Australian Government
The Treasury

TSY/AU

The JobKeeper Payment:
Three-month review

June 2020

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The JobKeeper Payment Three-Month Review was conducted over May and June 2020. This report was finalised on 29 June.

The review was informed by Treasury's regular engagement with the business community and general public on JobKeeper policy and program implementation, the departments and agencies across government that are involved in aspects of JobKeeper service delivery, academic experts and officials in other national ministries.

The Treasury Coronavirus Business Liaison Unit undertook case studies of businesses to gain further practical insight to the program. Selected quotes from those case studies are used in the report to illustrate the experience of JobKeeper among business owners and employees.

Reporting of JobKeeper administrative data is based on information provided by the Australian Taxation Office (ATO) during June 2020. Two measures are generally used. These are the number of organisations with applications processed during the payroll months of April and May (covering the first four JobKeeper Payment fortnights from 30 March to 24 May), and the number of individual recipients in the payroll month of April (covering the first two JobKeeper Payment fortnights of 30 March to 26 April). These data are subject to change. Reporting of program data and other sources of information is as documented in tables and figures.

Some analysis in this review draws on Single Touch Payroll (STP) data collected by the ATO. This is a relatively new source of economic statistics in Australia, and is the basis of a new Australian Bureau of Statistics (ABS) series Weekly Payroll Jobs and Wages in Australia. While an invaluable source, it is experimental and not without limitations. For example, the STP data are limited to employees and do not fully capture sole traders. Further, employees of small businesses are under-represented — the ABS reports that STP data capture around 99 per cent of employers with 20 employees or more, and over 80 per cent of those employing 19 people or less. Where used in this report, appropriate caveats are included to acknowledge limitations. Further details of this data source and its use in this report are contained in **Attachment C**.

The report discusses the economic and fiscal outlook in the second half of 2020, but does not contain a set of forecasts. Macroeconomic forecasts will be included in the July Economic and Fiscal Update.

Glossary

Business

Businesses include all companies, partnerships, trusts, plus individuals with business income (sole traders).

Business Activity Statement

Businesses registered for Goods and Services Tax (GST) are required to lodge a Business Activity Statement (BAS) with the ATO to report their tax obligations.

Casual employees

Employees without certain paid leave entitlements, no guaranteed hours of work, and whose employment can end without notice unless notice is required by a registered agreement, award or employment contract.

Coronavirus Supplement

Additional financial support for people who receive certain income support payments, such as the JobSeeker Payment. Those eligible receive a fortnightly supplement of $550.

COVID-19

COVID-19 is an infectious disease caused by a newly discovered coronavirus. Cases were confirmed in Australia from late January 2020.

JobKeeper applications processed

Applications that have completed the enrolment, verification and declaration steps for JobKeeper. The number of eligible organisations that have applications processed for JobKeeper is based on unique Australian Business Numbers.

JobKeeper enrolments

Enrolments reflect the intention of organisations to claim the JobKeeper Payment. Enrolments have not been verified by the ATO for eligibility.

JobKeeper fortnight

ATO-defined fortnights, with the first from 30 March to 12 April 2020. Regardless of an organisation's pay run frequency, or pay period start and end dates, the $1,500 a fortnight JobKeeper Payment applies to the pay dates within the JobKeeper fortnights.

JobKeeper individual recipients

Includes employees and eligible business participants. Under JobKeeper, self-employed individuals are eligible as business participants if they are an eligible sole trader, partner, adult beneficiary of a trust, a shareholder or a director actively engaged in the business carried on by an eligible entity.

JobKeeper payments accrued

The amount of anticipated payments to eligible organisations that have been incurred for JobKeeper, which is based on the number of employees and eligible business participants with processed JobKeeper applications.

Not-for-profit

Not-for-profit (NFP) organisations are organisations that provide services to the community and do not operate to make a profit for its members (or shareholders, if applicable).

Organisation

The term 'organisation' covers both businesses and not-for-profits participating in the program.

Single Touch Payroll

Single Touch Payroll (STP) data are provided to the ATO by businesses with STP-enabled payroll or accounting software each time the business runs its payroll. STP data include both business and job-level tax information and superannuation information.

List of boxes, figures and tables

Executive summary

The JobKeeper Payment is one of the largest fiscal and labour market interventions in Australia's economic history.

The JobKeeper Payment was developed in the second half of March in response to a steep deterioration in economic activity and employment.

JobKeeper had three objectives: supporting business and job survival, preserving the employment relationship, and providing needed income support. It has met these objectives.

The program has had large take-up, at over 920,000 organisations and around 3.5 million individuals over the April-May period.[1] It has wide coverage, representing 30 per cent of pre-Coronavirus levels of private sector employment (as at February 2020),[2] with organisations and individuals supported in all sectors, across all parts of the country. As at 23 June 2020, payments have totalled $20.3 billion over the four payment fortnights to 24 May, equivalent to 7.0 per cent of pro-rata March quarter gross national income.[3]

It has been well targeted: the payment went to businesses that experienced an average decline in turnover in April of 37 per cent against the same month a year previous (compared with a 4 per cent decline for other businesses); and it went to businesses at which the job separation rate had doubled following the introduction of operating restrictions just before JobKeeper was introduced (compared with no change in other businesses).[4]

There is no evidence of widespread business closures — indeed, they are currently well below average, due to JobKeeper and other fiscal support, bank forbearance and temporary law changes. JobKeeper has kept jobs in place, especially among those in ongoing full-time and part-time roles. It achieved this by providing employers a subsidy to keep on employees and reduce business costs. Since its introduction, the rate of decline in employment has slowed, then stabilised, and towards the end of May was showing tentative signs of recovery.

JobKeeper has also provided income support. In addition to being a wage subsidy payment to employers, it provides an income transfer payment to some individuals. This includes those whose wage prior to JobKeeper was below $1,500 per fortnight and those that have been stood down and receive JobKeeper. Overall, Treasury estimates that around three quarters of payments so far have gone to subsidising wages and the balance to income transfers.

JobKeeper was designed to prioritise macroeconomic support, and speed and ease of implementation. However, JobKeeper has a number of features that create adverse incentives which may become more pronounced over time as the economy recovers. It distorts wage relativities between lower and higher paid jobs, it dampens incentives to work, it hampers labour mobility and the reallocation of workers to more productive roles, and it keeps businesses afloat that would not be viable without ongoing support.

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1 ATO administrative data, as at 23 June 2020

2 Private sector employment based on ABS Labour Force, Australia, Detailed, Quarterly, May 2020 (Cat. No. 6291.0.55.003)

3 Gross National Income for March quarter 2020 was $474.5 billion in current prices. On a pro-rata basis (eight weeks) it was $292.0 billion. ABS Australian National Accounts: National Income, Expenditure and Product, Mar 2020 (Cat. No. 5206.0)

4 Based on Treasury analysis of business microdata

There are compelling arguments to maintain JobKeeper in its current form until 27 September 2020. The labour market remains very weak. The overall level of labour underutilisation as reported in the May Labour Force Survey is at a record high at 20.2 per cent.[5] Businesses have planned on the availability of JobKeeper for six months and there are risks in withdrawing support from those that have begun to recover. There is a lot of ground for businesses to make up between a 30 per cent turnover decline and full recovery. Businesses need time to restore their balance sheets.

The question is whether JobKeeper should continue beyond September, and in what form. This depends on the balance between the macroeconomic need and potential adverse incentives, and whether JobKeeper features can be modified to mitigate these incentive effects.

With respect to the macroeconomic circumstances, Treasury expects the official unemployment rate to be around 8 per cent in the September quarter 2020 and rise further in the December quarter. Despite an expected recovery in employment in coming months, the employment decline from the March to the September quarter this year is still expected to be around 5 per cent, greater than the peak-to-trough falls in the 1980s and 1990s recessions of around 4 per cent.

At the sectoral level, it is highly likely that some sectors, such as tourism and arts and recreation, will remain distressed throughout the remainder of this year and beyond, largely due to the health restrictions that will remain in place, including border controls. Consumer confidence and lower risk appetites may also reduce demand.

Based on these factors, there is a strong case for continued macroeconomic support beyond September. There is also a strong case to use JobKeeper as the mechanism to provide that support, given its track record and its capacity to deliver at scale.

Given the likely sectoral variation in recovery, there would be merit in targeting JobKeeper to the most affected sectors. However, it is too difficult to define the affected sectors in advance and to define sectoral boundaries. A better approach to sectoral targeting would be to maintain JobKeeper but reassess eligibility in October based on actual decline in turnover. This would target the most affected businesses and would reduce the proportion of the economy at risk of the adverse incentives of JobKeeper.

This would give those businesses most affected by ongoing health restrictions and the downturn some additional breathing space to recover. It may also be appropriate at this juncture to consider reducing payments to wean off businesses from ongoing support.

JobKeeper is targeted at those who are already employees. The Government should consider support for other groups of people who are not employed, in particular investment in skills development for displaced workers and targeted wage subsidies aimed at people newly entering the labour market during a recession.

Beyond this review, it is imperative that a program of this magnitude and novelty should be studied and evaluated very closely. The Treasury, the Australian Taxation Office and the Australian Bureau of Statistics will work with the academic community and others to make de-identified program administration data available for research purposes. An independent evaluation should be conducted at the completion of the program.

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5 The underutilisation rate is the sum of the number of people unemployed and underemployed as a proportion of the labour force. The May 2020 figure is the highest on record since the series began in 1978.

Introduction

The Australian Government announced the JobKeeper Payment on 30 March 2020.

The program was to run for six months, with a review after three months to be conducted by Treasury. The outcomes of the review will inform the Government's decisions on the future of JobKeeper. Specifically, the review examines the case for any changes to JobKeeper before its scheduled end on 27 September 2020, whether there should be an extension to JobKeeper, and if so in what form.

JobKeeper was the third instalment in a series of economic support packages introduced by the Government in the space of just three weeks during March 2020 as the Coronavirus health crisis began to unfold rapidly.[6] It is among the largest one-off fiscal measures in Australia's history.

It was designed and implemented in an environment where a large number of businesses faced public health restrictions, possibly lasting as long as six months, with potential for these restrictions to result in significant job losses and reduced incomes. Emphasis was given in the design of JobKeeper to speedy implementation at scale to provide needed support to the economy and jobs. A number of the key design features of JobKeeper were decided with this imperative in mind.

Since the introduction of JobKeeper, health restrictions have begun to be relaxed earlier than anticipated, and forecasts of the length and depth of the economic and labour market downturn have been moderated.

Against this backdrop, the review provides a re-assessment of the trade-off of the benefits of providing ongoing support to jobs and the economy through JobKeeper against some of its known design features that may be less desirable as the economy begins to move into a recovery phase.

In particular, the review examines three issues:

- take-up of JobKeeper and evidence of its initial impact on jobs, hours of work, and incomes
- design features of JobKeeper that may be less desirable as the economy recovers, such as its level of income support, retaining employees in their pre-1 March jobs, and supporting businesses that either no longer need support or that are no longer viable without it
- considerations for the Government in making any changes to JobKeeper, including the economic and labour market outlook over the second half of 2020.

The review draws on a wide range of evidence in examining these matters. Much of this evidence is novel and near real-time. In particular, the ABS has published weekly estimates of payroll jobs and wages, as well as several rounds of rapid surveys on the business and household impacts of COVID-19. Treasury has also undertaken supporting work for the review based on analyses of business microdata. On the other hand, the window of time for making observations about initial impact is short, covering April and May, the first two months since the JobKeeper Payment was introduced.

The economic and labour market outlook for the remainder of 2020 is highly uncertain, business and consumer confidence remain weak, and some health restrictions will take time to lift, tempering any judgements about the benefits of making changes to the program, especially after factoring in the costs associated with such changes.

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6 Information on the Government's Economic Response to the Coronavirus is available at https://treasury.gov.au/

Coronavirus, health restrictions and economic impacts

It is important to understand the circumstances under which the Government introduced the JobKeeper Payment at the end of March 2020.

The first reported cases of COVID-19 in Australia were on 25 January 2020. Between then and 11 March, confirmed cases rose to over 100. Following that, cases began to double around every few days reaching over 1,000 by 21 March, over 2,000 by 24 March and over 4,500 by end March.[7]

A range of public health restrictions were introduced by the Australian Government and by State and Territory governments from February onwards. On 1 February restrictions were placed on international arrivals from China, extended during February and March to arrivals from other countries, and then a complete ban on entry of all foreign nationals from 20 March.

Public health restrictions on the movement and gathering of people within Australia began to be introduced in the third week of March. Non-essential gatherings were limited to 500 people on 16 March, then on 20 March to no more than one person per four square metres at indoor venues, up to no more than 100 people maximum. People were directed to work from home wherever possible and to only travel for essential purposes. Non-essential businesses were advised to cease direct consumer trade and consumers were advised to shop only for essential items like groceries and medicines.[8]

There is evidence from social media usage and tracking data that many people — in Australia, and other countries — began to alter their behaviour and socially distance themselves *ahead* of the announcement of public health restrictions. Real-time geo-tracking data from Google Mobility Reports and Apple Mobility Trends, and foot traffic data from the City of Melbourne Pedestrian Counting System, show a decline in foot traffic, driving and public transport use in the days leading up to social distancing measures.[9] Real-time consumption tracking from Illion and AlphaBeta, and Commonwealth Bank card spending data, suggest that discretionary spending also began to fall around the same time.[10] Behavioural change and enforced restrictions had large economic reverberations.

Recessions ordinarily arise from a collapse in demand, which is insufficient to soak up available supply at existing prices, and leads to cuts in production and employment. The present recession differs from the norm as the economy has experienced a simultaneous contraction in demand *and* supply.

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7 World Health Organisation, accessed at https://covid19.who.int/region/wpro/country/au

8 Further discussion of the context in which the JobKeeper Payment was introduced can be found in the Secretary to the Treasury's opening statement to the Senate Select Committee on COVID-19 on 9 June 2020, available at https://treasury.gov.au/speech/opening-statement-june-2020-senate-select-committee-covid-19

9 Google Community Mobility Reports, accessed at https://www.google.com/covid19/mobility/
Apple Mobility Trends Reports, accessed at https://www.apple.com/covid19/mobility
City of Melbourne Pedestrian Counting System, accessed at http://www.pedestrian.melbourne.vic.gov.au/

10 Illion real-time tracking data, accessed at https://www.alphabeta.com/illiontracking
CommBank Global and Economics Market Research, accessed at https://www.commbank.com.au/guidance/business/an-early-look-at-how-the-coronavirus-is-affecting-household-spen-202003.html

On the supply side, the health restrictions prevented many businesses from opening, or opening but in a constrained form — such as airlines operating domestic routes only, and restaurants only being able to provide take-away food — and prevented or constrained many employees from being available to work, as well as many consumers from spending. Output fell across many sectors. Large queues of people displaced from work sought income support from Centrelink in the week commencing 22 March.

