



Why has the number of income support recipients remained high while employment has recovered?

Prepared by s 22 and s 22 (Business Microdata Unit, MAPD), 20 May 2021

Key points:

- COVID-19 led to a large increase in income support payments (ISP), and an equally rapid fall in the number of people employed, both around 800,000 from March to June. While employment has recovered, at the end of March the number on ISP remained around 480,000 above pre-COVID levels.¹
- The two measures are conceptually different, but the divergence is still unusual. Two potential explanations are:
 - That the number of people receiving both ISP and employment income has increased, allowing employment to recover while ISP levels remained elevated.
 - A large number of people flowed onto ISP during COVID from outside of the labour force, while many people who lost, and then regained, employment never took up ISP.
- These two explanation have different implications for the strength of the labour market, and also the likely future level of ISPs, which in turn affects Government expenditure and potentially participation.
- Using data from the Labour Market Tracker up to the end of March 2021 we find that:
 - Around 140,000 of the increase in ISP reflects more people with both ISP and employment income.
 - : Given these people are attached to the labour force, this number may be expected to decrease as the labour market continues to strengthen.
 - There were around 200,000 people who took up ISP during the year who appear to have come from outside of the labour force. Slightly under ½ of these were previously on other payments.
 - : This could reflect changes to the benefit amounts or eligibility criteria, or personal circumstances, which allowed/induced additional people to receive income support.
 - : Further work can examine this group to better understand the medium-run implications for the number on ISP, and for participation rates given job-search requirements.

Background and Approach

- COVID-19 led to a large, rapid increase in the number of people on income support payments (ISP) and decrease in employment: approximately 800,000 from March to June 2020 (Figure 1).¹
- While employment had fully recovered by March 2021, the number of people on ISP remained 480,000 above pre-COVID levels.²

¹ For this note, ISP include JobSeeker and Youth Allowance (Other)

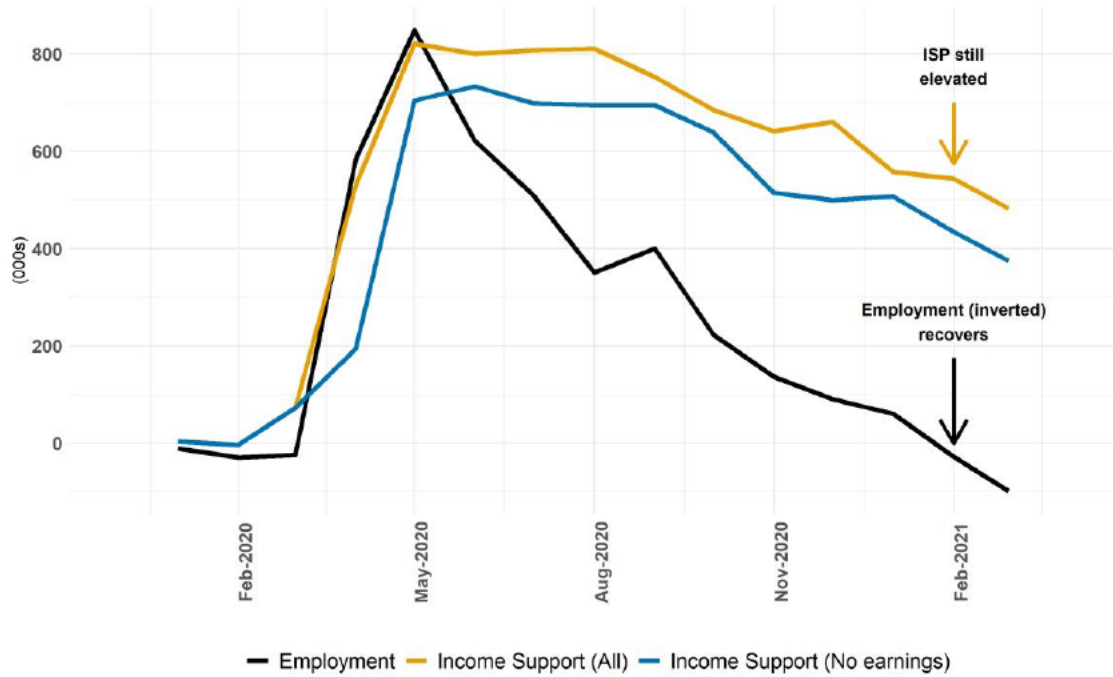
² Other measures of the labour force, such as unemployment, underemployment and those not in the labour force have also returned to their pre-Covid levels (see figure A1).

- The two measures are conceptually different. A person can lose/gain employment without moving to/from ISP. Equally, some people might enter ISP from outside employment, such as returned citizens or people with changed eligibility, and may exit ISP without gaining employment.
- Still, the magnitude of the divergence is unusual. Two potential explanations are:
 - That the number of people receiving both ISP and employment income has increased, in part due to higher income cut-offs, allowing employment to recover while ISP levels remained elevated.
 - A large number of people flowed onto ISP during COVID from outside of the labour force, while many people who lost, and then regained, employment never took up ISP.
- These two explanation have different implications for both our view of the strength of the labour market, and also the likely future level of ISPs. The latter has implications for government expenditure and potentially participation rates (given job-search requirements attached to ISP).
 - They also have different implications for our understanding of the effect of policy changes in allowing/inducing more people to apply for ISP.

Results

- As noted, one explanation for the divergence could be an increase in the number of ISP recipients that are also receiving employment income.
- As shown in Figure 1, those receiving both incomes streams (difference between yellow and blue lines) account for around $\frac{1}{4}$, or 140,000, of the remaining increase in the number of ISP.
 - As this group has maintained links to the labour market, we might expect the number to continue to decrease as the labour market continues to recover.
 - Nevertheless, if some of these people normally have incomes low enough to qualify for ISP, but chose not to apply pre-COVID due to 'fixed costs' of entry, they may remain in the system.

