

## Research Insights

# Did JobSeeker and JobKeeper achieve their aims?

Supporting the economic recovery from the COVID-19 pandemic by protecting employment and income through targeted government policy.

# Employment and income before and after COVID-19 in Australia

The COVID-19 crisis has had a major impact on people's livelihoods, with many employees working fewer hours or losing their jobs. The labour market showed little sign of any disruption in the first three months of the year, but the [April 2020 Labour Force Australia update](#) from the Australian Bureau of Statistics (ABS) showed that almost 600,000 fewer people were in work in April than in March 2020. The majority of this group left the labour force rather than became unemployed.\* This large increase in the number of people classified as leaving the labour force could be due to the social distancing and lockdown restrictions imposed on businesses – limiting a person's ability to apply for jobs, or reducing the ability to (look for) work due to the children's home-schooling requirements.

Our analyses of the Consumer Attitudes, Sentiments and Expectations in Australia (CASiE) survey of consumer sentiments are broadly aligned with the ABS findings. The Australian employment rate dropped by five percentage points between March and April 2020 and remained suppressed throughout May (Figure 1). This drop was distributed across employees and the self-employed. The most affected group of workers appear

to be self-employed women, whose numbers fell by 44 per cent from March to April 2020.

Despite the drop in employment, the data do not indicate a corresponding drop in household income between March and April 2020. This is likely to be at least partly due to the launch of the JobKeeper program and the expansion of income support payments through the JobSeeker program, which both occurred early in the lockdown. This suggests that the two programs were effective in protecting many Australians from the adverse financial effects of the pandemic.

In contrast to the ABS Labour Force Survey, the CASiE survey indicates that those who lost employment in April and May were more likely to become unemployed as opposed to leaving the labour force. This is due to differences in the definition of unemployment used in the ABS Labour Force Survey and self-reported unemployment in the CASiE survey\*. Indeed, respondents may consider themselves unemployed, even if they are unable to actively search for or start a new job immediately. This could reflect a general lack of job opportunities suited to their skills or an expansion of their caring responsibilities.

In this Research Insight, we leverage the weekly *Taking the Pulse of the Nation* survey of 1,200 Australians to bring novel insights regarding the impacts of the current crisis on the Australian workforce. In weeks six, seven and eight of this survey, respondents were asked whether they lost their job due to COVID-19 or had to reduce or increase their working hours. In addition, respondents were asked whether they received JobKeeper or JobSeeker payments. Using this new information, and focussing on the working-age population between 18 and 64, we present disaggregated impacts of COVID-19 on employment and working hours, explore targeting of the JobSeeker and JobKeeper programs, and report the respondent's view regarding their family's current financial situation as well as their expectation for their family's financial situation in the next 12 months.

## EMPLOYMENT DEFINITIONS\*

### Unemployed:

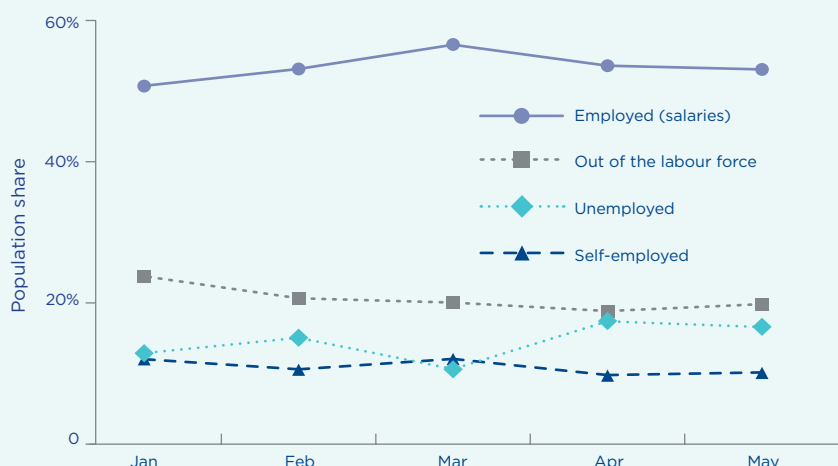
The ABS define an unemployed person as someone who is not in employment and who is actively looking for work and currently available to take up a job opportunity.