On the demand side, a decline in global economic activity, reduced incomes arising from supply-side restrictions, and deep falls in business and consumer confidence, sharply reduced expenditure and dampened investment.

The Government acted swiftly and decisively, with two major economic support packages introduced on 12 and 22 March. Support was provided for individuals and households through a $550 per fortnight Coronavirus Supplement to certain income support payments, stimulus payments for certain households, and temporary early release of superannuation. Businesses were being supported through a number of investment incentives, measures to boost cash flow for employers, a wage subsidy to retain apprentices and trainees, and targeted support for the most severely affected sectors, regions and communities. The Government, Reserve Bank of Australia and the Australian Prudential Regulation Authority also took coordinated action to support the flow of credit, including a Coronavirus Small and Medium Enterprises Guarantee Scheme and a term funding facility for the banking system. Taken together, these measures combined with the JobKeeper Payment sum to $259 billion of economic support from all arms of government.[11]

In other countries, on top of similar measures, governments began to introduce schemes to promote job retention. In New Zealand (NZ), a targeted wage subsidy was first announced on 9 March, then broadened on 17 March to encompass all private sector businesses experiencing a 30 per cent revenue decline. In the United Kingdom (UK), a job retention scheme was announced on 20 March, covering up to 80 per cent of wages for furloughed (or stood down) employees, up to a cap of £2,500 per worker each month. Further details of these schemes are in **Box 1**.

In later sections of this report, the impact of JobKeeper on employment, hours of work, and incomes is examined. To set the context for this, summary labour market statistics of the change from February to May 2020 are presented in **Table 1**. The headline figures are the decline in employment (down 6.5 per cent) and the rise in unemployment (up by a third). These two movements underpin the measured change in the unemployment rate (up from 5.1 per cent in February to 7.1 per cent in May).

But this recession has been far from regular, and regular measures of the state of the labour market do not adequately capture the deterioration. Hours of work have fallen by 9.4 per cent, a result of a very large increase in the numbers of employed persons working fewer hours than usual or no hours at all for 'economic reasons'. Combined, between February and May over 2.0 million people went from being employed on their usual hours of work to being out of work, working no hours, or working fewer hours than usual.

11 Further details on these measures are available at https://treasury.gov.au/sites/default/files/2020-05/Overview-Economic_Response_to_the_Coronavirus_3.pdf

Table 1: Summary labour market statistics, February to May 2020

	Feb-20	May-20	Change Feb to May 2020
Employed persons (‘000)	12,992.3	12,154.1	-838.3
Total monthly hours worked in all jobs (‘000,000)	1,771.0	1,604.7	-166.4
Average monthly hours worked (per employed person)[a]	136.3	132.0	-4.3
Number of persons that worked zero hours for economic reasons (‘000)[bc]	60.0	366.3	306.3
Number of persons that worked fewer hours for economic reasons (‘000)[bc]	325.6	1,188.8	863.2
Number of unemployed (‘000)	696.3	927.6	231.3
Number of persons not in the labour force (‘000)[c]	6,960.4	7,687.3	726.9

Sources: ABS Labour Force, Australia, May 2020 (Cat. No. 6202.0); ABS Labour Force, Australia, Detailed — Electronic Delivery — 6291.0.55.001 — May 2020 (Cat. No .6291.0.55.001), Datacube EM2a. All figures seasonally adjusted unless otherwise identified.

Notes:

a. Average monthly hours worked have been calculated by dividing total monthly hours worked by the number of employed persons

b. Persons working reduced or zero hours for ‘economic reasons’ refers to those who were employed but were stood down, or there was insufficient work or no work available

c. Data are in original terms

Box 1: International approaches

A range of OECD countries have introduced job retention schemes in response to the Coronavirus, with the schemes varying in terms of their design, duration and other features. Canada, NZ and the UK introduced broad-based wage subsidies in mid to late March 2020 with the common objective of supporting jobs and preserving employer-employee links as non-essential businesses closed and populations stayed at home. Each scheme was designed and implemented differently to suit national circumstances and requirements.

The coverage of different wage subsidy schemes interacts with other policy settings, such as unemployment insurance and pandemic-related unemployment benefits — some countries, such as NZ, leaned more to wage subsidies whereas other countries such as Canada have seen greater take-up of emergency benefits.

The NZ COVID-19 Wage Subsidy involved two-tier flat payments (for full and part-time employees) for an initial 12-week period, paid as a lump sum. Businesses had to have experienced a minimum 30 per cent decline in actual or predicted revenue over the period of a month, when compared with a similar period in the previous year, due to COVID-19. Employers were to try to pay at least 80 per cent of an employee's usual wages.

The Canada Emergency Wage Subsidy covers 75 per cent of actual wages paid, subject to a cap, with employers able to claim the subsidy through the Canada Revenue Agency on a four-weekly basis subject to meeting a monthly revenue test (typically a 30 per cent decline), compared with a year ago (or in early 2020). Stood down workers were able to access other forms of support, including the Canada Emergency Response Benefit.

The UK's Coronavirus Job Retention Scheme provides a subsidy for the wages of furloughed or stood-down workers of 80 per cent of their salary, subject to a cap of £2,500 per month. It covers all private sector employers — there are no eligibility criteria to demonstrate economic distress.

Each of these countries have since announced extensions to their initial wage subsidy schemes, reflecting the protracted health and economic impacts that they face. For example, NZ extended its scheme for an eight-week period, with a heightened 40 per cent revenue loss test to further target assistance. The UK extension requires employers to contribute more to the cost of the scheme, phased in monthly from August to the end of October. Details of the Canadian extension to 29 August 2020 are yet to be finalised, although a potential adjustment to the 30 per cent revenue decline threshold has been flagged.

As economies turn to recovery, the OECD finds that the policy mix should shift forward from job preservation to ensuring a rapid recovery. "While job retention schemes may be effective in preserving existing jobs in the short term, these schemes may not be efficient in reallocating workers from unviable jobs to industries and firms with better medium-term growth prospects."[12] A policy challenge is to "move from blanket to targeted support to help workers transit to new jobs, ensure rapid firm restructuring and provide social protection to the most vulnerable."[13]

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12 OECD Economic Outlook, Volume 2020 Issue 1: Preliminary version, Issue Note 5: 'Flattening the unemployment curve? Policies to support workers' income and promote a speedy labour market recovery', p.115, accessed at http://www.oecd.org/economic-outlook/

13 OECD Economic Outlook, presentation by the Chief Economist, 10 June 2020, accessed at http://www.oecd.org/economic-outlook/

An overview of the JobKeeper Payment

This section outlines the objectives of the JobKeeper Payment and how the program operates.

The Government announced JobKeeper on 30 March 2020 as part of its response to the Coronavirus outbreak. The payment was made available to eligible employers for up to six months, to be passed on in full to eligible employees and other individuals. Its initial coverage was forecast to be around 6.5 million people at a total cost of $130 billion; since revised down to be around 3.5 million people at a cost of around $70 billion.[14]

The objectives of the program were set out in the media release accompanying the announcement of the program. The overarching objective, in the words of the Prime Minister, was to 'give millions of eligible businesses and their workers a lifeline to not only get through this crisis, but bounce back together on the other side'.[15] There were three underlying objectives that the program was intended to meet:

1. supporting business and job survival while strong health restrictions were in place for an expected six months
2. preserving the employment relationship between employers and their workforce, so that valuable organisational and intangible capital was not lost
3. providing needed income support to business owners and their workforce.

Details of the eligibility requirements for employers and workers are set out in **Box 2**. Several features of the program rules need to be spelt out.

First, the test of employer eligibility was based on a threshold decline in actual or *projected* turnover (as the best standardised proxy for a decline in economic activity).

Second, the payment is a flat rate of $1,500 per fortnight, irrespective of prior or current hours and earnings. The payment is broadly equal with the National Minimum Wage for an adult full-time employee ($1,481.60 per fortnight at the outset of JobKeeper).[16] That means many eligible part-time employees, especially those paid at or near the hourly rate of the National Minimum Wage ($19.49 per hour at the outset), are earning in excess of their regular pay *in that job*. Offsetting this effect is that multiple job holders can only receive the JobKeeper Payment from a single employer.

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14 This matter is addressed in the opening statement by the Secretary to the Treasury to the Senate COVID-19 Committee, 9 June 2020, accessed at https://treasury.gov.au/speech/opening-statement-june-2020-senate-select-committee-covid-19

15 Morrison, S (Prime Minister) and Frydenberg, J (Treasurer) 2020, '$130 billion JobKeeper payment to keep Australians in a job', joint media release, 30 March, accessed at https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/130-billion-jobkeeper-payment-keep-australians-job

16 On 19 June 2020, the Fair Work Commission announced an increase to the National Minimum Wage of 1.75 per cent to $19.84 per hour, or $1,507.60 per fortnight. This comes into effect from 1 July 2020 for industries identified as less affected by the Coronavirus outbreak, 1 November 2020 for industries identified as moderately affected, and 1 February 2021 for industries identified as most adversely affected.

Box 2: Key design features of the JobKeeper Payment

Payment level — A flat payment of $1,500 per fortnight, before tax, paid in full to eligible employees and other individuals. Workers must be paid at least the minimum amount of $1,500, with employers 'topping up' payments to their employees consistent with regular pay arrangements. By comparison, the National Minimum Wage at the time of the JobKeeper Payment announcement was $740.80 per 38-hour week or $1,481.60 per fortnight.

Duration — The payment is made available in respect of wages paid from 30 March 2020 and is scheduled to conclude on 27 September 2020, with payments assessed across fortnightly periods.

Employer eligibility — Employers are required to determine if they will suffer a decline in turnover for a month or quarter during the program compared with a similar period in 2019 (or meet an alternative test). Different threshold rates of decline apply depending on entity size and type — over 15, 30 or 50 per cent depending on whether a charity, a business with $1 billion or less in annual turnover, or a business with more than $1 billion in turnover, respectively. A range of organisations were determined ineligible, such as government entities. The program remains open to organisations that meet the eligibility criteria at any time.

Worker eligibility — Eligible employees include full-time, part-time, and casual employees who have been employed on a regular and systematic basis for at least 12 months, including stood down employees. People must be Australian residents or New Zealanders on Special Category 444 visas, aged at least 18 in most cases,[17] and on the payroll as of 1 March 2020 (and 1 March 2019 for casuals). Some individuals may be entitled to JobKeeper as an eligible business participant, such as sole traders. All eligible employees in a participating organisation are to be covered.

Delivery — Employers are to pay their employees for each JobKeeper fortnight they plan to claim. The JobKeeper Payment is made to employers based on a monthly cycle, in arrears, delivered through the ATO upon application and subject to the employer meeting the eligibility criteria. Existing channels for business–ATO engagement were used to assist delivery and administration of the new program wherever possible.

Employers were advised to express their interest in the program via an online form from 30 March 2020. Employer enrolment commenced on 20 April. From 4 May, businesses lodged declarations in respect of JobKeeper Payments made to eligible individuals, with payments flowing to businesses for April JobKeeper fortnights from that week. A declaration is required each month for a business to claim payments for the previous month, including confirmation of the nominated eligible employees for that month.

Further details of the JobKeeper Payment can be found at:
www.ato.gov.au/general/JobKeeper-Payment

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17 Sixteen and seventeen year olds are eligible employees if they are independent or not undertaking full-time study.

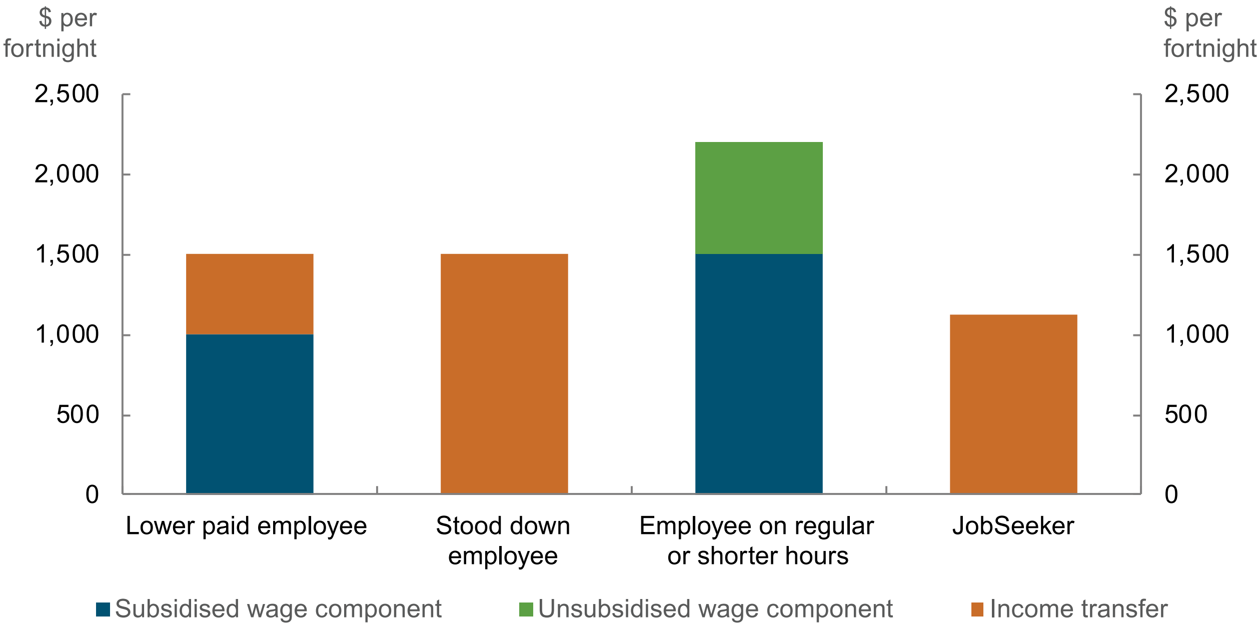
Third, the anchor point of 1 March 2020 for determining worker eligibility was introduced to ensure the integrity of the program and limit gaming by employers. Having this anchor means that over time the preservation of the employment relationship increasingly weighs against the normal dynamism of people moving from job to job in search of better opportunities, as the subsidy only applies to that one relationship and is not transferable across parties.

Finally, JobKeeper is often characterised as a wage subsidy program, but in fact it is a mixture of wage subsidies and income transfer payments, depending upon the circumstances of individual recipients. JobKeeper was designed to operate in tandem with JobSeeker in providing enhanced income support to individuals according to their circumstances.