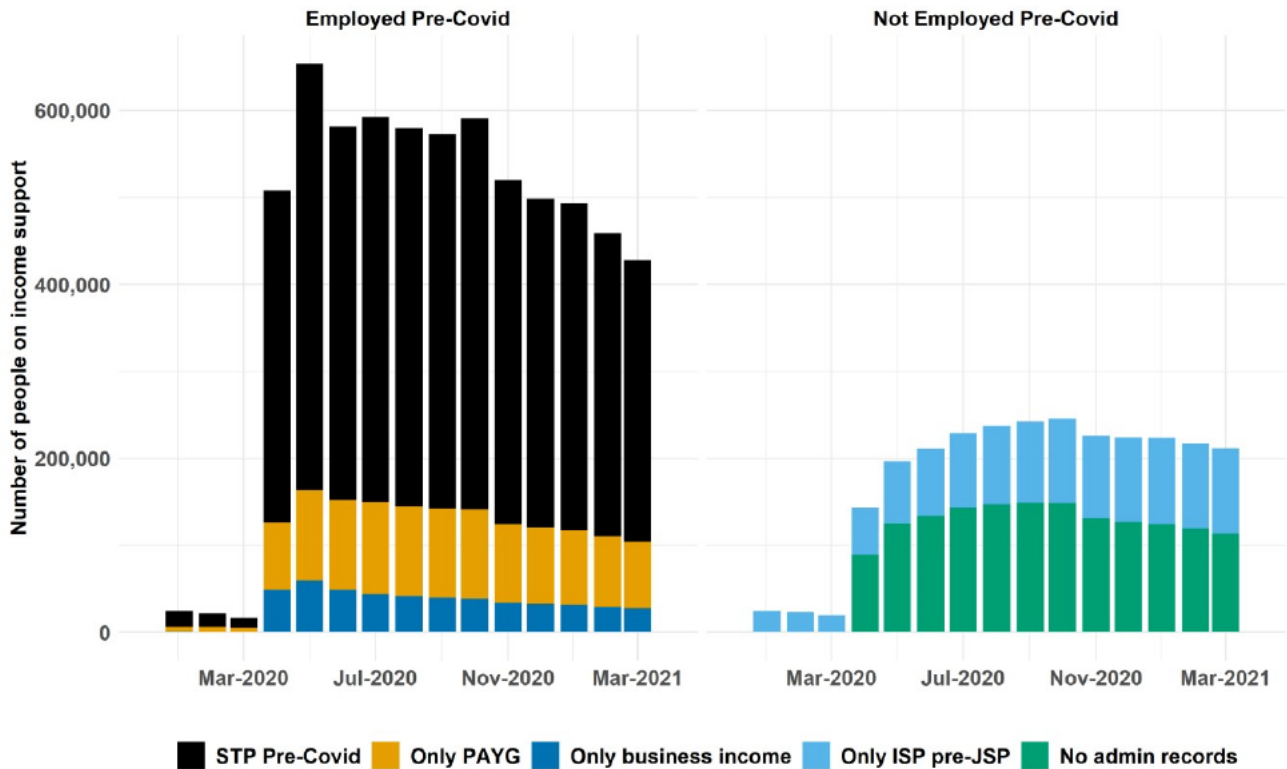
Figure 1: Cumulative change in income support recipients, and employed persons, Jan 2020 to March 2021



Note: Treasury analysis. Those on ISP with no other earnings taken from DSS data supplied to Treasury. Employment data (inverted) from ABS Labour Force, Australia.

- To examine the second explanation, we focus on those that have entered ISP since March and examine ‘where’ they came from.
- Specifically, we identify how many of these workers entered from outside of employment.
 - We identify those outside of employment as those that do not appear to be employees based on Q1 2020 Single Touch Payroll data or 2019/20 PAYG data, or running a business per 2018/19 tax returns.
- Figure 2 shows that there are around 200,000 people who started receiving ISP since COVID that came from outside of employment, with the vast majority of these entering the system at the start of the shock.

Figure 2: (Administrative) history of ISP recipients not rolled over from Newstart to JobSeeker, Jan 2020 to April 2021



Note: Treasury analysis based on the Labour Market Tracker, which combines DSS's DOMINO and ATO's Single Touch Payroll (STP) data.

- Around half of these people previously received DSS payments, indicating that they may have shifted towards ISP over the period.
 - Some of these people may have been allowed to shift due to changes in eligibility criteria, or in their circumstances, while others may have changed due to the increased generosity of the payment.
- The other half have no prior records. This could capture people neither working nor on support payments pre-COVID, who were now eligible due to changes in the eligibility criteria or their personal circumstances (e.g. partner income declines), or who now found it worthwhile applying for payments.
 - It may also include citizens returning from overseas, or recent school leavers, with no administrative history in DSS or ATO records.
- The fact that a substantial number of the remaining recipients who flowed in during COVID came from outside employment has a number of potential implications for policy, though more work is needed to fully understand them:
 - This group has been more likely to remain on payments, compared to the previously employed. To the extent that this remains the case, they could contribute to a prolonged elevation in ISP levels.
 - : Still, changes in eligibility criteria could cause this to unwind.
 - To the extent that some of these people did not previously have job search requirements, and now do, this could push up measures of the participation rate.
 - : These people would previously have been recorded as being Not in the Labour Force (NILF), but would now be being recorded as unemployed.

- One other notable finding is that very few people who flowed in during COVID previously had a business as their only source of income. This suggests that re-imposition of mutual obligations for sole traders will not have a substantive effect on measured participation.³

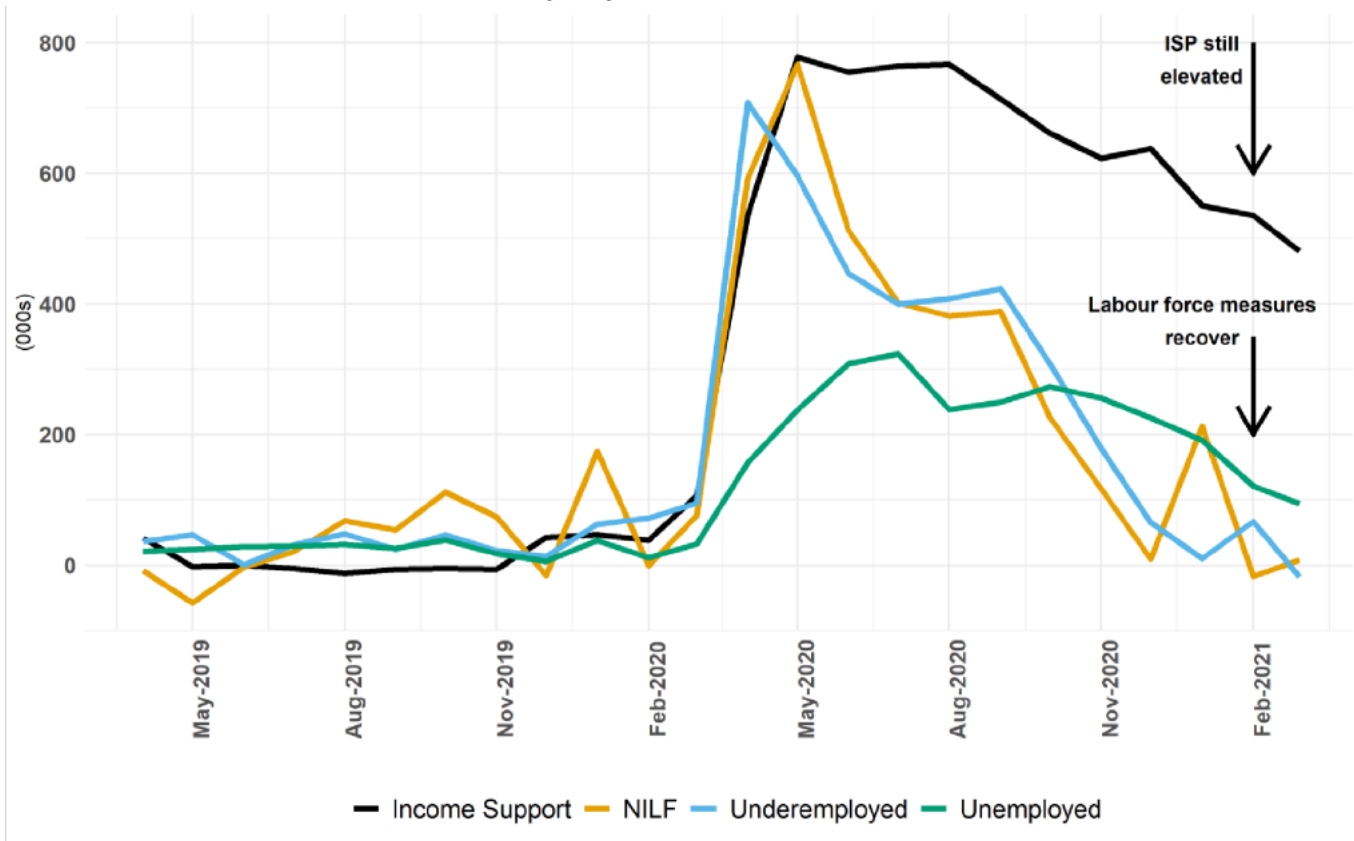
References

Australian Bureau of Statistics (2021) [Labour Force, Australia.](#)