In the CASiE survey, respondents are asked the following, "Are you currently unemployed but looking for work?" The CASiE question uses a less strict definition of unemployment, and as a result a larger proportion of respondents self-report as unemployed. These numbers are therefore not directly comparable to the ABS numbers. However, the movements in employment are similar to those observed in the ABS data.

### Left the labour force:

Not employed and not looking for work.

Figure 1: Labour market dynamics of Australian working-age population



Source: Results are based on the CASiE survey which interviews 1,200 Australian adults per month, using the months of January to May 2020. The sample is weighted to be representative of the Australian population on gender, age and location.

# Key Insights

## 1 Young people most likely to face increased unemployment and reduced working hours caused by COVID-19

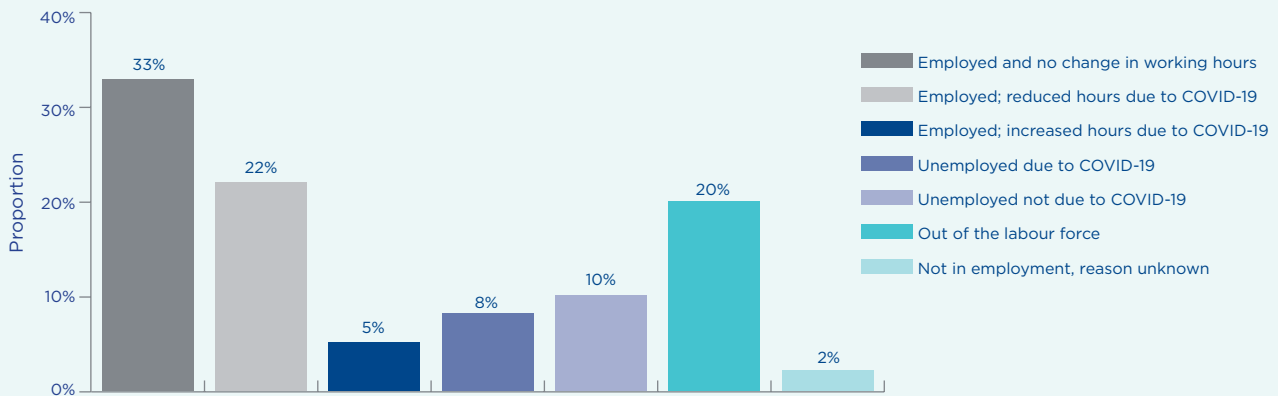
About eight per cent of respondents aged 18 to 64 are unemployed due to COVID-19 and 10 per cent report being unemployed for other reasons (Figure 2). Of the 60 per cent of individuals who are employed or self-employed (in the sample), about a third reported a reduction in work hours because of COVID-19.

There are striking differences in terms of how individuals of different ages are affected by COVID-19 – younger respondents are disproportionately affected with regard to employment and working hours (Figure 3). Younger people (aged 18 to 24) are two to three times more likely to be unemployed due to COVID-19 relative to people aged 35 to 64. Similarly, younger people are also more likely to be unemployed for other reasons than the pandemic.

For workers who retained their job, the reduction in working hours tends to be less prevalent for older people. People aged 50 to 64 are relatively often out of the labour force, though again this may be unrelated to COVID-19.