Figure 1 presents three stylised examples of individual JobKeeper recipients. The first is a lower paid employee who, prior to 1 March, was earning $1,000 per fortnight in a part-time or casual job. They now receive $1,500 per fortnight, of which $500 is effectively a direct income transfer. The employer benefit, the subsidised wage component, comes from the Government fully covering the $1,000 wages cost. The second is an employee for whom no work is available due to the health restrictions, such as restaurant staff, and who receive the full $1,500 JobKeeper Payment, an income transfer made by their employer. These individuals may have been on lower pay or higher pay prior to becoming stood down. The third individual is someone who continues to work, perhaps on shorter hours, and whose wages exceed $1,500 per fortnight. The employer is able to use the full $1,500 JobKeeper Payment as a wage subsidy and makes up the balance themselves. The final individual, by way of comparison, is a single JobSeeker recipient without dependents who is receiving $1,124.50 per fortnight.

This framework is used in later sections to examine the extent of formerly lower paid employees receiving an increase in their income due to JobKeeper, how many stood down employees are on JobKeeper, and what fraction of JobKeeper payments are functioning as a wage subsidy or as an income transfer.

Figure 1: JobKeeper Payment as a wage subsidy and income transfer



Notes: The JobSeeker Payment amount includes the Energy Supplement and $550 Coronavirus Supplement, and assumes the recipient is not renting and has no other income. Higher JobSeeker Payment amounts are available to individuals in other circumstances (for example, a single principal carer exempt from mutual obligation requirements can receive $1,352.10 per fortnight inclusive of the supplements above).

JobKeeper take-up

There has been very large take-up of JobKeeper since its introduction.

In April 2020, JobKeeper supported approximately 3.3 million individuals in around 850,000 organisations. There was additional take-up by employers in May, with over 920,000 organisations now having applications processed for a JobKeeper Payment in the April-May period, covering around 3.5 million individuals.[18]

Take-up and coverage

Organisations and individuals across all industries have been supported by the JobKeeper Payment, but with significant variation. From a program administration perspective this arises from the process of applying the eligibility criteria to organisations and to individuals. Whether they meet these criteria varies by industry primarily because of the nature of their activity and workforce composition.

The economic impact of the Coronavirus has differed across industries; in particular, due to the nature of their activity some have been more exposed to public health restrictions than others. In industries with a relatively high reliance on casual employees and temporary migrants, such as hospitality, fewer employees will be eligible for JobKeeper among organisations that meet the turnover decline threshold.

The number of recipients is also determined by the respective size of different industries. Larger industries, either in terms of numbers of businesses or numbers of employees will, all else equal, have higher take-up. To take account of this, the report presents both the number of organisational and individual recipients in each industry and coverage, the number of recipients as a proportion of all businesses or all employed persons in that industry.

As the organisational population is dominated by sole traders and other small businesses, it is important to take care in distinguishing between organisational recipients and individual recipients.[19] For example, sole traders make up 40 per cent of organisations which have received the JobKeeper Payment for April[20], but just 12 per cent of individual recipients. This is reflected in an industry like Construction, which had the largest number of JobKeeper applications processed for April (around 130,000 organisations) but ranked third in the number of individual recipients (around 348,000 people).

Figure 2 illustrates take-up across the range of industries in the economy.[21] The top panel (**Figure 2a**) shows the distribution and coverage by industry of organisations with applications processed and the bottom panel (**Figure 2b**) shows the distribution and coverage by industry of individual recipients during April.

The industries with the largest number of recipients by organisation are: Construction; Professional, scientific and technical services; and Other services; followed by Health care and social assistance.[22] The industries

18 ATO administrative data, as at 23 June 2020

19 Eligible employees and other individuals

20 See Table A1

21 Organisations are categorised to industry by the ATO using the Australian and New Zealand Standard Industrial Classification.

22 Other services includes personal services like laundry, hairdressers and day spas; funeral and religious services; car repair and maintenance (like spray painting) and other machinery repair services.

Figure 2a: Organisations with applications processed in April 2020 — total number and share of total organisations by industry

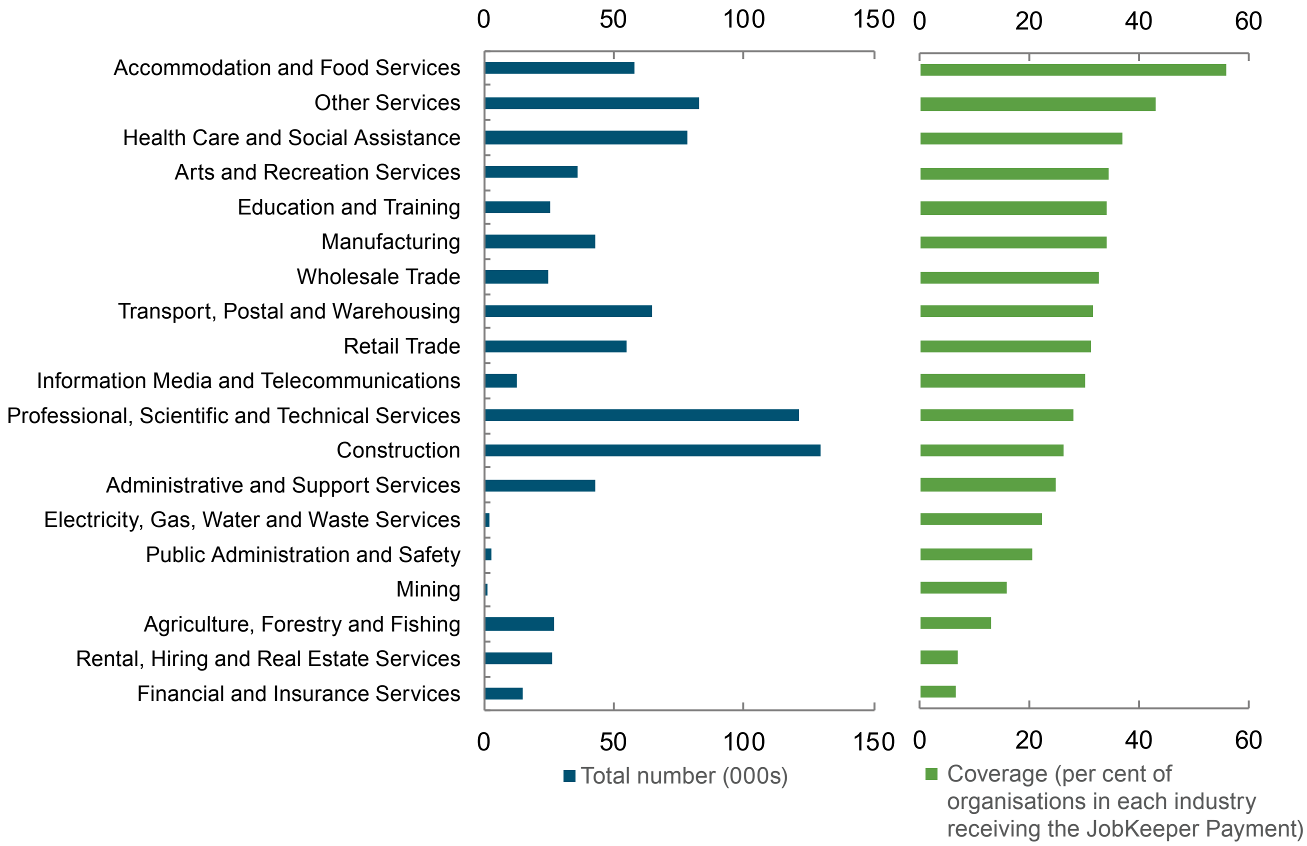
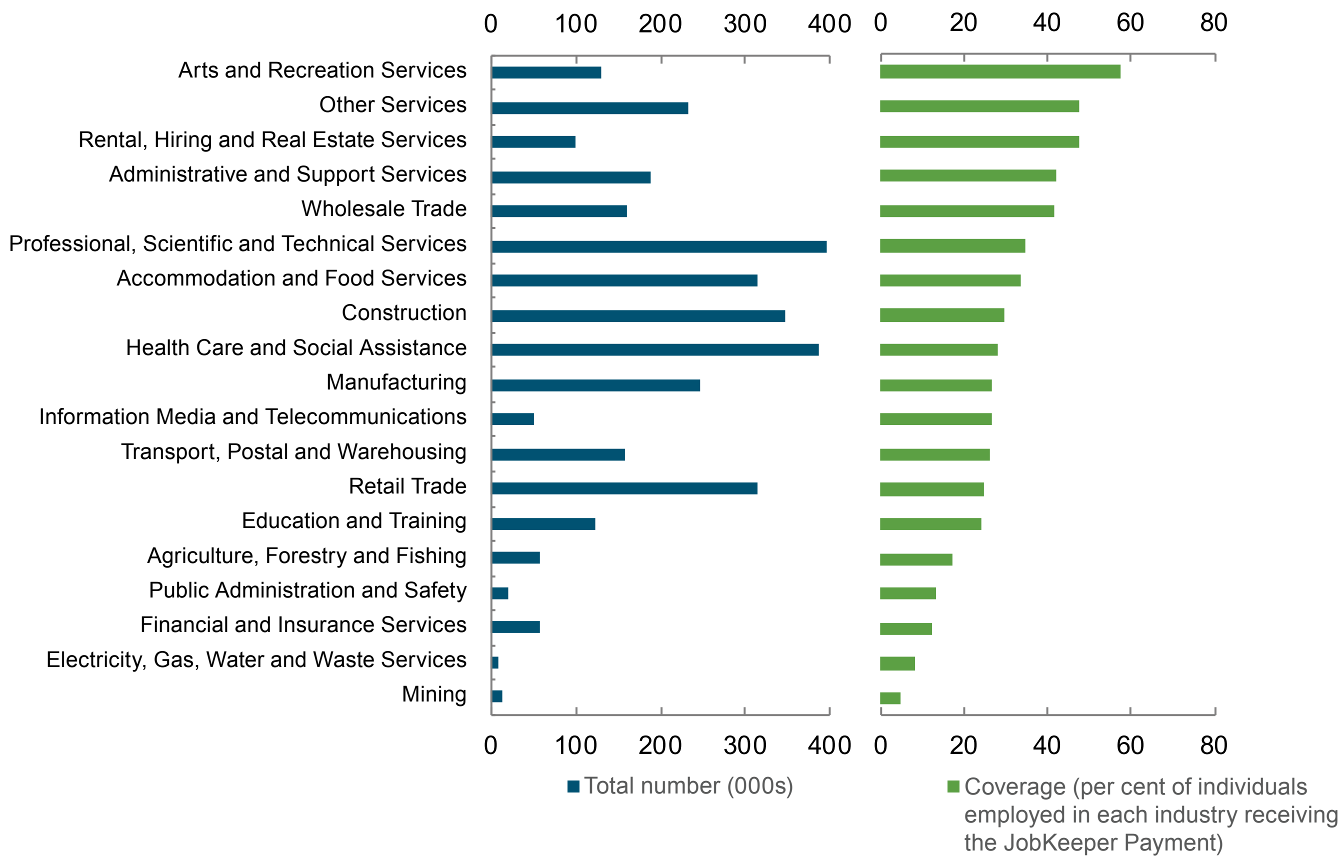


Figure 2b: Individual recipients in April 2020 — total number and share of private sector employment by industry



Note: Organisations consist of businesses and not-for-profits; with businesses including all companies, partnerships, trusts, plus individuals with business income (sole traders). The share of total organisations in the industry is based on 2017-18 income tax return and payment summary lodgements. The share of private sector employment by industry is calculated using February 2020 data to reflect pre-Coronavirus levels of employment.

Source: Treasury analysis of ATO administrative data; ABS Labour Force, Australia, Detailed, Quarterly, May 2020 (Cat. No. 6291.0.55.003).

with the greatest share of recipients by organisation are: Accommodation and food services; Other services; and Health care and social assistance. From a worker perspective, the industries with the largest number of individual recipients are similar: Professional, scientific and technical services; Health care and social assistance; and Construction.

To measure the share of individual recipients, the number is shown as a proportion of the number of people employed in the private sector in February 2020, before the Coronavirus outbreak took hold.[23] It should be noted that this may introduce some measurement error as the industry classification for the numerator is captured by the activity of the organisation receiving JobKeeper, and includes eligible business participants, while the denominator is captured by the industry in which an employed person works in their main job.[24] The industries with the greatest share of individual recipients are: Arts and recreation services; Other services; and Rental, hiring and real estate services.[25]

Figure 3 illustrates the distribution of JobKeeper take-up by age group (**Figure 3a**) and gender (**Figure 3b**). Each group's share of private sector employment (pre-Coronavirus) and their share of the decline in employment between February and May 2020 is compared against their share of JobKeeper take-up. Young people (under the age of 25) have been disproportionally affected by the current downturn in employment, as have females. Compared with the pre-Coronavirus employment distribution, those in the two youngest age groups (under the age of 25, and 25-34 years) are under-represented in the program, while females are slightly over-represented in JobKeeper coverage.

Initial program data suggest that individuals benefiting from JobKeeper cover a broad range of occupations, ranging from labourers and sales workers to professionals and managers. This reflects the economy-wide impact of the Coronavirus and the 'one in, all in' principle of the JobKeeper Payment.[26] Further data analysis is required to assess occupational patterns in the program and in the broader labour market following the onset of the Coronavirus.[27]

23 ABS Labour Force, Australia, Detailed, Quarterly, May 2020 (Cat. No. 6291.0.55.003)

24 Multiple job holders are another potential source of measurement error, to the extent that there are differences in the job for which an employee receives the JobKeeper payment and their 'main job' as captured in the ABS Labour Force Survey.