Department of Social Services (2021) [Recipients of Newstart Allowance, JobSeeker Payment, Bereavement Allowance, Sickness Allowance and Youth Allowance - Time Series.](#)

Appendix

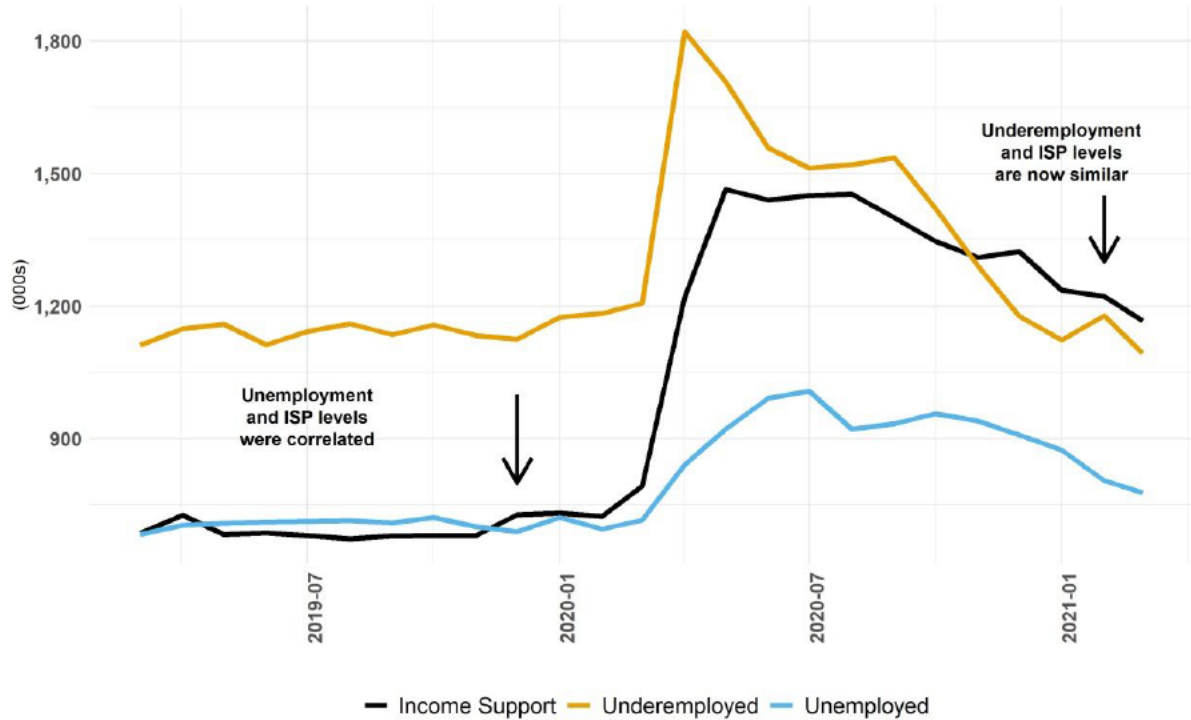
Figure A1: Cumulative change in income support, unemployment, underemployment and those not in the labour force (NILF), March 2019 to March 2021.



Note: Treasury analysis. DSS counts from DSS (2021). Unemployment, underemployment and those not in the labour force from ABS Labour Force, Australia (2021).

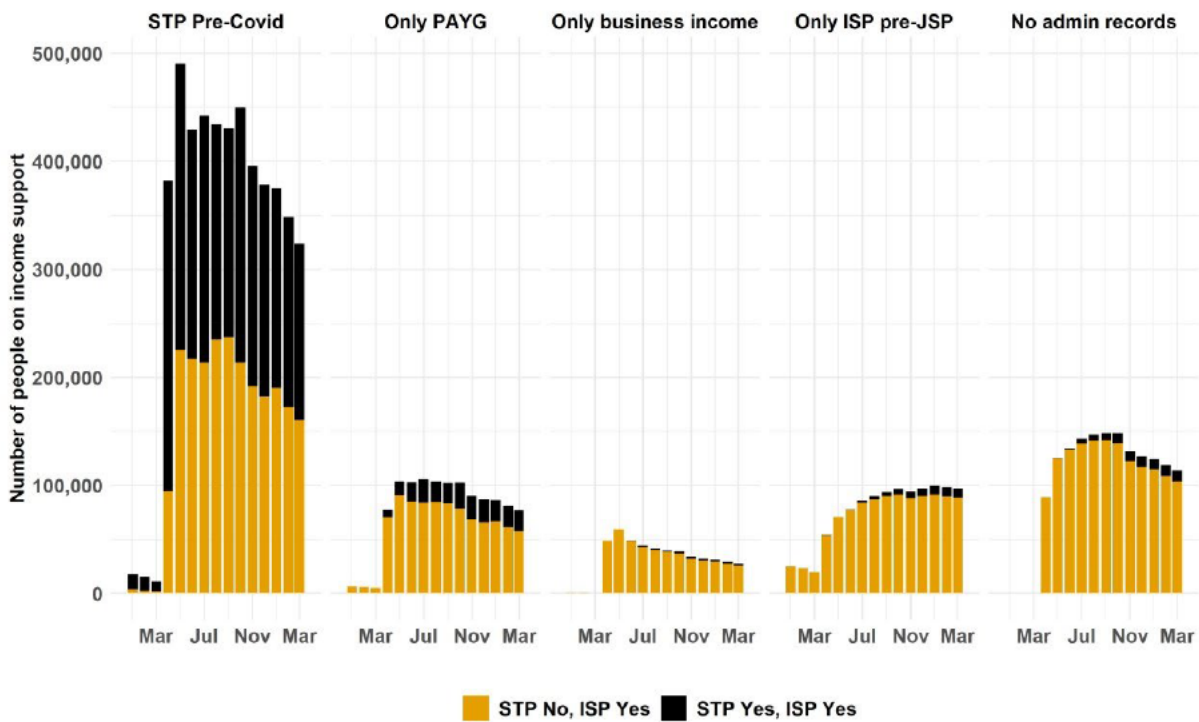
Figure A2: Income support, unemployment, and underemployment, March 2019 to March 2021.