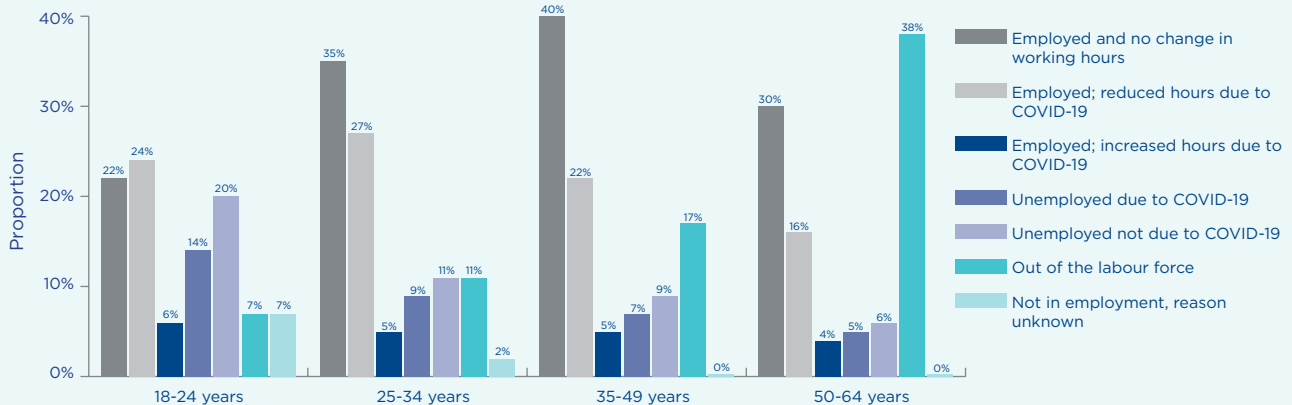
There is a slight difference in the exposure to the adverse economic effects of COVID-19 between genders – unemployment due to COVID-19 is slightly larger for women (9%) than for men (7%), and both experience similar changes in working hours. Importantly, women are more often out of the labour force (not looking for employment), although this is mostly unrelated to the COVID-19 pandemic. Because women are less likely to be in the labour force, the impact of unemployment and reduced hours relative to the size of the labour force is larger for women than men.

Figure 2: COVID-19 impact: May 11-15, May 18-22 and May 25-28



Source: Authors' calculations based on 3,600 observations from weeks six, seven and eight of the Taking the Pulse of the Nation Survey. The sample is weighted to be representative of the Australian population on gender, age and location.

Figure 3: COVID-19 impact by age: May 11-15, May 18-22 and May 25-28



Source: Authors' calculations based on 3,600 observations from weeks six, seven and eight of the Taking the Pulse of the Nation Survey. The sample is weighted to be representative of the Australian population on gender, age and location.

## 2 JobSeeker is received by one third of unemployed respondents

Close to nine per cent of the *Taking the Pulse of the Nation* survey respondents have received the JobSeeker payment. Most of the recipients were unemployed (68%), and most of those who were employed had suffered a reduction in hours due to COVID-19 (21%). Interestingly, the group that was unemployed for other reasons unrelated to COVID-19 (e.g. they could have become unemployed before March 2020) was the largest group to benefit from the payment (45% of all JobSeeker payments). This may be because this group is likely to consist mostly of unemployed people who were already in the income support system through receipt of Newstart or Youth Allowance before COVID-19. The Government automatically extended the increased payment to them without a need for them to apply.

Looking at the proportion of recipients amongst the unemployed, approximately 33 per cent receive the JobSeeker payment. This is 26 per cent amongst those who are unemployed due to COVID-19 and 38 per cent amongst those unemployed for other reasons unrelated to the pandemic. Comparing JobSeeker receipt according to gender shows that it is similar for men and women (9.1% and 8.6%) – especially when taking into account the smaller female labour force.

There are larger differences according to age. To some extent this reflects how the different age groups are affected in terms of labour market outcomes, but this is not the case for 18 to 24 year old respondents compared to 25 to 34 year old respondents. Although a larger proportion of the younger age group are unemployed and more likely to face reduced hours, the probability of receiving JobSeeker is lower (9.4% versus 12.7%).

There is only weak evidence of lower financial stress among unemployed JobSeeker recipients. Those who are unemployed due to COVID-19 are slightly less financially stressed if they receive a JobSeeker payment, while there are no differences for people unemployed for other reasons or employed respondents who receive a JobSeeker payment. This is likely due to the fact that those in receipt of JobSeeker are those most in need of it – non-receipt could be an indication of lower financial impact of the crisis.