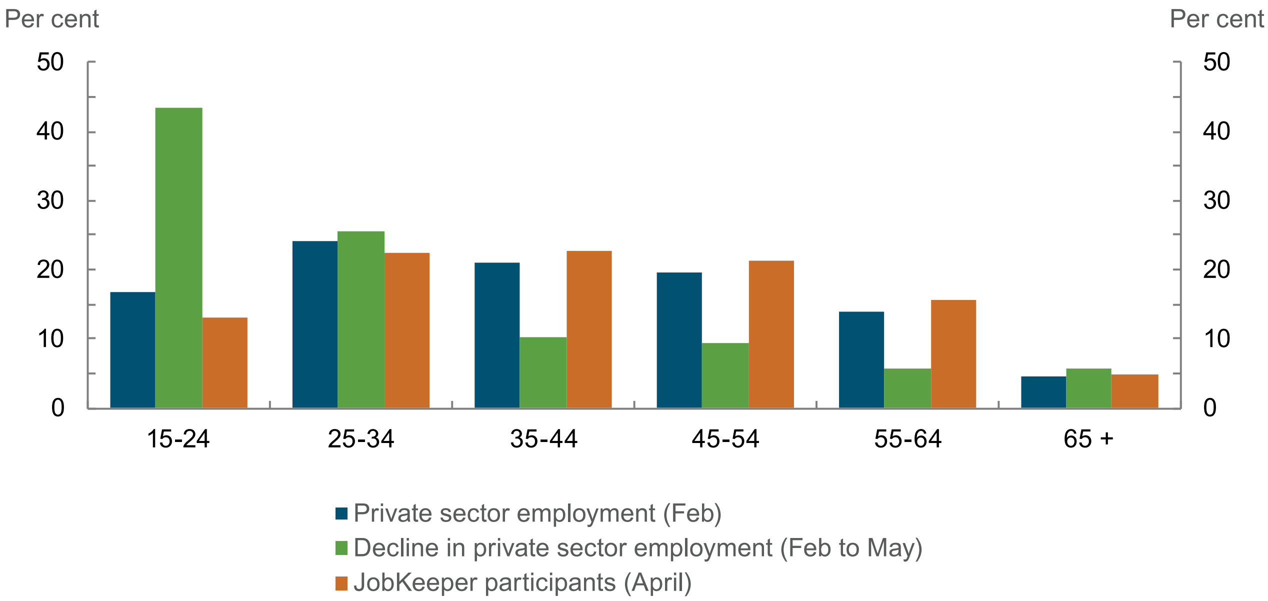
25 Arts and recreation services includes four subdivisions: heritage, sports and recreation, gambling activities, and creative and performing arts. This last subdivision has lower organisational coverage than the other three subdivisions.

26 Once an employer decides to participate in the JobKeeper Payment and their eligible employees have agreed to be nominated, the employer must ensure that all of these eligible employees are covered. This includes all eligible employees who are undertaking work for the employer or have been stood down. The employer cannot select which eligible employees will participate in the program.

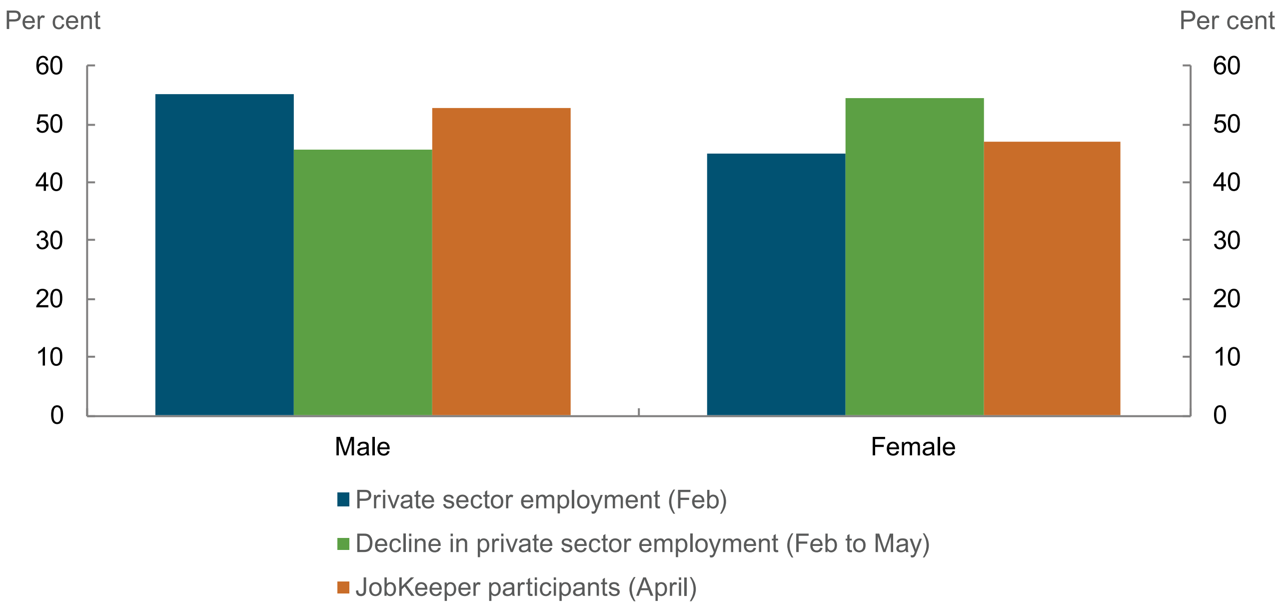
27 The release of detailed quarterly Labour Force Survey data on employment levels and changes by industry and occupation between February and May 2020 coincided with the finalisation of this report, and analysis was unableto be included.

Figure 3: Distribution of private sector employment, decline in employment, and JobKeeper participants, early 2020

a. Distributions by age



b. Distributions by gender



Note: The sum of each of the coloured bars is 100 per cent.

Source: ATO administrative data; ABS Labour Force, Australia, Detailed, Quarterly, May 2020 (Cat. No. 6291.0.55.003)

Another important dimension of take-up is its spread across different parts of the country. Data on the number of organisations by postcode that have had their JobKeeper applications processed for April suggest that employers and their workforces are being supported across all parts of Australia.[28] Higher numbers of JobKeeper recipient organisations tend to be found in postcodes with high numbers of operating employers. However, further data analysis is required on regional concentrations of JobKeeper recipients.

Further breakdowns of JobKeeper take-up are provided in **Attachment A**.

A small construction services business

"We desperately needed JobKeeper. It has allowed us to keep our jobs — we'd all prefer to be working reduced hours rather than have nothing to return to."

JobKeeper gave the business the breathing room to keep operating, with its remaining employees (after voluntary redundancies in March) eligible for the payment. The owners were pleasantly surprised at the simple application process and ease of ongoing administration.

Employers not participating

Some businesses may have been eligible for JobKeeper but did not apply. Little information is available to assess the scale of this.

Industry stakeholders reported that some employers were dissuaded to apply because: they found the process to be cumbersome; they did not wish to be reliant on government support; or they were unable or unwilling to secure additional finance to manage the four to five-week time lag between making JobKeeper payments to their workforce and being reimbursed by the ATO.

However, a rapid survey of 2,000 businesses conducted in late April by the ABS found that, of the one third of businesses that did not intend to apply for JobKeeper support, the overwhelming reason for not applying was ineligibility. Only around one in ten of those that did not apply cited complexity or insufficient cash flow.[29]

28 A set of ATO data at a postcode level was released on 24 June 2020 and is available at https://treasury.gov.au/coronavirus/jobkeeper/data

29 ABS Business Impacts of COVID-19, April 2020 (Cat. No. 5676.0.55.003)

Initial impacts of JobKeeper

The JobKeeper Payment had significant impacts on employment, hours of work and earnings.

The overall state of changes to the labour market were described in the section 'Coronavirus, health restrictions and economic impacts'. This section examines the initial impact on employment, hours of work and earnings that participation in JobKeeper has had on recipients.

Impact of JobKeeper on employment

The monthly Labour Force Survey produced by the ABS is the best available barometer of labour market changes, but a combination of its frequency and reporting lag means that it does not provide information on how the labour market is unfolding in real time; nor does it identify JobKeeper recipients.[30]

To complement and supplement existing data, the ABS has begun to publish a fortnightly series on payroll jobs and wages, based on business reporting to the ATO through STP. Treasury is able to analyse the same data and is also able to distinguish JobKeeper recipients, both employers and employees. Similar near real-time data have been reported by Xero, a small business software provider of accounting and human resource services.

It is apparent from these different sources that the introduction of JobKeeper put a brake on the rapid employment decline that commenced in the second half of March 2020. ABS data in **Figure 4** show that payroll jobs fell by 8.1 per cent over a four week period (ending 11 April) and have been broadly stable since that time, picking up by 1.0 per cent during May.[31]

A small business in the accommodation and food services industry

"JobKeeper is the only reason we're open today. [It] fundamentally saved 50 per cent of jobs. My staff would say 'thank you'."

It was initially a challenge for the business to decide whether to apply for JobKeeper. Further, the business' cash flow problems made it difficult to manage the payment-in-arrears design of the scheme and to pay wages upfront. Ultimately, the business decided to participate in JobKeeper for the sake of its staff. With restrictions being eased in late May and early June, JobKeeper has allowed the business to reopen and trade normal hours, re-engaging 100 per cent of its workforce.

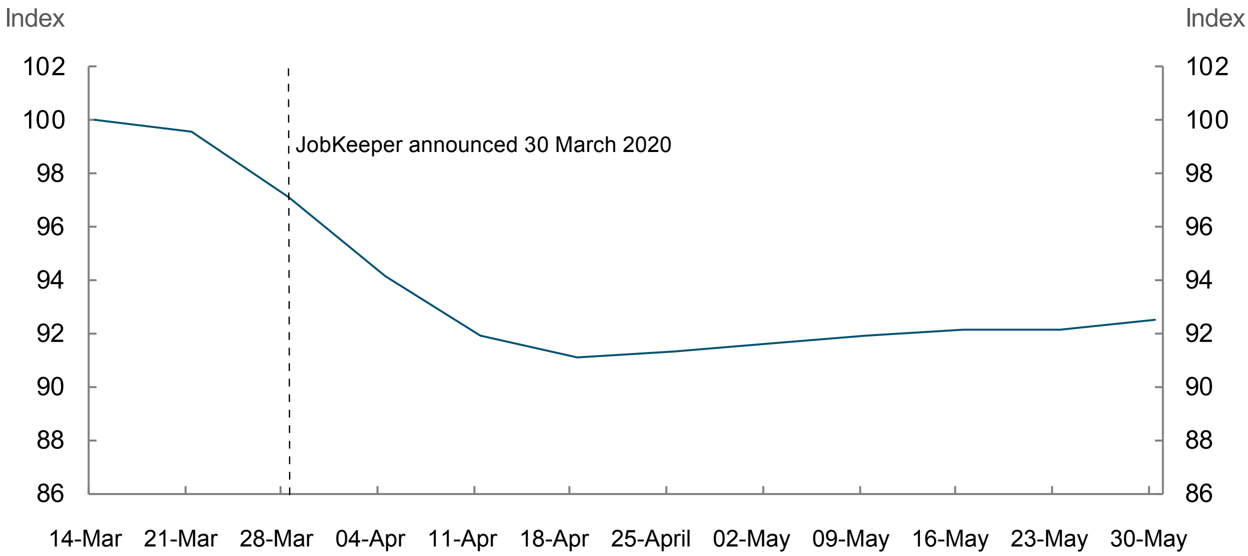
This relatively positive outcome may appear to be at odds with the widely reported May Labour Force Survey results released on 19 June, showing a 1.8 per cent fall in employment. In fact, the results in **Figure 4** are broadly consistent, showing a fall of 1.0 per cent in payroll jobs over the fortnight ending 11 April through to the fortnight ending 16 May (which match the Labour Force Survey reference periods in those months).[32]

30 Estimates from the Labour Force Survey are produced monthly and initial results are usually published 5-6 weeks after the commencement of interviews for the relevant month.

31 ABS Weekly Payroll Jobs and Wages in Australia, Week ending 30 May 2020 (Cat. No. 6160.0.55.001)

32 There are key differences between the employment as measured in the Labour Force Survey and the payroll jobs series that should be considered when comparing the two, see https://www.abs.gov.au/ausstats/abs@.nsf/PrimaryMainFeatures/6202.0?OpenDocument

Figure 4: Changes in payroll jobs, mid-March to end-May 2020 (indexed)



Source: ABS Weekly Payroll Jobs and Wages in Australia, Week ending 30 May 2020 (Cat. No. 6160.0.55.001)

A group of eight retail outlets

"We thought we were fighting for our lives [before JobKeeper]..."

JobKeeper was instrumental in helping the business stay afloat and retain around two-thirds of their employees. The business made the decision to staff their outlets with JobKeeper-eligible employees wherever possible. Those let go were mainly casual staff that were not eligible for JobKeeper. Staff who were eligible for JobKeeper were happy to reduce their hours to match the value of the JobKeeper Payment.

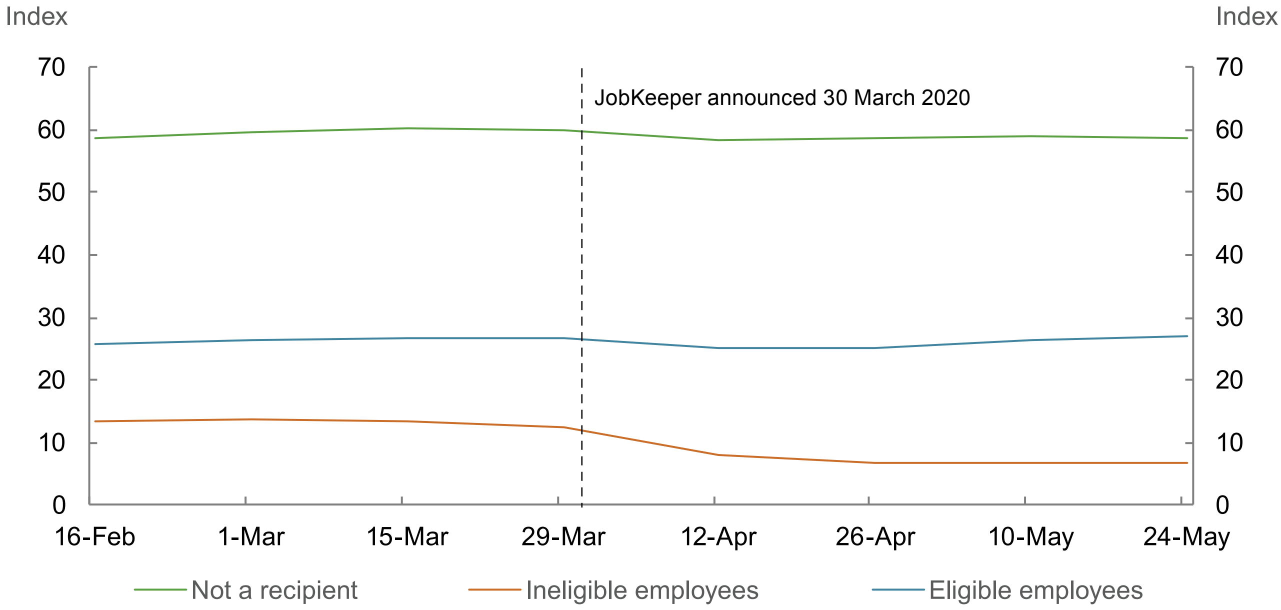
The timelier payroll jobs series provides good reason for judging that the employment decline plateaued from around the middle of April.