³ See for example <https://theconversation.com/post-jobkeeper-unemployment-could-head-north-of-7-heres-why-159428>



Note: Treasury analysis. DSS counts from DSS (2021). Unemployment, and underemployment from ABS Labour Force, Australia (2021).

Figure A3: (Administrative) history of ISP recipients not rolled over from Newstart to JobSeeker, Jan 2020 to April 2021.



Note: Treasury analysis based on the Labour Market Tracker, which combines DSS's DOMINO and ATO's Single Touch Payroll (STP) data.

Table A1: ISP recipients by age, Feb 2020 to May 2021

Age	28-Feb-20	15-May-20	14-Aug-20	13-Nov-20	12-Feb-21	07-May-21	Percentage Change 28-Feb-20 to 15-May-20	Percentage Change 15-May-20 to 07-May-21
Under 21	66,557	124,744	129,912	107,491	105,868	87,652	87%	-30%
21 to 24	79,741	205,889	198,928	173,622	158,883	124,513	158%	-40%
25 to 34	146,841	383,936	369,791	327,077	298,029	233,119	161%	-39%
35 to 44	151,810	311,722	304,828	276,290	259,321	215,284	105%	-31%
45 to 54	166,838	304,063	299,116	277,014	264,725	230,080	82%	-24%
55 to 64	176,447	288,168	291,083	273,092	264,535	239,103	63%	-17%
65 and over	22,130	31,272	33,340	32,269	32,151	30,660	41%	-2%

Table A2: ISP recipients with no other earnings by age, Feb 2020 to May 2021

Age	28-Feb-20	15-May-20	14-Aug-20	13-Nov-20	12-Feb-21	07-May-21	Percentage Change 28-Feb-20 to 15-May-20	Percentage Change 15-May-20 to 07-May-21
Under 21	55,668	107,773	102,903	83,817	83,121	67,114	94%	-38%
21 to 24	66,635	175,608	160,259	131,945	120,898	93,160	164%	-47%
25 to 34	124,344	335,439	314,254	261,477	236,416	182,662	170%	-46%
35 to 44	120,919	269,140	255,344	218,050	202,949	164,124	123%	-39%
45 to 54	130,762	259,882	247,821	215,978	205,721	174,668	99%	-33%
55 to 64	146,170	254,359	251,001	223,148	215,661	192,408	74%	-24%
65 and over	19,376	28,610	30,114	28,194	27,982	26,322	48%	-8%

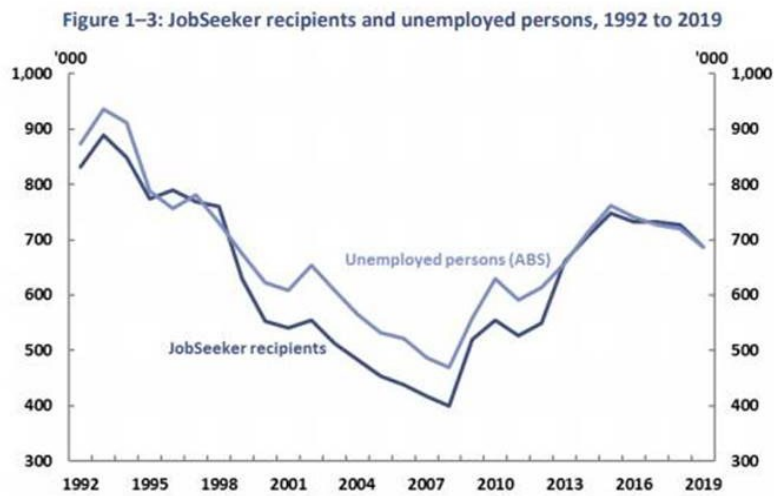
From: s 22
To: Yeaman, Luke; Wilkinson, Jenny
Cc: Cully, Mark; Power, Trevor; Stoney, Nicholas; Brown, Philippa; Swieringa, John; Berger-Thomson, Laura; s 22
Subject: RE: For information: Updated analysis of the gap between Income Support numbers and employment/unemployment [SEC=OFFICIAL: ~~Sensitive~~]
Date: Wednesday, 30 June 2021 6:41:21 PM
Attachments: image009.png

OFFICIAL: ~~Sensitive~~

Thanks Luke.

We can potentially try to progress a little further our analysis of the drivers of the gap, Though I have a feeling it may end up being a number of explanations all explaining part of it, which will make it a bit difficult.

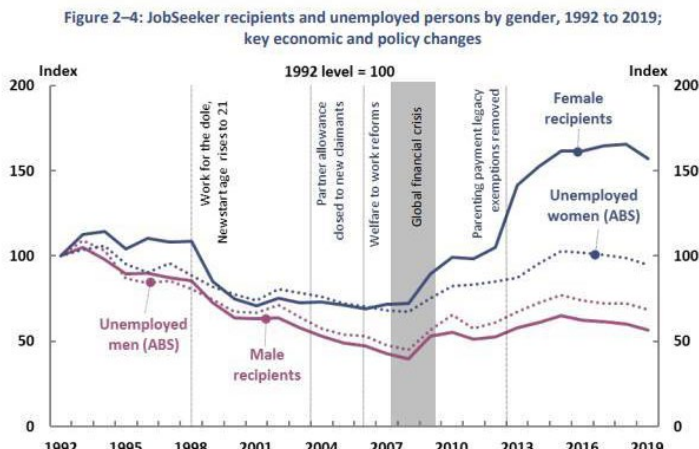
In terms of some historical series, see below from a recent DSS report (focused on Jobseeker, which is the vast majority of our ISP measures):



Note: Unemployed persons are averages of monthly counts (seasonally adjusted) over the year to June. The minimum age of unemployed persons is lower than minimum age of JobSeeker recipients; see [Appendix A](#) for a figure including recipients of Youth Allowance (unemployed). Recipient data in ABS year books were sourced from government departments.

Source: DSS Payment Demographic Data, ABS year books (cat no. 1301.0), ABS labour force (cat no. 6202.0) and PBO analysis.⁷

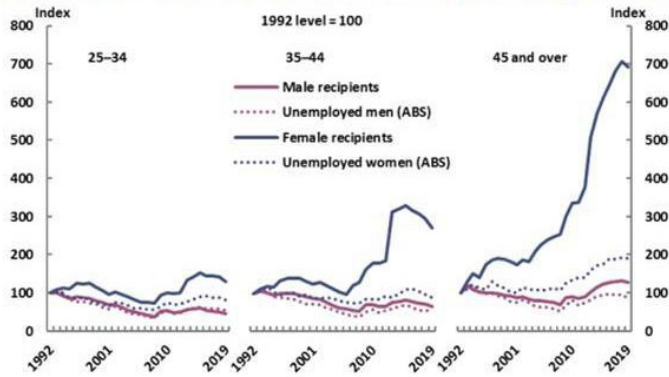
The relative increase for Jobseeker since 2010 appears to be larger for older females:



Note: Data on JobSeeker recipients are as at June except for 2000 which are as at May. Data on unemployment are averages of seasonally adjusted monthly data over the year from July to June.