For the same reason, there is also limited evidence of JobSeeker having a positive impact on the mental distress experienced by unemployed recipients. In this case, a small positive difference is observed for the group unemployed for reasons unrelated to COVID-19, but not for those who are unemployed due to COVID-19. However, the available number of observations of JobSeeker recipients is still relatively small after three waves of the survey in which the question is asked, making it difficult to draw firm conclusions about financial stress and mental distress within subgroups of JobSeeker recipients.

## 3 JobKeeper may be missing some of its target

JobKeeper was designed to maintain valuable connections between employers and employees, while financially supporting individuals and businesses affected by the COVID-19 pandemic. While it is impossible to know what would have happened without JobKeeper, the *Taking the Pulse of the Nation* survey suggests that JobKeeper may fail to help many of the affected workers.

More specifically, only 32 per cent of the workers who lost hours due to COVID-19 (without receiving JobSeeker) received JobKeeper. This suggests that two out of every three workers negatively affected by the virus are falling through the cracks of the JobKeeper scheme. Although coverage has been improving as it went from 22 per cent to 34 per cent and then to 41 per cent in the last three weeks of May, with an average of 32 per cent over three weeks. It is likely that the eligibility rules – particularly the required reduction in turnover of at least 30 per cent for businesses with a turnover of less than \$1 billion per year and 50 per cent for large businesses – are too restrictive to allow for effective coverage of workers hit hardest by the crisis. Furthermore, the initial requirement for employers to pay JobKeeper upfront may have been an important hurdle for cash-strapped businesses.

While employees who are stood down receive the JobKeeper payment (through their employer), it acts as a wage subsidy flowing partially or fully to employers for their staff who are still working positive hours. These employees are, therefore, continuing to generate outputs and income for the business from which at least part of the employee's wage could have been paid.

To the extent that businesses cutting the most hours of work are also those most affected by the crisis (among those eligible for JobKeeper), JobKeeper is providing a subsidy that disproportionately benefits the least affected businesses. At one extreme, businesses that were required to shut down receive no direct financial support as JobKeeper is flowing fully to employees. In this case the benefit of the scheme to the employer is 'solely' that they can avoid making their employees redundant, but they may still require assistance with non-labour fixed (and some variable) costs that continue to be incurred such as the lease of office space. At the other extreme, there are employers who are eligible to receive JobKeeper payments for all staff, even though the business is relatively unaffected by the crisis because they can continue with some operations (e.g. online sales).

4

Australians feeling current financial pain, but are more optimistic about the future

It is clear that Australians have been financially affected by the lockdown to prevent the spread of COVID-19. The CASiE survey asks each respondent two questions regarding the financial situation of their family. One relates to the current financial situation compared to 12 months ago and the other relates to the expected financial situation in 12 months time compared to now. Responses show a clear increase in families feeling worse off now than 12 months ago and expecting to be worse off in 12 months. There was also a decrease in families feeling better off, especially in April 2020. However, the impacts are stronger for the current financial situation (Figure 4) and the recovery in May is stronger for the future financial situation, with respondents feeling more optimistic about their financial situation in one year's time.

The lockdown has affected people differently, and as a consequence there are groups who feel differently about their current and future financial situation. We compare the different impacts by summarising the proportion (expecting to be) worse off, the same, and better off through an average score. Being better off is assigned a value of 1, remaining the same is assigned a value of 2, and being worse off is assigned a value of 3 - a higher score indicates a (expected) worsening of financial circumstances. The average scores show a clear increase in April and to a lesser extent in May, with a near complete recovery of future expectations.