Based on Treasury analysis of business microdata, it is possible to examine how jobs held and lost were distributed among organisations and employees that are JobKeeper recipients or not. This is shown in **Figure 5**. At the start of March, the anchor point in determining employee eligibility for JobKeeper, 60 per cent of jobs were held by employees in organisations that were ineligible or did not apply for JobKeeper. Of the 40 per cent of jobs in organisations that became JobKeeper recipients, around two thirds were eligible employees and one third were ineligible at the start of March.[33]

Figure 5 also shows the pattern of job losses. Consistent with the ABS-reported data, the total decline in jobs from the start of March to late May is around 7 per cent. Organisations that are not JobKeeper recipients shed around 2 per cent of their jobs. For organisations that are JobKeeper recipients, there was an initial 5 per cent drop in jobs held by eligible employees in the first fortnight after JobKeeper

33 Two thirds in this instance corresponds to around 27 of the 40 percentage points. This 27 per cent coverage is a little below the coverage figure of 30 per cent of private sector employment in February reported earlier. This may reflect the exclusion of self-employed and small businesses that are not STP-enabled, and the fact that coverage of jobs will be lower than the coverage of people due to multiple job holders (who can be covered for only one job).

Figure 5: Changes in payroll jobs, mid-February to end-May 2020 by JobKeeper status (indexed)



Note: Figure presents fortnightly time series, indexed such that they sum to 100 for all payroll jobs in the fortnight ending 1 March 2020. Payroll jobs include all employee-employer relationships with pay, including any JobKeeper amounts, in the given fortnight. Series are shown for: payroll jobs in non-recipient organisations; and payroll jobs in recipient organisations split by those now JobKeeper nominated versus those not JobKeeper nominated.

Source: Treasury analysis of de-identified administrative data (STP data linked to JobKeeper status).

was introduced but these jobs have since been fully restored. The job losses have been largely borne by ineligible employees in organisations that are JobKeeper recipients, which fell by half between mid March and the end of April.

Among Xero subscribers, predominantly small businesses, employment fell by 13 per cent from the beginning of March 2020 to the end of April, with almost all of the fall concentrated in the second half of March. A feature of the Xero data is its ability to distinguish people by employment status, which shows that payroll jobs have fallen least for ongoing full-time employees (down 2 per cent) and ongoing part-time employees (down 5 per cent) and by most for casual employees (down by 25 per cent).[34]

Many casual workers hold multiple jobs. The ABS estimates from weekly payroll data that 29 per cent of the total jobs lost since mid-March have been secondary jobs of multiple job holders, reflecting their largely casual status.[35] In downturns, employers are likely to scale back their employment of casual workers. It may also be a response to the JobKeeper requirement that nominated employees can only receive a payment from a single employer.

Impact of JobKeeper on hours of work

Most of the adjustment in labour demand that occurred over the course of late March and into May came through lower hours of work rather than

34 Xero Small Business Insights June 2020, accessed at https://www.xero.com/small-business-insights/. For employment analysis, Xero draws from a sample of over 100,000 Xero subscribers, predominantly small businesses.

35 ABS Weekly Payroll Jobs and Wages in Australia, Week ending 30 May 2020 (Cat. No. 6160.0.55.001)

cutting the number of employees. An ABS survey found that 44 per cent of businesses reported that the announcement of the JobKeeper Payment influenced their decision to continue to employ staff.[36] Further, of businesses that made staffing changes in response to the Coronavirus outbreak, more than half (53 per cent) reported that hours worked by staff had reduced, while around a quarter (24 per cent) reported having reduced the total number of employees working for the business.[37]

Average hours among those working fell 4 per cent over April and May, reflecting a larger contraction in aggregate hours worked (down 10.2 per cent) than in employment (down 6.4 per cent).[38]

Existing stand down provisions in industrial relations law, enabling employers to stand down employees without pay where there is a stoppage of work in circumstances for which the employer cannot reasonably be held responsible,[39] were complemented with temporary provisions in the *Fair Work Act 2009*. These provisions enable, in part, JobKeeper qualifying employers to make directions to eligible employees to reduce their hours (including to zero) in response to business impacts of the Coronavirus outbreak.[40] An independent review of the operation of these provisions is to be undertaken separately for the Attorney-General and Minister for Industrial Relations.

The ABS estimates that there were 1.8 million people who worked less than their usual hours in April 2020 for 'economic reasons',[41] comprising 750,000 who were stood down on zero hours and approximately 1 million people working fewer hours than usual. By May this had declined to nearly 1.6 million people with a large decline in the number of people stood down to just over 360,000, with some of them switching into the category of working fewer hours than usual, which as a consequence rose to nearly 1.2 million people.[42] **Table 1** provided a comparison of the numbers of people working fewer or zero hours for 'economic

A medium-sized group of food service businesses

"This is JobKeeper, not JobSleeper. The program has been a lifeline which meant I have not lost my house."

Before COVID-19 hit, this group of businesses was already suffering by a drop in sales due to the 2019 bushfires. Almost 70 staff members are eligible for JobKeeper, around half of the workforce, with the remainder ineligible predominantly because they were casual employees who had been employed for less than 12 months.

The group believes that, if not for JobKeeper, all outlets would have closed because of the size of the downturn. Instead, all outlets remained open. Most eligible employees typically earned more than the JobKeeper wage subsidy. Of the small group of eligible employees who typically earned less than $1,500 a fortnight, a majority were willing to increase their hours.

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36 ABS Business Indicators, Business Impacts of COVID-19, April 2020 (Cat. No. 5676.0.55.003)

37 ABS Business Indicators, Business Impacts of COVID-19, May 2020 (Cat. No. 5676.0.55.003)

38 Monthly average hours worked have been estimated using ABS Labour Force figures on total employed and total hours worked for each relevant month.

39 s 524(1)(c), *Fair Work Act 2009*

40 More information on JobKeeper enabling provisions is available at https://coronavirus.fairwork.gov.au/coronavirus-and-australian-workplace-laws/pay-and-leave-during-coronavirus/jobkeeper-wage-subsidy-scheme/jobkeeper-enabling-stand-down-directions

41 The ABS defines 'economic reasons' as stood down, there was insufficient work or no work available

42 ABS Labour Force, Australia, May 2020 (Cat. No. 6202.0)

A fast food franchisor

The fast food franchises expanded delivery sales to support business recovery. JobKeeper helped reduce payroll costs, despite only four employees being eligible. While the two owner-operators voluntarily took a 20 per cent pay cut, other employees did not need to with the support of JobKeeper. All managers and delivery drivers were retained and the company store only had to reduce hours for the teenage employees who were not eligible for JobKeeper.

reasons' between February (prior to Coronavirus) and May 2020, to highlight the impact of the Coronavirus.

Treasury analysis of business microdata allows for the estimation of JobKeeper nominated employees who have been stood down by looking at the proportion receiving no pay prior to any JobKeeper top-up amount. In the fortnight ending 24 May 2020 there were around 13 per cent of employees who fell into this category. This analysis is based on a sub-sample of around three-fifths of the full population of employee recipients.[43] Extrapolated to the full population, this would amount to around 400,000 people stood down on JobKeeper payments, a slightly higher number than the ABS estimate of stood down employees from the May Labour Force Survey of 360,000.

Businesses and individuals have used the period of reduced activity and the availability of the JobKeeper Payment, with its simple obligations, differently. While many have reduced or rebalanced hours in response to turnover changes, only a small minority (9 per cent) of the potential workforce (and, by association, their employers) have used time to add to their skill development.[44] This may reflect, in part, the challenges of undertaking skill development during a period of lock-down of unknown duration.

Impact of JobKeeper on earnings

Over time, recessions can have significant effect on earnings, especially in pay relativities between declining and expanding sectors, one of the main mechanisms by which the labour market adjusts to the shock.

In the short-term the main effect on earnings in a recession comes about through reduced hours of work (for workers whose hours can be reduced) as nominal wages are downwardly sticky.

JobKeeper will have partially disrupted this process by providing a flat rate payment to eligible people independent of hours worked. In particular, many part-time employees or casual workers doing part-time hours will have experienced an increase in income from their JobKeeper employer.[45]

As yet, there are no available data sources that allow this matter to be investigated based on an individual's usual hours of work. However, there are a couple of different ways of understanding the magnitude of the impact of JobKeeper.

The payroll jobs and wages series reported by the ABS finds that payroll jobs declined by 7.5 per cent between mid-March and the end of May, while total wages fell by 8.3 per cent over the same period.[46]

When disaggregated by age group, as shown in **Figure 6**, it can be seen that people aged under 20 have seen a decline in jobs and an increase in total wages, while those in their 20s have seen total wages fall though not by as much as

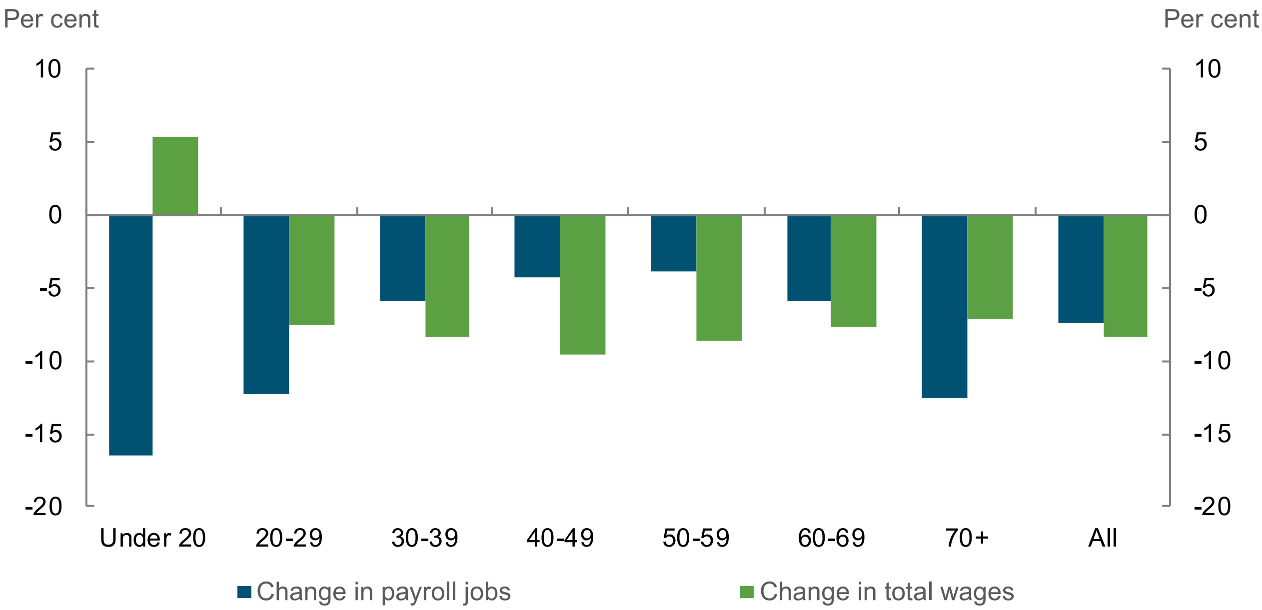
43 Based on 1.9 million employees eligible for JobKeeper, and present in the STP data and paid on a weekly or fortnightly basis in the fortnight ending 24 May 2020; excludes those paid on a monthly cycle which accounts for the bulk of cases not included in the analysis.

44 ABS Household Impacts of COVID-19 Survey, 26-29 May 2020 (Cat. No. 4940.0)

45 Multiple job holders can receive the JobKeeper Payment from only one employer.

46 ABS Weekly Payroll Jobs and Wages in Australia, Week ending 30 May 2020 (Cat. No. 6160.0.55.001)

Figure 6: Payroll jobs and total wages, changes from 14 March to 30 May 2020, by age group



Source: ABS Weekly Payroll Jobs and Wages in Australia, Week ending 30 May 2020 (Cat. No. 6160.0.55.001)

the fall in jobs.[47] Young people are concentrated in part-time and casual jobs, often at low hourly rates, typically to support themselves while studying. It is people in this group who have been the primary beneficiaries of the flat rate JobKeeper Payment (if they are employed by a JobKeeper recipient organisation and are an eligible employee). Some other young people who lost employment are also now on higher incomes because of the enhanced income support available under JobSeeker.

An ABS rapid household survey of around 1,000 individuals in June 2020 found that of those receiving the JobKeeper Payment, approximately half were receiving less income than their usual pay, one third were receiving about the same and one in five were receiving more.[48]

Treasury has used business microdata to explore in more detail the incidence and scale of income increases for individuals whose pay before March was below $1,500 per fortnight and who are now in receipt of JobKeeper payments. This has been estimated by examining average fortnightly pay in February 2020 and comparing that with the $1,500 a fortnight earnings floor for JobKeeper recipients.[49]

This analysis finds that around a quarter of JobKeeper recipients had an income increase in their JobKeeper job relative to their February earnings in that same job. This is a little below the share of part-time jobs in the private sector (at 32 per cent in February), indicating the scale of individuals receiving an income increase is broadly in line with expectations given the flat rate payment design feature.

47 This data takes into account secondary jobs lost by multiple job holders. Some multiple job holders will have earned more than $1,500 per fortnight prior to March and may have suffered an income loss even if they are a JobKeeper recipient due to losing income from secondary jobs.

48 ABS Household Impacts of COVID-19 Survey, 10-15 June 2020 (Cat. No. 4940.0)

49 Based on 2.1 million employees eligible for JobKeeper, and present in the STP data, and who were on a regular weekly, fortnightly or monthly pay cycle through February and received pay.

The value of the income increase was around $130 when averaged across all JobKeeper recipients, and around $550 for those receiving the increase in income — the same fortnightly amount that JobSeeker Payment and Youth Allowance recipients receive from the Coronavirus Supplement.

It is likely that many of the individuals who have received an income increase in their JobKeeper job will have seen an income reduction from secondary jobs, which have fallen by 39 per cent since mid March.[50] Some of these individuals may have also moved off the welfare system with the introduction of the JobKeeper Payment, so the increase in income for this cohort would have also been lower.

It is important to note that the STP data do not capture hours of work. The review is aware that some part-time employees in receipt of JobKeeper agreed to increase their hours of work so their pay for work undertaken would be more commensurate with the value of the JobKeeper Payment.

The income increases received by this group of part-time employees constitute an income transfer, not a wage subsidy, as illustrated in **Figure 1**. Two other groups receiving income support via JobKeeper are stood down employees, and employees on reduced hours receiving top-up payments. Overall, it is estimated that around a quarter of the total value of JobKeeper payments constituted income transfers to individuals, consistent with one of the three underlying objectives of JobKeeper to be an alternative means of income support while retaining the connection between employees and their employer.

By corollary, around three quarters of JobKeeper payments constitute a wage subsidy to the employer. This split between income transfer and wage subsidy will vary with economic conditions. As the labour market improves and the hours of stood down or reduced-hours workers are increased, the wage subsidy share of JobKeeper payments will begin to rise and the income transfer share will fall.