Source: DSS Payment Demographic Data, ABS year books (cat no. 1301.0), ABS labour force (cat no. 6202.0) and PBO analysis.

Figure 2-5: JobSeeker recipients and unemployed persons by gender and age, 1992 to 2019



Note: Data on JobSeeker are as at June except for the year 2000 which are as at May. Data on unemployment are averages of original monthly data over the year July to June. JobSeeker data to 2013 are from DSS Payment Demographic Data; JobSeeker data from 2014 to 2019 are sourced from DSS Bluebook. '45 and over' refers to 45-64 for unemployment data.

Source: DSS Payment Demographic Data, ABS year books (cat no. 1301.0), ABS labour force (cat no. 6291.0.55.001), DSS Bluebook and PBO analysis.

OFFICIAL: Sensitive

From: Yeaman, Luke <Luke.Yeaman@TREASURY.GOV.AU>

Sent: Wednesday, 30 June 2021 5:36 PM

To: s 22 @TREASURY.GOV.AU; Wilkinson, Jenny

<Jenny.Wilkinson@TREASURY.GOV.AU>

Cc: Cully, Mark <Mark.Cully@TREASURY.GOV.AU>; Power, Trevor <Trevor.Power@TREASURY.GOV.AU>;

Stoney, Nicholas <Nicholas.Stoney@TREASURY.GOV.AU>; Brown, Philippa

<Philippa.Brown@TREASURY.GOV.AU>; s 22 @TREASURY.GOV.AU; Berger-

Thomson, Laura <Laura.Berger-Thomson@TREASURY.GOV.AU>; s 22

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Subject: RE: For information: Updated analysis of the gap between Income Support numbers and employment/unemployment [SEC=OFFICIAL: Sensitive]

OFFICIAL: Sensitive

Thanks for this s 22 and team, s 34(3)

s 34(3)

As you note, it would be good to further understand whether it is the changes in eligibility that have widened the pool of IS recipients (although I thought the majority of this had now been tightened) or whether COVID simply brought a lot of new people into the welfare system who may have always been eligible but otherwise would never have engaged with the system. It's an interesting idea.

Also, do we have a historical series of how unemployment benefit recipients line up with ABS unemployed numbers?

Thanks,
Luke.

OFFICIAL: Sensitive

From: Hambur, Jonathan <Jonathan.Hambur@TREASURY.GOV.AU>

Sent: Monday, 28 June 2021 10:59 AM

To: Wilkinson, Jenny <Jenny.Wilkinson@TREASURY.GOV.AU>; Yeaman, Luke

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Cc: Cully, Mark <Mark.Cully@TREASURY.GOV.AU>; Power, Trevor <Trevor.Power@TREASURY.GOV.AU>;

Stoney, Nicholas <Nicholas.Stoney@TREASURY.GOV.AU>; Brown, Philippa

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Subject: For information: Updated analysis of the gap between Income Support numbers and employment/unemployment [SEC=OFFICIAL: Sensitive]

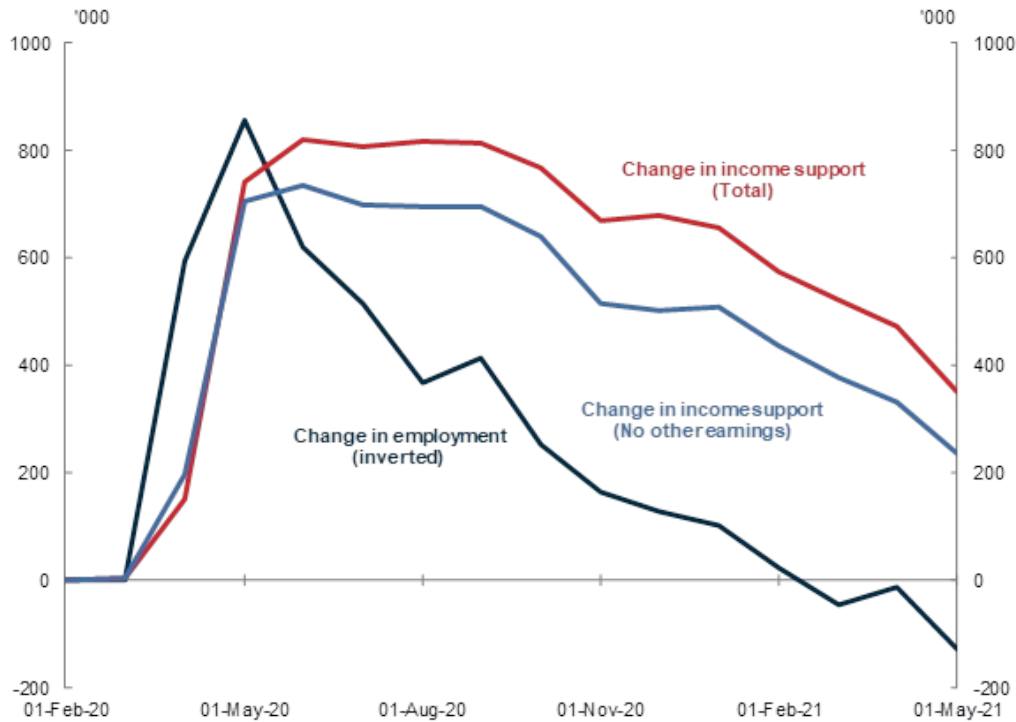
OFFICIAL: Sensitive

Hi Jenny and Luke,

s 22 we have updated the earlier analysis on the gap between income support numbers, and the recovery in unemployed/employment (s 22). Updating the analysis to end April the key results are broadly unchanged (for more details on the analysis, please see attached original note – attached):

- Part of the divergence reflects an increase in the number of workers earning income support and other income (gap between blue and red lines)

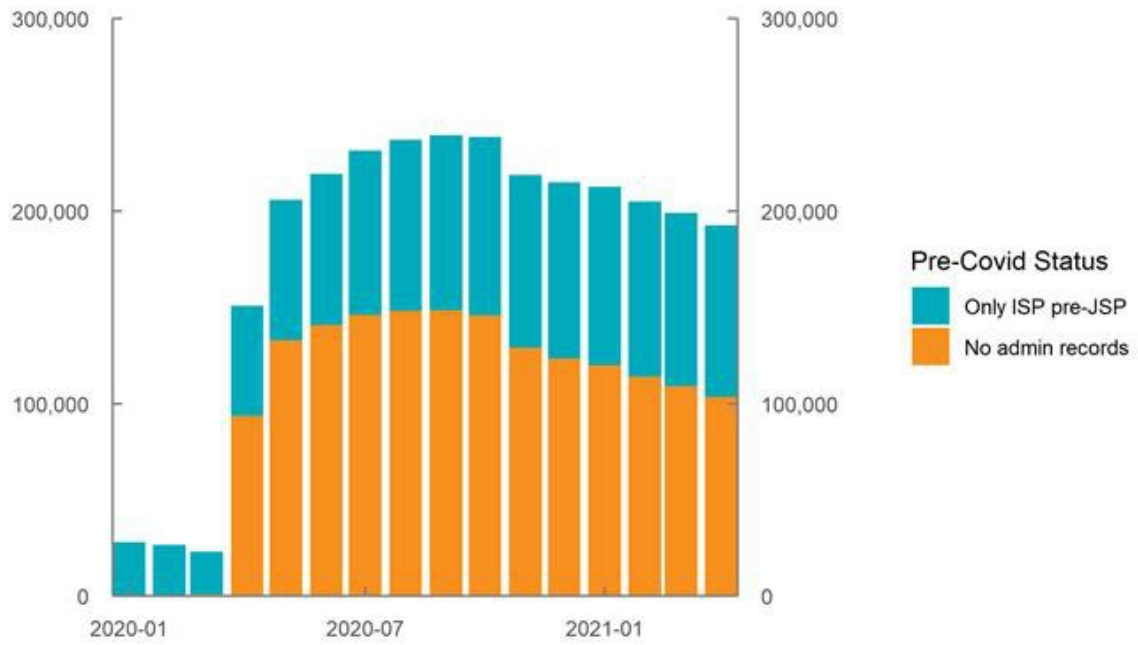
Figure: Cumulative change in income support recipients and employed persons, February 2020 to April 2021