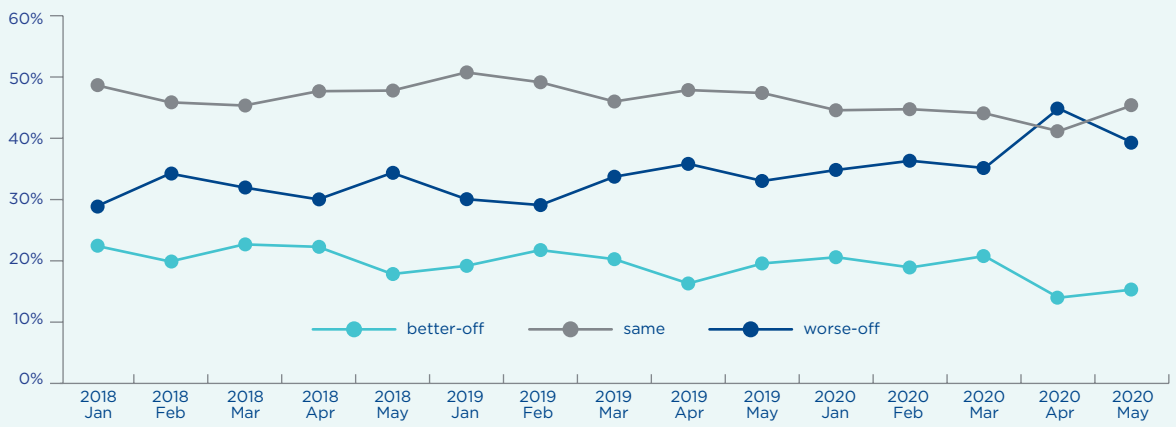
Comparing the results by gender (Figure 5), men and women's current financial situations are similarly affected in April. However in May, men appear to fare better than women do, with a higher proportion of

women indicating that their current financial situation is worse than 12 months ago - and this proportion still increased compared to March. This is consistent with the April Labour Force Australia update from the ABS showing that women are more affected by the economic crisis resulting from the social distancing restrictions. In addition, the CASiE data show that men are also less pessimistic in April about the future financial situation than women.

Although young people are most affected by the crisis in terms of unemployment and reduced hours, this had a relatively limited impact on their current financial situation (Figure 5). There was a clear impact in April but this reduced in May and, generally speaking, young people are rating their current situation relative to 12 months ago more positively than older people. The same is true for their expectations for the next 12 months, which only experienced a small negative impact in April, indicating that young people face the future no less optimistic than they did before the crisis.

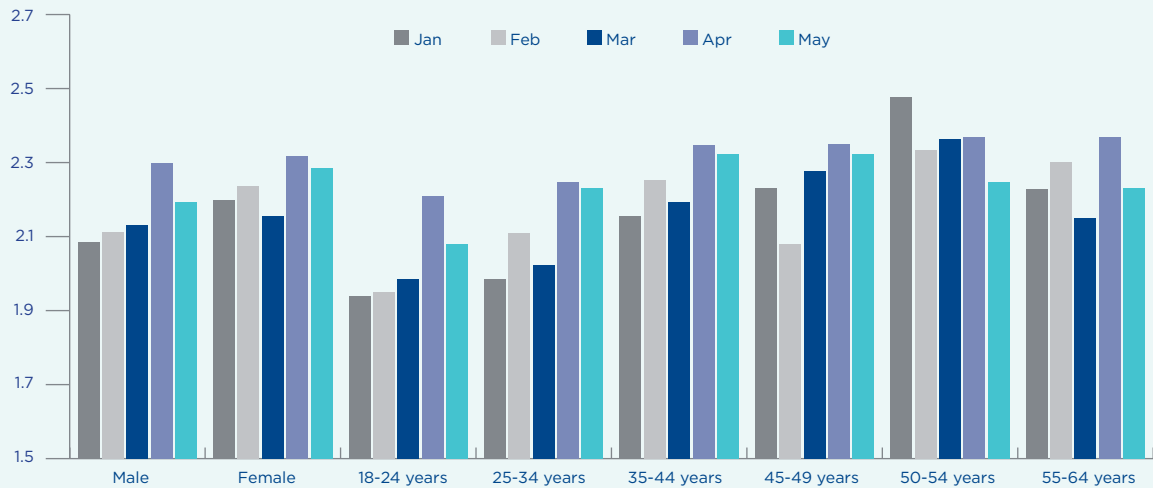
When we compare respondents in different labour force states, the largest decline in the current financial situation is observed among the self-employed in April (Figure 6). However, like most other groups, this negative impact on their current financial situation has disappeared in May. The only group to experience a persistently worse current situation compared to 12 months ago are the part-time workers. This group may have experienced reduced hours due to the COVID-19 crisis, which would have had a negative impact on their financial circumstances.