A boutique travel agency

“My turnover is in the negative”

The business had no revenue due to travel restrictions, so if the Government had not provided wage support, they would have been forced to make the entire workforce redundant and put the business into hibernation.

JobKeeper allowed the business to keep paying the costs of nine eligible staff members, including their entire sales team, who agreed to take a 20 per cent pay cut to support the business. While three staff members were not eligible for the program, the business was able to retain these essential employees as JobKeeper covered the wages of their other staff members.

A business manufacturing installations for public spaces

“JobKeeper provided us security but was not make or break. It gave confidence to keep staff working to set the platform for the recovery.”

The business applied for JobKeeper in April, when its revenue declined by 35-40 per cent. Before it knew about JobKeeper, the business was prepared to cut work hours if sales fell by 40 per cent, and to make redundancies if things got worse. JobKeeper meant that the business did not need to make the hard decisions to cut back on its workforce.

50 ABS Weekly Payroll Jobs and Wages in Australia, Week Ending 30 May 2020 (Cat. No. 6160.0.55.001)

JobKeeper design elements

JobKeeper was designed in the second half of March 2020 to staunch the decline in job loss and provide a confidence boost to both employers and employees.

It was necessary for the program to be delivered quickly, and to work effectively with the JobSeeker Payment. These requirements helped shape a number of policy design choices made by the Government.

Some of the design elements of JobKeeper that enabled it to function effectively on the downward part of the economic cycle would be expected to have adverse economic effects under regular conditions. These adverse effects may become more pronounced as the economy moves into a recovery phase and gathers pace.

A small business in the accommodation and food services industry

Since reopening, the owner has reported it has "been tough" with some employees not wanting to accept shifts and return to work. They said the JobKeeper design is leading to increased absenteeism among some employees who are paid a minimum of $1,500 a fortnight regardless of hours worked.

Incentives to work

People undertake paid work for a wide variety of reasons, but pay is paramount for many. Pay is ordinarily tied to hours of work. Casual workers are paid by the hour, while most part-time and full-time workers are eligible for overtime payments if they exceed their regular hours. For many people, the impact of the Coronavirus and the introduction of JobKeeper has altered what they are paid, their working hours, or both. These changes have potentially blunted their incentives to work, or to take on additional hours of work. In addition, the introduction of enhanced income support under JobSeeker may also be affecting incentives to work.

Among JobKeeper employee recipients there are two groups whose incentives to work or to take on additional hours may have been blunted: part-timers and casuals who have received an increase in income due to the flat rate payment, and employees who have been stood down. Several industry stakeholders have shared instances where part-time workers have been reluctant to do additional hours of work more commensurate with the JobKeeper Payment, as well as instances where stood down workers have been reluctant to take on any work hours as businesses have begun to reopen in recent weeks. No quantitative evidence has been presented on either of these matters.

Under current JobSeeker policy settings — including no waiting period and a gradual reintroduction of mutual obligation requirements from 9 June 2020 — the $1,124.50 per fortnight maximum payment available to single, no-dependent JobSeeker Payment recipients effectively forms a new reservation wage or floor for this group, the wage level below which there is no direct financial incentive to work.[51] In May 2018, just under a quarter of all private sector employees earned below this floor.[52]

51 As at 19 June 2020, around 85 per cent of JobSeeker Payment recipients reported no earnings. Pre-Coronavirus, around 83 per cent of (then) Newstart recipients reported no earnings (as at December 2019).

52 The lower quartile amount was $616 per week in total cash earnings. ABS Employee Earnings and Hours, Australia, May 2018 (Cat. No. 6306.0). This is the most recent data in the series.

A restaurant and entertainment venue

JobKeeper enabled the restaurant to re-open shortly after health restrictions allowed it to, despite these restrictions limiting the number of customers to a point that the business would not typically be viable. Of the restaurant's ten full-time workers, six were eligible for JobKeeper (the remainder were ineligible temporary visa holders), and four staff chose to return to work. Two staff did not return to work and advised they would rather receive income support payments.

Once restrictions relaxed in June, the business hired new casual employees as JobKeeper took the pressure off the payroll. While new hires do not attract the JobKeeper Payment, the owner has used the payments received for existing workers to support their wages.

A small building and construction business

"JobKeeper ensured we stayed breathing."

Business turnover reduced by 65 per cent in March and 100 per cent in April and May. As the pipeline of construction work dropped off, employees have been kept occupied with administrative and non-billable work. The business reported no unintended consequences. Although one school-aged apprentice now receives 80 per cent more than their usual wage, they have remained motivated to come into work and have a clear understanding that they will return to their normal wage once JobKeeper ceases.

Access to other benefits, such as Commonwealth Rent Assistance or the Health Care Card, may increase the reservation wage for some JobSeeker recipients. Conversely, jobseekers will be incentivised to find work as compliance and other work activity measures are gradually reintroduced into mutual obligations.

For businesses that are beginning to recover and re-hire staff who they may have made redundant, or looking to hire a replacement for a JobKeeper eligible employee who has quit their position, this floor may limit the available supply of labour depending on the hours and wage rate on offer.

While unemployment levels are high, and given the benefits other than income to working, the adverse impacts outlined above would be expected to be modest, but they could rise over time. This is a key rationale for JobKeeper being a time-limited, rather than ongoing, program.

Labour mobility

An important part of the process of recovery from recession is to let economic resources flow to their most productive use. In the labour market this occurs through people switching jobs, moving from businesses that are struggling to those that are growing.

JobKeeper can hamper this process. It ties eligible employees to their employer as of 1 March 2020. While there is nothing to prevent these employees switching employers — and it does not prevent employers from making staff redundant — the wage subsidy does not move with the employee, and it is not retained by their original employer if they wished to hire a replacement.

It also gives employers participating in JobKeeper a labour cost advantage relative to other employers, up to $750 per week for each eligible employee.[53] The JobKeeper employer can devote part of the JobKeeper wage subsidy to increasing the wages of other valuable employees so as to retain them, even if they might be deployed more productively by other employers.

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53 $750 for an employee whose labour costs exceed $750 per week, and below $750 for those whose labour costs are lower than this amount.

Treasury analysis of business microdata has been used to examine trends in labour mobility up to late May. The results are presented in **Figure 7**.

In aggregate the rate of job reallocation (the sum of hires *plus* separations) among businesses in May was around half the level that it was in February. Job reallocation rates typically fall in a recession, as businesses reduce hiring and individuals bunker down. The rate of job reallocation was considerably lower in May among JobKeeper recipient businesses than in other businesses, reflecting a lower rate of both separations and hiring. This suggests that the objective of preserving the employment relationship is being met. As businesses begin to recover and their cash flow situation improves it is likely that hiring rates will pick up, and many JobKeeper employers might be expected to offer new positions to some of those that lost their jobs during March and April.

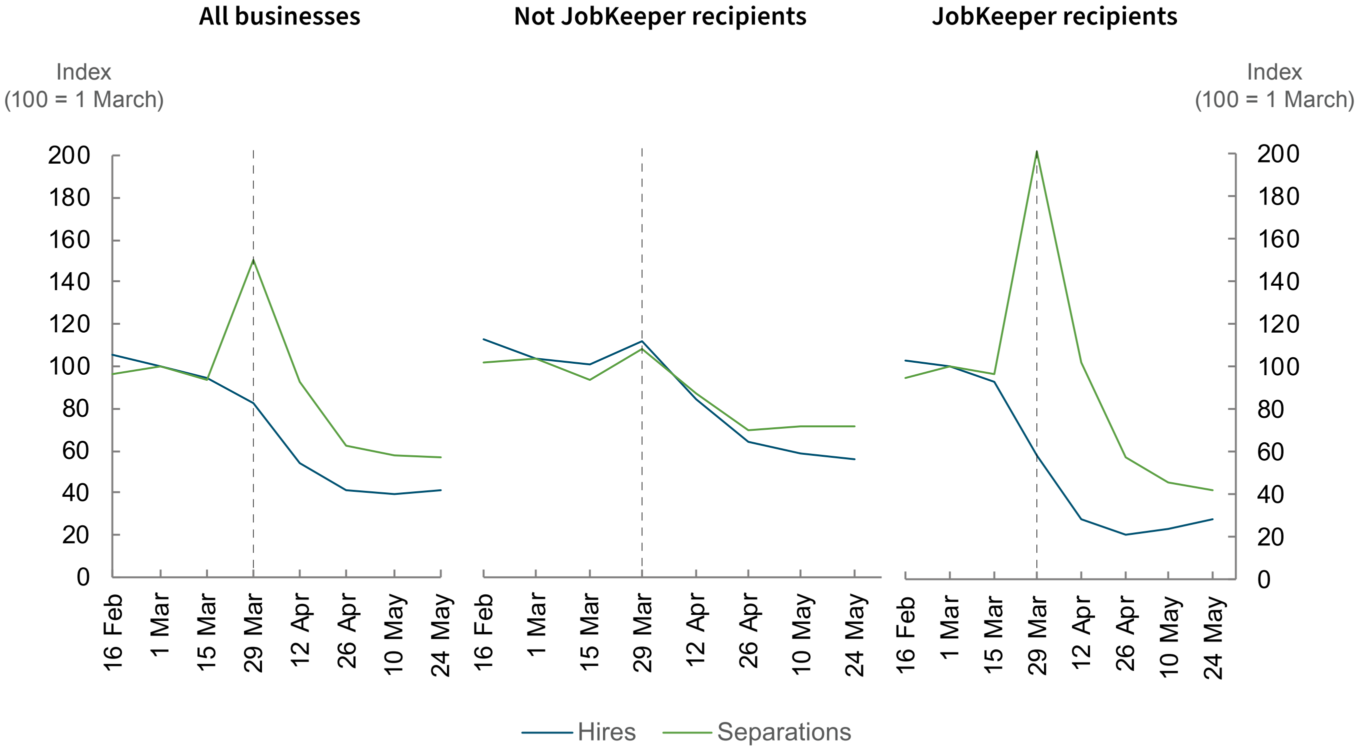
Figure 7 also shows that the introduction of JobKeeper brought a very sudden reversal to a large spike in separations in businesses strongly affected by the slowdown. The separation rate for these businesses (that went on to become JobKeeper recipients) doubled in late March, dropped immediately following the JobKeeper announcement, and by May was less than half the rate of early March.

Business viability

One of the purposes of JobKeeper was to protect businesses that, through no fault of their own, had to cease or wind back their operations because of the public health restrictions.

As the economy moves into a recovery phase, there are two issues that need to be addressed around business viability. The first relates to businesses that

Figure 7: Employment flows (indexed) by JobKeeper status



Note: Figure presents fortnightly time series, indexed to equal 100 in the fortnight ending 1 March 2020. Hires and separations are based on start and cease dates for a worker's employment relationship with a business. These include relationships with zero pay, which is one reason why the separations index can remain above the hiring index, despite paid payroll job levels having stabilised — an employment relationship can formally end sometime after paid work has ceased. Dashed lines relate to the announcement of the JobKeeper Payment on 30 March 2020.

Source: Treasury analysis of de-identified administrative data (STP data linked to JobKeeper status).

have begun to recover, and whether they should continue to be supported. The second relates to businesses that have not begun to recover and whether they remain viable without ongoing support.

The easing of baseline public health restrictions earlier than anticipated, subject to local circumstances, raises the question of whether some businesses might fully recover to their pre-March level of activity well ahead of the expected six month duration of restrictions.

It is not possible to properly address this question based on the data to hand. This is limited to examining changes in turnover for the month of April 2020 among a subset of JobKeeper businesses, those who report their Business Activity Statement (BAS) monthly. These are typically larger businesses.

Table 2 compares the year-on-year change in turnover for these larger businesses in April, first for all with monthly reporting, and second for the very largest businesses, those whose 2018-19 turnover exceeded $1 billion. This latter group are subject to a stricter threshold of 50 per cent decline in turnover to be eligible for the JobKeeper Payment.

The results suggest that the program is well targeted to distressed businesses. As a group, the businesses that are JobKeeper recipients experienced sizeable turnover declines, while other businesses had much smaller declines.

The underlying data also show that 15 per cent of JobKeeper recipients experienced an *increase* in turnover in April 2020 compared with one year previous. A variety of factors may be at play here. The availability of JobKeeper may have given some businesses a sufficient lifeline to remain open rather than have to close and turnover surprised on the upside. Some businesses may have brought forward revenue in April to maintain good cash flow. In any event, with just one month of actual turnover data it is premature to make any judgement about whether there are businesses being supported by JobKeeper that may not merit support. The ATO will use actual decline in turnover as a part of its compliance program and would be expected to look closely at those organisations which have overestimated their projected decline in turnover absent an evidence base to support that projection.

Table 2: Business turnover, change over the year to April 2020 (per cent)

	Median		Mean	
	Larger businesses	Very large businesses	Larger businesses	Very large businesses
JobKeeper recipient	-38.9	-51.5	-37.0	-50.4
Not a recipient	0.0	-5.8	-3.8	-14.4
Total	-16.5	-10.9	-17.5	-18.5

Note: Includes businesses with sales growth between -100 per cent and 100 per cent. Sample covers 26,000 recipients and 37,000 non-recipients. Very large businesses are those that are part of a group with turnover above $1 billion in 2018-19. This subsample covers 115 recipients and 991 non-recipients. These results are unweighted.

Source: Treasury analysis of de-identified administrative data (BAS data linked to JobKeeper status).

A small restaurant and bar

"When COVID hit I thought we would go bankrupt… JobKeeper has been the best executed [program] and the best for any business."

The restaurant, which was solely dine in before the crisis, had to move to online delivery—which they did impressively within four days of restrictions being announced. Despite this, their business revenue slumped by almost 60 per cent. The owners thought they would go bankrupt before JobKeeper came in. But the program ensured they could continue operating (albeit at a lower capacity as a food delivery business) while hanging onto their best staff.

Despite making business losses, the owners believe they can keep operating until the first quarter of 2021 using their cash reserves, particularly because JobKeeper helped save on wage costs. JobKeeper has put them in the financial position to plan for the future, including by looking at a 'ghost kitchen' that continues to offer delivery services going forward.

Contrary to what ordinarily happens in a recession, there has been a decrease in business closures rather than an increase. Over the four weeks to 31 May 2020, company insolvencies were down by 38 per cent when compared with 2019.[54] Other indicators of financial stress for companies, such as voluntary administrations, have also remained low.