Note: Treasury analysis. Those on ISP with no other earnings taken from DSS data supplied to Treasury. Employment data (inverted) from ABS Labour Force, Austr

- There remains a large number of people who moved onto ISP from outside of employment since March 2020 and have no other sources of income.
 - While the number has declined slightly following eligibility changes at the start of April, this group appears to be more “sticky” to ISP, having been moving off at a slower rate than other ISP recipients.

Figure: (Administrative) history of ISP recipients not rolled over from Newstart to JobSeeker who came from outside employment, Jan 2020 to April* 2021



Note: Treasury analysis based on the Labour Market Tracker, which combines DSS's DOMINO and ATO's Single Touch Payroll (STP) data

s 22
 [Redacted]
 [Redacted]
 [Redacted]

Jonathan Hambur
 Assistant Secretary (A/g)
 Structural Analysis Branch | Macroeconomic Analysis & Policy Division | Macroeconomic Group
 The Treasury, Langton Crescent, Parkes ACT 2600
 Phone: +61 2 6263 4538 | Mobile: s 22

OFFICIAL: Sensitive

From: s 22
To: [Brown, Philippa](#); [Berger-Thomson, Laura](#); s 22
Cc: s 22
Subject: Demographic analysis of gap between income support and employment/unemployment [SEC=OFFICIAL:Sensitive]
Attachments: [RE For information Updated analysis of the gap between Income Support numbers and employmentunemployment SECOFFICIAL:Sensitive.msg](#)

OFFICIAL:Sensitive

Hi all,

Following on from the attached analysis, we've done some further demographic investigation into the roughly 200k people who moved onto JobSeeker from outside employment and who did not roll onto the payment directly from Newstart. In general these people were:*

- **More likely** to have a partner
- **More likely** to be a parent
- **Older**
- **Less likely** to have a bachelor degree
- The **gender split** was even

The higher share of parents indicates that potentially some recipients have moved onto JobSeeker from other parenting-related social security payments, such as the Parenting Payment (PPS/PPP), Carer Payment (CAR), Carer Allowance (CDA) or Family Tax Benefits (FTB) A and B. As reported earlier, roughly 100k of this group had been on another social security payment prior to March 2020. Of this group, 48% had received one of the above payments between January 2019 and May 2021, indicating that roughly 48,000 had shifted from these parenting-related payments to JobSeeker (some may be still be receiving these payments alongside JobSeeker if they can be eligible for both).

Kind regards,

s 22

* Table: exact shares for aforementioned data

	Pre-covid income	No pre-covid income
Has partner	26%	30%
Is parent	41%	44%
Average age	39.8	41.3
Has bachelor degree	13%	11%
Male share	54%	54%

Source: Labour Market Tracker

s 22

Director (A/g)

Business Microdata Unit | Macroeconomic Analysis and Policy Division | Macroeconomic Group

The Treasury, Langton Crescent, Parkes ACT 2600

Phone: s 22

OFFICIAL:Sensitive

From: s 22
To: s 22
Cc: [MEG MECD PWL Unit](#); s 22
Subject: FW: UBRs against ABS unemployment [~~SEC-PROTECTED~~]
Date: Monday, 24 January 2022 2:09:53 PM
Attachments: [image003.png](#)

Hi s 22, as discussed some off the shelf analysis below the team has done in the past on explaining the differences and overlap area between the unemployed cohort and the UBR cohort.

The data used in for the Venn diagram is from 2011-12 and has not been updated but we estimate that proportions would still be broadly similar. The table below also helps in understanding the circumstances/characteristics of a person that's unemployed and on/not a UBR etc.

Thanks very much to s 22 for pulling all this together.

Happy to discuss and circulate more widely.

Cheers, s 22

From: s 22 @TREASURY.GOV.AU>
Sent: Monday, 24 January 2022 12:45 PM
To: s 22 @TREASURY.GOV.AU>
Cc: s 22 @TREASURY.GOV.AU>; s 22 @TREASURY.GOV.AU>; s 22 @TREASURY.GOV.AU>
Subject: UBRs against ABS unemployment [~~SEC-PROTECTED~~]

~~PROTECTED~~

Hey s 22

Below on the left is a Venn the ABS did with SIH data which illustrates the lack of overlap between UBRs and unemployment at a point in time. s 22 created the venn on the right from the same data which is a bit clearer. There is a link to the ABS note below. The data is from 2011-12 and we asked them to update it in 2020 but I think they were reluctant as the sample is not designed for this type of analysis – we could push again if there was need to update the data, although id say the proportions given here would be broadly similar.

I've also added below a table we put together in 2020 which outlines some of the reasons why a person on (or not on) a UBR may fall into the different labour force status'.

s 22



Diagram: ABS

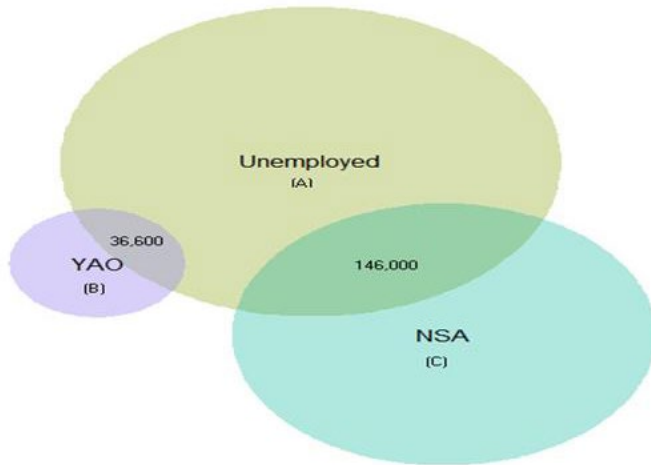
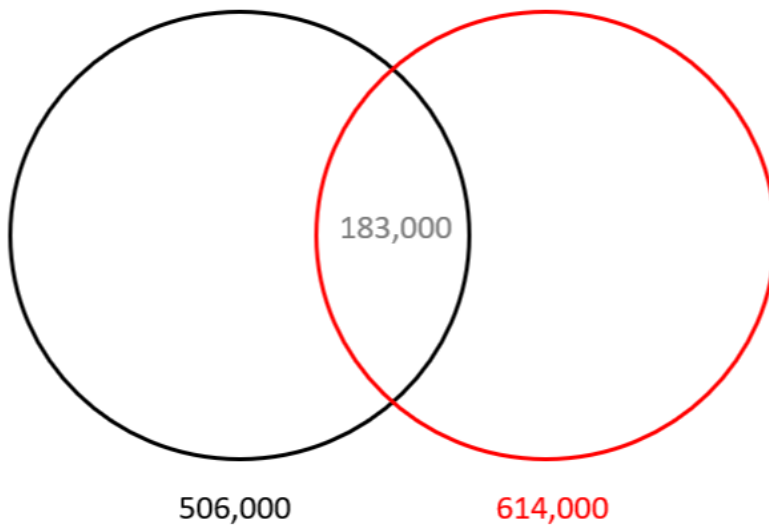