Figure 4: Current financial situation compared to 12 months ago



Source: Authors' calculations based on 15 months of CASiE surveys, with 1,200 respondents interviewed in each month. The sample is weighted to be representative of the Australian population on gender, age and location.

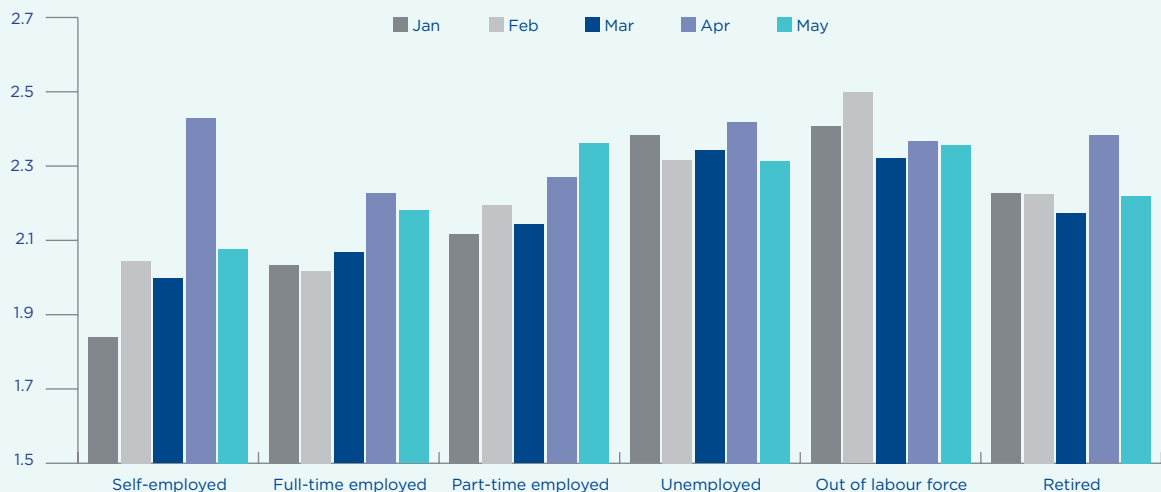
Figure 5: Average score of comparison of current financial situation to 12 months ago, by gender and age



Note: A higher score indicates fewer families are better off and more families are worse off.

Source: Authors' calculations based on 6,000 observations from CASIE Survey data for the months January to May 2020. The sample is weighted to be representative of the Australian population on gender, age and location.

Figure 6: Average score of comparison of current financial situation to 12 months ago, by labour market status



Note: A higher score indicates fewer families are better off and more families are worse off.

Source: Authors' calculations based on 6,000 observations from CASIE Survey data for the months January to May 2020. The sample is weighted to be representative of the Australian population on gender, age and location.

# Employment and income support policies to support the economic recovery

## **Support young people new to or entering the labour market**

Going forward, we need to ensure that young people can return to employment as soon as possible. It is clear that they have been most affected by the economic crisis that accompanied the pandemic. Policy also needs to focus on providing support to young people completing their education this year, as they may face more difficulties than usual as they enter a low-demand labour market.