It would be a mistake to interpret these data as indicating that the true number of businesses in financial stress is low. Rather, struggling businesses have benefitted from accessing JobKeeper payments and other support (such as the Cash Flow Boost for Employers), bank loan payment deferrals and temporary regulatory measures designed to relieve businesses and lessen the threat of actions that could unnecessarily push them into insolvency and force the winding up of the business.[55] Scenario modelling on the effect of changes in cash flow on the level of business closures is being undertaken by the Reserve Bank of Australia. Some preliminary findings from this research were included in the Reserve Bank's Financial Stability Review in April 2020.[56]

A small travel agency

"Without JobKeeper our talented and skilled practitioners will leave the industry to find more secure work."

JobKeeper has enabled the business owner to retain skilled employees with 15 years industry experience. It has also given the agency the breathing space to cover other expenses, and manage customer enquiries by re-booking holidays into next year rather than having to cancel them. As the owner herself is eligible for JobKeeper, she is reinvesting the payments directly back into the business to cover costs. If JobKeeper ends before international borders reopen, the agency may need to let go of the remainder of its employees and go into hibernation.

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54 Australian Securities and Investments Commission Insolvency Statistics (Series 1B.1 and 1B.2), accessed at https://asic.gov.au/regulatory-resources/find-a-document/statistics/insolvency-statistics/

55 More information on support for businesses is available at https://treasury.gov.au/sites/default/files/2020-04/Fact_sheet-Providing_temporary_relief_for_financially_distressed_businesses.pdf

56 Reserve Bank of Australia, Financial Stability Review, April 2020, accessed at https://rba.gov.au/publications/fsr/2020/apr/

Compliance and integrity

In designing the JobKeeper Payment it was acknowledged that a balance needed to be struck between facilitating access to the program, commencing timely payments and ensuring integrity in the administration of JobKeeper. These were key requirements of the program to ensure that financial support was provided to businesses and their employees who had been significantly financially impacted by COVID-19.

The simplicity of the payment design, including the use of existing concepts in the tax system like GST turnover and the flat payment amount, assisted in streamlining the program and establishing a clear set of guidelines for businesses to ensure compliance obligations were well understood by those participating.

The ATO and Treasury have worked very closely with businesses and provided significant and timely guidance material to ensure that they have clarity on the eligibility criteria and obligations of JobKeeper. In addition, the use of existing ATO systems to enrol and submit applications for the payment has allowed businesses to use their natural interaction systems and processes to meet the requirements and obligations of the program. This has also enabled the ATO to use its existing strong compliance and risk programs to identify potential compliance or integrity issues from the outset of JobKeeper.

Treasury, the ATO and all participating departments and agencies have established robust program governance arrangements for the JobKeeper Payment. Treasury also commissioned independent consultants as risk and integrity advisors to ensure program risks are identified, understood and managed effectively.

Agencies, particularly the ATO which is leading the implementation of JobKeeper, have identified a number of areas where there was a high risk of integrity and compliance issues. Actions have focused on:

- **identifying and not accepting enrolments or applications from ineligible organisations and individual recipients.** The ATO is applying system-based checks and follow up engagement with organisations at various stages of the enrolment and application process to ensure that ineligible organisations are not accepted into JobKeeper. Key system-based checks implemented include enrolment and application auto blocks, comparison of pre-COVID-19 data against individuals nominated, and the use of ATO risk models. As at 22 June 2020, compliance activities undertaken by the ATO have resulted in blocking 26,000 enrolments or applications from organisations that were assessed as being ineligible for the JobKeeper Payment.
- **reducing fraudulent behaviour.** The ATO established a tip-off line to identify fraudulent employer behaviour or behaviour of concern. As at 21 June, the ATO has risk assessed all of the approximately 4,600 tip-offs relating to JobKeeper, and 797 have so far been selected for follow-up first-instance action. The ATO has also actively reviewed 79 businesses for potentially fraudulent behaviour and referred three matters to the Serious Financial Crime Task Force for additional investigation, including one referral to the Australian Federal Police.
- **ensuring employers are meeting their obligations to employees.** The Fair Work Commission (FWC) has resolved disputes relating to implementing 'JobKeeper enabling directions' or flexibility agreements under the new provisions inserted into the *Fair Work Act 2009*. As at 17 June, there had been 496 JobKeeper dispute applications to the FWC of which 474 had been finalised. The Fair Work Ombudsman (FWO) has helped to ensure minimum wages and conditions and prevent misuse of the JobKeeper program. As at 22 June, the FWO had received 67,526 enquiries related to JobKeeper or COVID-19, with between 400 and 600 enquiries a day relating to JobKeeper, the majority of which have been successfully resolved.

- **monitoring business understanding of JobKeeper.** A number of elements of the program that appear to be misunderstood by a small cohort of businesses are being addressed through ongoing compliance and education activities. These include eligible business participant requirements, employees with multiple employers, employers failing to pay employees the JobKeeper Payment in full or by the required date, and non-lodgement of tax returns and business activity statements. The ATO has been contacting organisations individually over time to resolve issues.
- **ensuring the integrity of the social security system.** The ATO and Services Australia have established data sharing arrangements relating to JobKeeper payments, to help ensure the income reported by social security recipients is accurate.

Information that is available to date suggests that the program is being implemented in a way that is effectively managing integrity risks, particularly given the size and scale of the JobKeeper program, and the speed with which it was designed and implemented. Over the months ahead, Treasury, the ATO, FWC and FWO will continue to monitor the program for misuse, compliance and integrity issues.

With systems now well established and two months of payments having been made under the program, the ATO will be focussing on enhancing its compliance functions, with a particular focus on high-risk behaviours and direct engagement with organisations, to seek additional information to ensure the integrity of the JobKeeper Payment.

Considerations in changing JobKeeper

There are broadly three types of changes that might be made to the JobKeeper Payment: eligibility requirements, payment amounts and duration.

In contemplating any changes, the Government needs to carefully consider timing, as well as practical implementation aspects.

Timing is critical and matters in two important ways. First, it depends on duration. If the duration of JobKeeper is to remain at six months as originally decided, any changes can be expected to realise a smaller benefit than would be the case if JobKeeper was to operate for a longer duration. The lead time involved in announcing, then implementing, any changes would reduce the value of any benefit to a relatively small number of payment fortnights in the September quarter. Second, the timing of changes also needs to take into consideration the unfolding state of the economy and the labour market, which is highly uncertain.

Eligibility requirements

Eligibility for JobKeeper is determined by a variety of factors pertaining to the circumstances of employers and their workforces, and the differential impact of the downturn across sectors.

With health restrictions being lifted earlier than expected, it is likely that many businesses have begun to see a pickup in economic activity. Some may be at or near to a full recovery to pre-Coronavirus levels, others may be recovering but remain well below pre-Coronavirus levels, and some continue to be strongly affected by the remaining social distancing measures.

Under current JobKeeper rules, the eligibility requirements only need to be met once, at the point of application. An obvious change the Government could make would be to reassess eligibility in light of the more favourable circumstances of some businesses.

Practically, this could be done by using a fresh test of turnover decline, using measured or actual turnover change rather than projected change when businesses first applied. The virtue of a fresh test is it would ensure that the JobKeeper Payment remains well targeted.

Treasury has examined this option, and identified several matters that need to be considered if this was to be given effect to.

Many businesses have argued that they took decisions on the basis of the announced program parameters, including a one-off assessment of eligibility and a six month program duration, and for this reason the program should not be changed adversely prior to end-September. Faced with a re-assessment of eligibility, businesses could reasonably argue that in the absence of JobKeeper they would have closed down or reduced operations and thus turnover would have been worse than the outcome achieved with JobKeeper. From a macroeconomic perspective, it would dampen business confidence at a time when the economic recovery is fragile.

More practically, a fresh test based on actual turnover decline would need to be developed. For integrity purposes, turnover should be drawn largely from the BAS. Smaller businesses report this quarterly. If a re-assessment for the September quarter was to use the same thresholds as the original test, an average 30 per cent decline across the June quarter would be a high bar for many recovering small businesses to meet. Conversely, if support was to be withdrawn just from those organisations whose turnover has fully recovered to pre-Coronavirus levels, only a relatively small fraction of businesses would be expected to be in this position.

Based on these considerations, a re-assessment of eligibility for the September quarter is not supported. However, if JobKeeper is to be extended beyond September, eligibility should be reassessed at this point, using measured turnover decline. Consideration should be given to ways of mitigating against behaviour by businesses to qualify for ongoing eligibility, particularly given such behaviours could have implications for the macro economy.

Reducing payment amounts

The JobKeeper Payment amounts can be reduced by lowering payments for all employees (and other eligible individuals) or by lowering payments for some employees, such as those whose pre-Coronavirus pay was below $1,500 per fortnight. A rationale for lowering payments for all employees is that it could be part of a transition strategy to wean businesses off support, having them meet a greater share of their own wages bill as economic conditions improve. This is the approach that has been taken in the UK (see **Box 1**). The case for lowering payments for some employees is to remove, or lessen, the adverse incentives that arise from the flat payment.

Other countries (see **Box 1**) have tied wage subsidy payments to a set fraction of people's earnings, such as 75 per cent in Canada. Existing ATO systems are not able to verify employees' actual pay on a real-time basis, as they may have multiple jobs and other forms of income, and, while PAYG withholding systems are robust, details of actual income are not fully available until the end of the financial year.

It may be possible to introduce a two-tiered payment system, as in NZ, based on working hours where part-time employees receive a lower payment, with part-time defined by an hours threshold — in NZ this is below 20 hours per week. This could be tied to usual working hours pre-1 March 2020 or to current working hours. Both raise significant policy issues.

Assigning employees to tiers based on usual working hours would require employers to draw on historical payroll data. Besides being a complex undertaking for some employers, there would also be many individual instances where, say, using February hours would be unfair for employees whose hours were atypical for that period — such as those whose hours were lower due to the effect of bushfires. Employees who have increased hours since 1 March might also be disadvantaged.

Using current working hours would reduce payments to those who were full-time employees but have been stood down on zero hours, which would not be consistent with the original objectives of JobKeeper. To implement such an arrangement would require employers to report these to the ATO each fortnight, a significant compliance cost. Existing ATO systems do not capture hours worked, meaning that verifying such reporting and any compliance activity would require intensive audit work.

In the design of future responses to economic and labour market shocks, consideration could be given to improving STP reporting, including hours worked, to provide more flexibility in program design and delivery. This would require the establishment of significantly augmented audit and compliance arrangements compared with those currently in place.

If a lower payment rate was introduced, it would narrow or remove any differential between the JobKeeper and JobSeeker payments, potentially amplifying disincentives to work. In addition, some employees would become eligible for JobSeeker, including the Coronavirus Supplement. These individuals would be accessing two payment support systems and potentially receiving much the same level of income. Any move to a lower payment for some employees should therefore be aligned with any changes to JobSeeker support.

On balance, careful consideration would need to be given to making any changes to payment amounts, and sufficient time would need to be provided to employers and the ATO to implement such changes. It is not clear that the net benefit of these changes would be positive for such a time-limited program.

Duration

Perhaps the most critical question for JobKeeper is when it should end: ahead of the end of September 2020, at 27 September as scheduled, or extended beyond then — and to when?

A benchmark figure used in this report is that JobKeeper is providing support to 30 per cent of the pre-Coronavirus private sector workforce. That is a substantial fraction. At the same time, the labour market remains very weak, with record high labour underutilisation, and with employment growth showing at best tentative signs of recovery.

At the sectoral level, it is evident that a number of sectors will continue to be affected by health restrictions well beyond September, especially in sectors heavily reliant on international travel and large crowd gatherings, such as major arts and sports events. More broadly, while recovery is expected in the September quarter, the level of economic activity is expected to remain well below levels of a year earlier.

The next round of macroeconomic forecasts will be published in the July Economic and Fiscal Update. Indications are that the official unemployment rate may be around 8 per cent at the end of September. The official unemployment rate is understated as, among other things, it excludes discouraged workers and counts people as employed if they are JobKeeper recipients who have been stood down, estimated in this review to be around 400,000 in late May. In other words, the 'effective' unemployment rate is far higher than the 7.1 per cent official rate reported by the ABS for May 2020. What happens to the 'effective' and official unemployment rates, and how they eventually converge as labour market conditions normalise, will depend on how expected growth in working hours is apportioned between the already employed and those not employed.

On this outlook, the case for extending the JobKeeper Payment beyond September is strong, especially if coupled with a fresh eligibility test that targets support to those businesses and sectors that continue to need it.

The risk of extending JobKeeper beyond September, even under more targeted arrangements, is that it continues support for businesses whose longer-term viability is not assured, while locking in adverse design elements. On the other hand, an extension provides a smooth transition for these businesses, giving them more breathing space to reach the point where they might survive without ongoing support.

Treasury's overall assessment is that an extension to JobKeeper is needed, coupled with a fresh eligibility test to ensure that JobKeeper is well targeted. This would make effective use of its ability to be deployed as an automatic macroeconomic stabiliser.

Conclusion

This review has examined the first three months of JobKeeper, a labour market program unparalleled in scale and cost in Australia's history.

It has examined the case for any changes to JobKeeper before its scheduled end on 27 September 2020, and whether there should be an extension, and if so in what form.

The review has been informed by a wide range of quantitative evidence, engagement with industry stakeholders, and case studies of different businesses and their own experience of participating in JobKeeper. But that evidence is quite preliminary, taking the window of observation up to late May at best, a little under two months after the program was announced and less than one month after the first payments began to flow to employers.

The next round of macroeconomic forecasts will be released as part of the Economic and Fiscal Update in July, a month after this review has been completed.

The current extent of labour market weakness and the high degree of uncertainty surrounding the outlook for the second half of the year suggest it would be prudent to extend JobKeeper beyond September to businesses that are still distressed.

JobKeeper is a proven delivery mechanism to deliver widespread support at scale, and a fresh eligibility test would, in effect, function as an in-built automatic macroeconomic stabiliser. The use of a freshly applied eligibility test based on actual turnover would automatically dial down and target support to those sectors that are still in an environment where they need to preserve jobs.

Beyond this review, it is imperative that a program of this magnitude and novelty should be studied and evaluated very closely, for the lessons that it might offer on rapid delivery in public administration and on its economic and labour market impacts.

There are a range of matters that this review has only briefly touched on that are likely to be of high interest to policy makers now and into the future:

- For those whose jobs were supported by JobKeeper, what have been the longer-term benefits of this intervention on future employment prospects and earnings?
- For those businesses that were supported by JobKeeper, what have been their longer-term growth and survival prospects?
- What impact did JobKeeper have on economy-wide productivity growth and on structural adjustment?

Treasury, the ATO and the ABS will work with the academic community to make de-identified program administrative data available for research purposes and independent evaluation. The benefits of properly understanding the effects of the JobKeeper Payment, in the event of future economic and labour market shocks, would be very substantial.

Attachment A: JobKeeper Payment data summary

This attachment provides a number of more detailed breakdowns of JobKeeper Payment take-up in relation to a range of organisational and individual characteristics.