Diagram: § 22 from same ABS data

Unemployed Benefit Recipients Unemployed (ABS)



ABS Venn note (with some points on differences between unemployment and UBRs):
<https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/3E23BFC2F5D0E9A7CA257D0E001AC595?opendocument>

Table: Labour force status by person on a UBR, potential reasons

	On a UBR	Not on a UBR
Unemployed	Not working, looking for work (enough to meet mutual obligation requirements) and available to start work.	Hasn't registered eg only expects to be unemployed for a short time, not eligible for a benefit
Employed	Working but not earning enough to lose their benefit (recipients with earnings under the threshold). Nil recipients (recipients with earnings over the threshold). Those with irregular	Most employed people

	work/income but working in reference week.	
Not in the labour force	Mutual obligations waived. Alternative requirements	Most people not in labour force

s 22

Analyst | Prices, Wages and Labour Unit
Macroeconomic Conditions Division | The Treasury

P s 22

s 22 [@treasury.gov.au](mailto: @treasury.gov.au)

~~PROTECTED~~

From: s 22
To: [Wilkinson, Jenny](#); [Yeaman, Luke](#)
Cc: [Brown, Philippa](#); s 22; s 22; [Berger-Thomson, Laura](#); [Cassells, Rebecca](#); [MEG MAPD Household Microdata](#); [MEG MECD PWL Unit](#); [Power, Trevor](#); [D'Arcy, Patrick](#); [Redmond, Ineke](#)
Subject: Comparison of UBR caseload and unemployed in LFS [SEC - PROTECTED]
Date: Tuesday, 25 January 2022 2:49:03 PM
Attachments: [image004.png](#)
[image001.png](#)

~~PROTECTED~~

Dear Jenny, Luke

At the WF shortages IDC on Friday last week, Jenny asked about the correspondence between the case load of unemployment benefit recipients (UBRs) and the measured unemployed pool from the LFS survey (U-LFS).

The key points from our analysis are:

1. The overlap between these two groups is LOW. Analysis of 2011-12 data indicate that only a minority of each group is caught within the other. We have not updated this with more frequent data (this is a non-trivial task), but expect this remains the case.

s 22



Thanks to s 22 for the underpinning analysis.

Luke, the team is incorporating this information (along with the other information you requested) into your talking points.

Supporting diagrams:

Diagram: Overlap between Unemployment Benefit Recipients and the ABS measure of the unemployed (LFS) 2011-12

MECD analysis of ABS data – thanks s 22 .

Unemployed Benefit Recipients Unemployed (ABS)

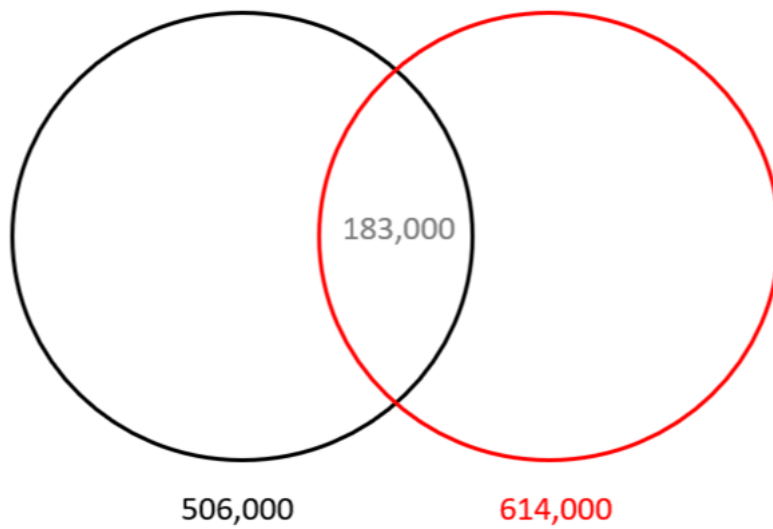


Table: Labour force status by person on a UBR, potential reasons for difference

	On a UBR	Not on a UBR
Unemployed	Not working, looking for work (enough to meet mutual obligation requirements) and available to start work.	Hasn't registered eg only expects to be unemployed for a short time, not eligible for a benefit
Employed	Working but not earning enough to lose their benefit (recipients with earnings under the threshold). Nil recipients (recipients with earnings over the threshold). Those with irregular work/income but working in reference week.	Most employed people
Not in the labour force	Mutual obligations waived. Alternative requirements	Most people not in labour force

Table: Unemployed by duration of job search, and unemployed by whether worked

	Nov-21
Unemployed (seasonally adjusted)	636.7
Job search - Less than 1 year	461.1
Job search - 1 year or longer	175.5
Job search - 2 years or longer	88.8
Unemployed (original)	588.6
Have worked in the last 2 years	347.6
Last worked 2 or more years ago	123.0
Has never worked	118.0

s 22

Cheers

s 22

~~PROTECTED~~

s 22



From: s 22 [redacted] [@TREASURY.GOV.AU](mailto:[redacted]@TREASURY.GOV.AU)>

Sent: Tuesday, 8 February 2022 2:50 PM

To: s 22 [redacted] [@TREASURY.GOV.AU](mailto:[redacted]@TREASURY.GOV.AU)>

Cc: s 22 [redacted] [@TREASURY.GOV.AU](mailto:[redacted]@TREASURY.GOV.AU)>; s 22 [redacted]

[redacted] [@TREASURY.GOV.AU](mailto:[redacted]@TREASURY.GOV.AU)>; s 22 [redacted] [@TREASURY.GOV.AU](mailto:[redacted]@TREASURY.GOV.AU)>;

s 22 [redacted] [@TREASURY.GOV.AU](mailto:[redacted]@TREASURY.GOV.AU)>

Subject: FW: Due 2.30 - Question from Jenny - CDP - why caseload still 30% above pre-pandemic levels? ~~[SEC-PROTECTED, CAVEAT-SH-CABINET]~~

Hey s 22 [redacted],

s 22



- At the total Australia level, the number of **UBRs has declined rapidly**, but remains **70% higher** than the number of unemployed (UBRs were around 15% higher than unemployment prior to Covid).
- Whilst this wedge between UBRs and unemployment is historically high, there are signs that the relationship is continuing to normalise alongside the rapid falls in UBR numbers.
 - The share of UBR recipients who **also earned wages** rose during COVID, but has now **returned to pre-COVID shares**.
 - Given the rate of UBRs with earnings has now normalised, we assume the remaining wedge between UBRs and unemployment is due, in part, to the persistence of UBRs who were not in the labour force pre-COVID19
 - Age composition of UBR recipients changed at the peak of COVID moving to **younger recipients**, but has now **returned to similar pre-COVID shares**.
- There remains, however, uncertainty around how the relationship between UBRs and unemployment will continue to evolve due to the unprecedented increase in UBRs following the Covid shock and associated policy changes.

