of Xero subscribers, and their counterparts.

Methodology
Full details of the methodology used to construct the Xero Small Business Index can be found [here](#).

Full details of the methodology used to construct the jobs targets can be found in the [The Job Ahead: Small businesses and the global economic recovery](#).

Disclaimer
This report was prepared using Xero Small Business Insights data and publicly available data for the purpose of informing and developing policies to support small businesses.

This report includes and is in parts based on assumptions or estimates. It contains general information only and should not be taken as taxation, financial, investment or legal advice. Xero recommends that readers always obtain specific and detailed professional advice about any business decision.

The insights in this report were created from the data that was available as at the date it was extracted. Data used were anonymised and aggregated to ensure individual businesses can not be identified.