The data are based on unit record JobKeeper Payment data for the April 2020 payment fortnights, income tax returns and internal ATO data. The data are at as early June and subject to change.

Table A1: Number of organisations that have received JobKeeper payments, by entity type and turnover range, for the April 2020 JobKeeper fortnights

Characteristic	Organisations ('000)
Organisations by entity type	
Company	305.9
Partnership	53.8
Trust	127.6
Individual	330.7
Not-for-profit	15.6
Other/na	0.3
Businesses by annual turnover range (2017-18)	
Nil or na	191.3
$0 to $2m	574.5
$2m-$10m	43.7
$10m-$50m	7.6
$50m-$100m	0.7
$100m-$500m	0.4
$500m-$1b	<0.1
>$1b	<0.1

Notes:

- These calculations are based on unit record data for payments made in relation to the April 2020 JobKeeper fortnights. The data are as at 9 June 2020 and subject to change. Differences may be due to rounding. na denotes not applicable.
- Organisations include businesses and not-for-profit organisations. Businesses include all companies, partnerships, trusts, plus individuals with business income (sole traders).
- Turnover range is based on 2017-18 income tax returns and the data shown exclude not-for-profit organisations. Entities with a nil or n/a turnover may be due to a number of factors, including entities without lodgement requirements in 2017-18, entities that had not yet lodged at the time of the data extract (October 2019) or entities that have lodged but did not have any turnover (business income).

Source: Treasury calculations based on ATO administrative data

Table A2: Number of organisations that have received JobKeeper payments, by employment size and State and Territory, for the April 2020 JobKeeper fortnights

Characteristic	Organisations ('000)
Organisations by employment size	
Zero	383.4
1-4	248.5
5-9	78.5
10-19	58.7
20 or more	64.7
Organisations by State and Territory	
NSW	290.6
Vic	228.2
Qld	158.5
WA	78.7
SA	49.4
Tas	13.9
ACT	10.1
NT	4.5
Other/na	0.0

Notes:

- These calculations are based on unit record data for payments made in relation to the April 2020 JobKeeper fortnights. The data are as at 9 June 2020 and subject to change. Differences may be due to rounding. na denotes not applicable.
- Organisations include businesses and not-for-profit organisations. Businesses include all companies, trusts, partnerships, plus individuals with business income (sole traders).
- Employment range is based on the number of employees as at April 2020 and does not represent the number of individuals receiving the JobKeeper Payment.
- Each organisation is assigned a single state so it does not necessarily reflect the geographic distribution of business activity.

Source: Treasury calculations based on ATO administrative data

Table A3: Percentage of individual employees and eligible business participants for whom organisations have received JobKeeper payments, by age, gender, and State and Territory, for the April 2020 JobKeeper fortnights

Characteristic	Per cent of individuals	Per cent of private sector employment
By age		
Less than 25	13.0	16.6
25-34	22.6	24.1
35-44	22.8	21.1
45-54	21.2	19.5
55-64	15.5	14.1
65 +	4.9	4.6
By gender		
Male	52.9	55.1
Female	47.1	44.9
By State and Territory		
NSW	33.1	32.1
Vic	27.8	27.0
Qld	19.7	19.8
WA	9.5	10.5
SA	6.2	6.6
Tas	1.8	1.9
ACT	1.3	1.3
NT	0.6	0.8

Notes:

- These data are for employees and eligible business participants who have been nominated by organisations as eligible for JobKeeper Payment claims relating to the April 2020 JobKeeper fortnights. The organisation providing the identification may not have progressed through to payment disbursement. The data are for the JobKeeper April population as at 18 June 2020 and subject to change.
- The percentage of private sector employment is calculated for the broader demographic group, not the JobKeeper cohort. Percentages may not sum to 100 due to rounding.

Source: ATO administrative data; ABS Labour Force, Australia, Detailed, Quarterly, May 2020 (Cat. No. 6291.0.55.003)

Table A4: Number of organisations that have had applications processed for the JobKeeper Payment, and number of individual employees and eligible business participants for whom organisations have received a payment disbursement, by industry, for the April 2020 JobKeeper fortnights

Industry	Businesses and not-for-profit organisations ('000)	Per cent of total	Individual employees and eligible business participants ('000)	Per cent of total
Agriculture, forestry and fishing	27.1	3.2	58.5	1.8
Mining	1.6	0.2	12.1	0.4
Manufacturing	42.7	5.0	246.0	7.4
Electricity, gas, water and waste services	1.8	0.2	9.0	0.3
Construction	129.7	15.3	348.1	10.5
Wholesale trade	24.8	2.9	160.1	4.8
Retail trade	55.1	6.5	313.4	9.5
Accommodation and food services	57.7	6.8	313.5	9.5
Transport, postal and warehousing	64.8	7.6	157.7	4.8
Information media and telecommunications	13.0	1.5	50.7	1.5
Financial and insurance services	14.6	1.7	58.4	1.8
Rental, hiring and real estate services	26.0	3.1	100.7	3.0
Professional, scientific and technical services	121.6	14.3	396.4	12.0
Administrative and support services	42.7	5.0	188.5	5.7
Public administration and safety	3.1	0.4	19.1	0.6
Education and training	25.2	3.0	124.0	3.8
Health care and asocial assistance	78.2	9.2	385.7	11.7
Arts and recreation services	36.2	4.3	129.1	3.9
Other Services	83.2	9.8	233.4	7.1
Unclassified or not available	0.9	0.1	2.5	0.1
Total	**849.7**	**100**	**3,307.0**	**100**

Notes:

- These data are for accrued (applications processed), rather than actual, payments made in relation to the April 2020 JobKeeper fortnights. Therefore the totals exceed those in Tables A1 and A2. The data are as at 9 June 2020 and subject to change. Differences may be due to rounding.
- Industry classifications are based on internal ATO data. The data are based on ATO administrative collections and care should be taken in comparing with ABS data series due to differences in industry classification methodologies. Industry data should be treated with caution.
- Differences in the coverage of organisations and individuals within and between industries may reflect a range of factors including: the distribution of business size and labour intensity within industries; the concentration of casual workers and temporary migrants; and other labour market features such the prevalence of contracting work and sole traders. Higher concentrations of casual work and temporary migrants in certain industries may also weigh on labour force coverage, reflecting eligibility requirements as well as the tendency of casuals to be stood down before other workers. The JobKeeper Payment can only be accessed through one job, whereas some individuals may hold multiple jobs in different industries.

Source: ATO administrative data

Attachment B: Data sources used in the review

Table B1: Data sources used in the review

Data source	Population	Reference period(s)	Type of information captured
ABS Business Indicators, Business Impacts of COVID-19 (Cat. No. 5676.0.55.003)	Private sector business units	Survey cycles conducted: 16 — 23 Mar 2020 30 Mar — 3 Apr 2020 22 — 28 Apr 2020 13 — 22 May 2020 10 — 17 Jun 2020	Survey on the impacts due to COVID-19 experienced by businesses operating in Australia. Information collected changes for each survey cycle, but includes topics such as: • operating conditions of businesses • changes in revenue • business response to the JobKeeper Payment • adverse business impacts due to COVID-19
ABS Employee Earnings and Hours, Australia, May 2018 (Cat. No. 6306.0)	All employing organisations in Australia (public and private sectors), except members of the Australian permanent defence forces; enterprises primarily engaged in agriculture, forestry and fishing; private households employing staff; and foreign embassies, consulates, etc.	The last pay period on or before 18 May 2018	Estimates relating to numbers of employees and average earnings, including distribution of earnings.
ABS Household Impacts of COVID-19 Survey (Cat. No. 4940.0)	Survey of private dwelling households. Longitudinal panel surveys based on sample of approximately 1,000 dwellings.	Survey cycles: 1 — 6 Apr 2020 14 — 17 Apr 2020 29 Apr — 4 May 2020 12 — 15 May 2020 26 — 29 May 2020 10 — 15 June 2020	Survey on how households are faring in response to COVID-19. Information collected changes for each survey cycle, but each cycle includes information on job status i.e. whether has a job, whether working paid hours. Examples of other topics covered in various modules include: • eligibility for JobKeeper and other support benefits • financial stress

Data source	Population	Reference period(s)	Type of information captured
ABS Labour Force, Australia (Cat. No. 6202.0) with: ABS Labour Force, Australia, Detailed, Quarterly, May 2020 (Cat. No. 6291.0.55.003) ABS Labour Force, Australia, Detailed — Electronic Delivery — May 2020 (Cat. No. 6291.0.55.001)	Civilian labour force — all people aged 15 years and over except members of the permanent defence forces, certain diplomatic personnel of overseas governments customarily excluded from census and estimated population counts, overseas residents in Australia, and members of non-Australian defence forces (and their dependants) stationed in Australia.	May 2020 (first half of month)	Levels, changes and trends in employment, unemployment, labour force participation, persons not in labour force, monthly hours worked, by characteristics such as: age, gender, industry, sector, state/territory and region
ABS Weekly Payroll Jobs and Wages in Australia (Cat. No. 6160.0.55.001)	All employee jobs reported to the ATO by businesses with STP-enabled payroll or accounting software	Weekly estimates from week ending 14 March 2020 (first publication) to week ending 30 May 2020 (most recent publication)	Changes in payroll jobs, changes in total wages paid, and changes in average weekly wages per job, by characteristics such as: age, gender, industry, state/territory and region
Applications data for JobKeeper for April and May fortnights, linked to STP data (for employees) and past business tax data	Employees in businesses reporting through STP	Fortnights ending 16 February 2020 through to 24 May 2020	Trends in paid jobs, hires and separations by JobKeeper recipient and nomination status of employer and employee respectively. Trends in and changes in earnings, with and without JobKeeper.
JobKeeper Payment program data — organisations	Organisations participating in JobKeeper program (ATO data)	As at 9 June 2020 (for JobKeeper payments in April and/or May)	Number of eligible organisations that have processed applications, by characteristics such as: business size, business type and industry
JobKeeper Payment program data — individual recipients	Individual recipients in the JobKeeper program (ATO data)	As at 18 June 2020 (for JobKeeper payments in April)	Approximate number of individuals that have received JobKeeper payments by percentage, by characteristics such as: age, gender and occupation

Attachment C: Notes on analysis using microdata

This attachment describes the unit record tax data underlying some of the analysis presented in this review, including its coverage and some unavoidable limitations.

All analysis draws on de-identified data on JobKeeper recipient organisations and individuals, drawn from completed applications and provided to Treasury by the ATO on 12 June 2020. To analyse a variety of business and worker outcomes we also drew on other de-identified business microdata provided by the ATO, namely monthly BAS, STP and business characteristics data.

Business turnover declines and characteristics

Analysis of turnover draws on monthly BAS data. As a results it covers only a portion of Australia's business population. The sample consists of around 63,000 organisations (26,000 recipients and 37,000 non-recipients). Businesses with turnover above $20 million are required to lodge BAS on a monthly basis. As such, the sample is likely to be biased towards larger businesses. The sample also unavoidably excludes late reporting businesses and new businesses with no sales in the previous year.

The measure of turnover used is total sales. While this should align reasonably well with the concept of turnover relevant for JobKeeper, it does have some unavoidable limitations. Businesses may choose whether or not to include GST in their sales figures. If businesses change the way they are reporting, this could affect measured growth rates. BAS measures of sales can also include sales of assets, which may also influence measured growth rates.

It is important to note that information on the growth rate of turnover cannot be directly compared to nominal GDP growth, or other similar metrics reported on by the ABS. This reflects a number of factors including:

- no weighting is applied to the business level growth rates. In considering growth in aggregate turnover, larger businesses receive a higher weight
- growth rates only capture growth within businesses, and do not capture reallocation of resources between them, which can add to GDP growth
- for some sectors, the definition of value-added and BAS sales do not align well.[57]

Employment levels, flows and earnings

Analysis of employment levels, flows and earnings draws on de-identified STP data. STP data is a relatively new source of economic statistics, and is the basis of the ABS Weekly Payroll Jobs and Wages in Australia publication.[58] While an invaluable source of high-frequency economic statistics, the STP data are not without some unavoidable limitations, including potential biases. For example, the STP data are limited to employees and do not capture sole-traders.

Further, employees of small businesses will be underrepresented — the ABS reports that STP data currently capture around 99 per cent of employers with 20 or more employees but only 80 per cent

57 ABS Australian System of National Accounts: Concepts, Sources and Methods, Edition 3 (Cat No. 5216.0)

58 ABS Weekly Payroll Jobs and Wages in Australia (Cat. No. 6160.0.55.001)

of those with 19 or fewer employees.[59] Since small business employees have lower average earnings, this may inflate the past earnings reported in this review.

The measures of employment levels and flows in this review also differ from standard labour force concepts in a number of important ways. For example, both are measured at the job level rather than the person level — hence if a multiple job holder loses one job, we record a fall in the level of employment and a separation, whereas the ABS Labour Force Survey would continue to record the person as employed. We also measure *paid* employment levels, so a stood down worker who receives no pay in a fortnight will not be counted as having a job. These methodological differences could lead to larger reported falls in employment, although the absence of sole-traders and underrepresentation of small business employees may lead to smaller reported falls in employment if these workers have been more heavily affected by the labour market shock. As a result, the trends identified in the analysis cannot be directly mapped to analysis based on more traditional labour market concepts.

Finally, by necessity, the samples used in calculating various statistics differ. For example:

- The unit record data have around 3.7 million unique individual recipients nominated for JobKeeper. This number differs from the 3.3 million individual recipients identified in the program data (see, for example, Table A4). Differences reflect that unit record data capture anyone who has ever been on JobKeeper while the program data includes only those who received JobKeeper payments in any given fortnight. The unit record data are also to the end of May while the reported program data are for the April JobKeeper fortnights.
- Around 2.9 million of these individual recipients can be linked to STP data on the basis of both business and worker identifiers. This sample covers individuals receiving a payslip from an STP-enabled business. The other 0.8 million individual recipients largely represent business participants who do not receive wages, as well as some employees that work at non-STP enabled businesses. We do not have high-frequency information on the employment or earnings of employees outside the STP data.
- These 2.9 million employees provide our overall sample for the microdata analysis presented in this review. However samples used in calculating various statistics vary reflecting difficulties related to differing pay cycles and the period of analysis. For example, the analysis of increases in income relative to past earnings is based on the 2.1 million of the 2.9 million JobKeeper employees who had regular weekly, fortnightly or monthly pay cycles in February and received pay in February. The analysis of top-up payments is based on the 1.9 million employees with regular weekly or fortnight pay cycles in the fortnight ending 24 May 2020.

59 ABS Weekly Payroll Jobs and Wages in Australia, Week ending 30 May 2020 (Cat. No. 6160.0.55.001)