Let me know if you need anything further.

s 22

Analyst | Prices, Wages and Labour Unit
Macroeconomic Conditions Division | The Treasury

P: s 22

E s 22 [@treasury.gov.au](mailto:s22@treasury.gov.au)

From: s 22 [@TREASURY.GOV.AU](mailto:s22@TREASURY.GOV.AU)>

Sent: Tuesday, February 8, 2022 12:50 pm

To: s 22

Subject: Due 2.30 - Question from Jenny - CDP - why caseload still 30% above pre-pandemic levels? ~~[SEC PROTECTED, CAVEAT SH/CABINET]~~

~~PROTECTED//CABINET~~

Hi all,

s 34(3)

s 22

Many thanks

s 22

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Treasury acknowledges the traditional custodians of country throughout Australia and their continuing connection to land, sea and community. We pay our respect to them and their cultures, and to elders past, present and emerging.

s 22

From: [REDACTED]
To: [Mullaly, Damian](#); [MEG MECD National Economy and Forecasting Unit](#)
Cc: [MEG MECD PWL Unit](#); [MEG MECD Macroeconometric Modelling Unit](#); [Power, Trevor](#); [Redmond, Ineke](#)
Subject: RE: Budget UBR forecasts [~~SEC-PROTECTED~~]
Attachments: [image004.png](#)
[image005.png](#)
[image001.png](#)
[image002.png](#)
[image007.png](#)
[image008.png](#)
[image009.png](#)

~~PROTECTED~~

Hey Damian,

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It is also important to note that measured unemployment and UBRs are inherently different concepts with only around 35% of UBRs actually being classified as unemployed. As a result there is significant uncertainty around how these two measures will continue to evolve with one another in the near and longer term following the covid shock which brought in unprecedented numbers of people into the UBR the stock.

s 22



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From: s 22 <[REDACTED]@TREASURY.GOV.AU>

Sent: Friday, 4 March 2022 2:37 PM

To: MEG MECD National Economy and Forecasting Unit <MEGMECDNEFU@TREASURY.GOV.AU>

Cc: MEG MECD PWL Unit <MEGMECDPWLUnit@TREASURY.GOV.AU>; MEG MECD

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Redmond, Ineke <Ineke.Redmond@treasury.gov.au>

Subject: Budget UBR forecasts [~~SEC-PROTECTED~~]

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s 22

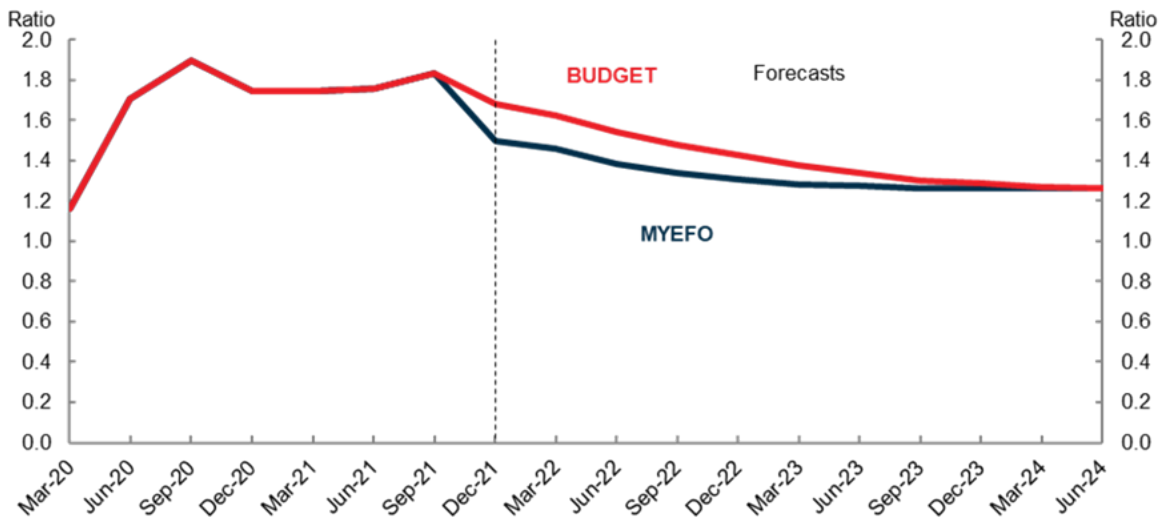


- In spite of the lower than expected unemployment at MYEFO, UBRs have remained relatively sticky, that is, they have not fallen over the Dec21 qtr or the months of Jan and Feb22 to the same extent as unemployment, resulting in the wedge between the two being substantially higher over Dec21 and Mar22 qtrs than expected at MYEFO.

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Chart: UBR/Unemployment (the wedge)



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Analyst | Prices, Wages and Labour Unit
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From: s 22 <[REDACTED]@TREASURY.GOV.AU>
Sent: Tuesday, 15 March 2022 10:46 AM
To: s 22 <[REDACTED]@TREASURY.GOV.AU>
Cc: MEG MECD PWL Unit <MEGMECDPWUnit@TREASURY.GOV.AU>; s 22 <[REDACTED]@TREASURY.GOV.AU>
Subject: UBRs and unemployment [~~SEC. PROTECTED~~]

~~PROTECTED~~

Hi s 22

I understand from s 22 that you are interested in the relationship between UBRs and the unemployed. Here are a few points that may be useful:

- The overlap between these two groups has historically been low – in 2011-12 (we don't have updated analysis to hand) less than 40% of UBRs counted as unemployed, and less than a third of those counted as unemployed by the ABS were UBRs.
- Pre-pandemic, the ratio between unemployment and UBRs was relatively stable, and fell between about 1.1 and 1.2. Prior to the pandemic, MECD used this ratio to produce UBR forecasts, holding it constant and applying it to the unemployment forecast (although judgement was still applied).
- This ratio increased dramatically during the initial stages of the pandemic, to almost 1.9 in Q3 2020, and in Q4 2021 (the last complete quarter of data), it was just under 1.7. The reasons for this are primarily policy changes and behavioural factors.

s 22

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s 22 — Assistant Director, Labour Market

Prices, Wages and Labour Market Unit, Domestic Conditions Branch
Macroeconomic Conditions Division

p s 22

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