Although JobKeeper makes retaining employees financially easier for eligible firms, it does not help with the hiring of new employees if needed (e.g. because an employee had to leave the firm for personal reasons), as JobKeeper recipients had to be employed on March 1, 2020 at the firm. In the transitioning out of the economic crisis period, it may therefore be useful to adjust the scheme or supplement the scheme to provide more general support to businesses, and provide support to new workers entering the labour market. This latter group is likely to contain many young people who have just completed their education. It is important to ensure this group is supported, and we do not create a 'lost generation' of workers.

## **Design longer-term, more targeted schemes**

JobSeeker together with JobKeeper have clearly been important in protecting many Australians from the immediate economic effect of the pandemic. However, there remains a large proportion of the population that do not benefit from these schemes. With the impact of the economic crisis caused by the pandemic expected to be long-lasting, consideration of more targeted versions of JobSeeker and JobKeeper could help to ensure the most affected businesses and employees are supported for a longer period of time. Better targeting, combined with the recent discovery that JobKeeper is less costly than anticipated, could assist the Government in transitioning out of these payments more slowly than originally planned, and perhaps include some of the groups currently excluded. Avoiding as many business closures as possible is going to be extremely important in the economic recovery from the pandemic. It is likely that many businesses will not be able to return to full capacity (and will face higher costs to comply with all relevant requirements) when there are still partial restrictions and social distancing rules in place. These businesses are likely to need continued support.

## **Reconsider the eligibility criteria**

At the moment, the design of JobKeeper is such that it could be leaving behind many workers affected by the crisis while providing support to those unaffected by it. At the same time, the scheme may provide a disincentive for low-paid (below \$1,500 per fortnight) workers who have been stood down to take up additional working hours or a new job. Better targeting could be achieved by removing or relaxing some of the restrictive eligibility criteria, such as the required sharp drop in turnover, or the exclusion of temporary visa holders and many casuals. Better targeting and improved incentives to return to work could be achieved by mimicking the features of similar European schemes that cover a proportion – say 80 per cent – of the pay cuts experienced by workers, up to a cap. The focus of such schemes is on supporting affected workers, acknowledging that affected businesses can be better targeted through other government payments and bank loan repayment holidays, or through tailored direct government transfers independent of payroll size.

## **Support for skilled migrants**

A further reason for supporting, for example, non-permanent residents and non-citizens is that the cost of retaining temporary visa holders as employees has increased as they are not eligible for JobKeeper. This could have the unintended consequence of making the hiring of immigrants on temporary visas risky, as they are shut out from benefits. It could also have the unintended consequence of 'forcing' temporary visa holders, many of whom are high-skill immigrants, to leave the country as these individuals miss out on both the JobSeeker and JobKeeper schemes, which puts them at great financial risk if they lose their job.

# Further Information

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## Datasets

This analysis has been drawn from *Taking the Pulse of the Nation* – Melbourne Institute’s survey of the impact of COVID-19. The aim of the weekly survey is to track changes in the economic and social wellbeing of Australians living through the effects of the coronavirus pandemic whilst adapting to various changes in Federal and State government policies. Each week, the survey contains responses from 1,200 persons, aged 18 years and over. Sample weights can be used to make the sample representative of the Australian population on gender, age and location. The current analysis draws on weeks six to eight of the survey and therefore includes data from up to 3,600 Australian adults.

These data have been complemented by historical information on employment and income drawn from the Consumer Attitudes, Sentiments and Expectations in Australia Survey (CASiE) for the January to May months in 2018, 2019 and 2020. Sample weights can be used to make the sample representative of the Australian population on gender, age and location. These weights were updated in April 2020, which led to small changes in the proportions by age group, with the older age groups increasing in size. However, the differences are small and occur mostly in the over 65 age groups which have been excluded from the analyses in this Research Insight. The *Taking the Pulse of the Nation* survey in the first week of each month is combined with the CASiE survey (April and May 2020).

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## References

Australian Bureau of Statistics (2020) Labour Force, Australia, April 2020; Catalogue no 6202.0, released in May 2020, Canberra. Available on: <https://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0>

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