

# JobKeepers and JobSeekers: How many workers will lose and how many will gain?

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In response to the predicted job losses and business closures brought on by responses to COVID-19, the government has announced an unprecedented **JobKeeper package** at a cost of **\$130 billion**.

The package is expected to reach more than 6 million workers over the next six months and will be backdated to the 1st March, with payments expected to flow through to businesses from the 1st May. The value of this package represents almost half of the entire wage bill (\$286bn) of these workers over the six month period, at around 6.9% of annual GDP.

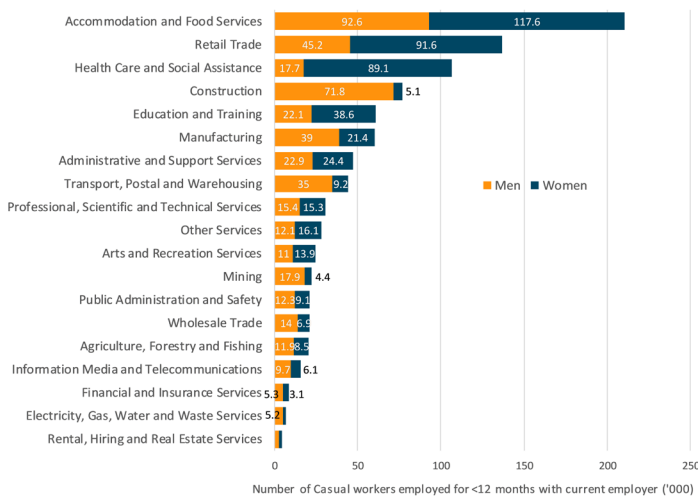
## JobKeeper eligibility

**Eligible businesses** comprise those that have seen a 30% decrease in turnover, and includes not-for-profits and businesses with turnover of less than \$1 billion per year. Businesses that have turnover of more than \$1 billion per year need to demonstrate a 50% reduction in turnover.

**Eligible workers** include all full-time and part-time workers and sole traders. It also includes permanent visa holders and other visa categories. Casual workers will be eligible only if they have been with their employer for 12 months or more.

We estimate there to be around 950,000 ineligible casual workers with the majority employed in the accommodation and food services, retail trade, and health care and social assistance sectors. A higher share of these workers are women.

## Number of casual workers employed for less than 12 months with their current employer: by gender



Note: Short-term casual workers have been estimated using the number of workers without any sick leave entitlements that have been in continuous employment with their current employer/business for less than 12 months.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Various ABS Data Sources

## How much will they receive?

Employers will receive \$1,500 per fortnight (before tax) for each eligible employee regardless of whether they are paid more or less than this each week and regardless of whether they work full or part-time.

Workers that are paid less than the \$1,500 per fortnight wage subsidy will receive the full subsidy regardless of their employment arrangement.

Workers earning more than \$1,500 can be paid the shortfall between this subsidy and their regular fortnightly wage if their employer chooses to pay this.

## What type of businesses and workers are likely to be the most impacted?

The majority of businesses that have or will see their turnover fall by 30% are operating in sectors directly impacted by trading restrictions introduced in response to COVID-19. These include those in the hospitality, tourism and transport, personal service and entertainment sectors.

The retail sector has also been severely impacted with several major retail chains closing their doors over the last week. We also anticipate businesses in almost all sectors to experience a significant fall in turnover and to respond to this by laying workers off.

Our initial job loss predictions estimated 1.13 million workers to lose their job in the next twelve months. These estimates were conservative and within the context of current trading restrictions. If more are to be put in place including closing down construction and mining sites, we will see far greater job losses.

The government's new JobKeeper package has been costed to support the continued employment of more than 6 million affected workers – half the Australian labour market. It's clear that the government sees far-reaching economic impacts and is preparing for these.

This begs the question: to what extent will the JobKeeper payment mitigate job losses?

## How adequate is the JobKeeper payment?

The JobSeeker payment provides \$550 per week in support for workers who are laid off by businesses as a result of the pressures created by COVID-19.

The alternative JobKeeper payment provides a wage subsidy at a flat rate of \$750 per week to eligible businesses for all workers whose earnings at least match this rate. Businesses can top up the wages of workers who are paid less than \$750 per week to qualify for the JobKeeper payment.

This offers substantial support to businesses to retain more of their workforce, and provides wages of at least \$750 per week to workers – with up to 2 million workers in line to receive more in JobKeeper payment than they were previously paid each week.

For full-time workers in most of the sectors impacted by COVID-19, the compensation offered under the \$550 JobSeeker payment typically falls well short of wage replacement. The JobKeeper subsidy provides workers with at least \$200 extra in payment each week, and more if business top up pay to match workers' previous salaries.

The \$550 JobSeeker allowance at least matches the salaries of part-time workers in most of the sectors facing adverse COVID-19 impacts, while the new JobKeeper payment is even more generous.

Around 4 in 5 part-time workers will be better off under the JobKeeper payment, with average weekly wages typically far lower than \$750. However, the use of averages in these comparisons masks the spread of the underlying wage distribution – some workers will be on more than \$750 per week, some much less.

Most part-time workers will take home a higher salary under the \$750 JobKeeper payment than they were receiving in wages from their employer.

**Table 1: JobSeeker and JobKeeper wage replacement for occupations impacted by potential job losses**

Occupation	Total Workers	% Women	Employed		Average Weekly Earnings		Average weekly shortfall/gain (\$) - Full-time Workers		Average weekly shortfall/gain (\$) - Part-time Workers	
			Full-time	Part-time	Full-time	Part-time	Job Seeker (\$550/week)	Job Keeper (\$750/week)	Job Seeker (\$550)	Job Keeper (\$750/week)
Sales Assistants (General)	526,013	67%	28%	72%	\$858	\$451	-\$308	-\$108	+\$99	+\$299
Bar Attendants and Baristas	83,915	58%	29%	71%	\$923	\$486	-\$373	-\$173	+\$64	+\$264
Café and Restaurant Managers	53,892	53%	24%	76%	\$1,136	\$598	-\$586	-\$386	-\$48	+\$152
Waiters	106,357	76%	16%	84%	\$929	\$489	-\$379	-\$179	+\$61	+\$261
Chefs	80,719	25%	28%	72%	\$1,071	\$564	-\$521	-\$321	-\$14	+\$186
Kitchenhands	109,631	55%	19%	81%	\$891	\$469	-\$341	-\$141	+\$81	+\$281
Beauty Therapists	25,413	97%	39%	61%	\$898	\$473	-\$348	-\$148	+\$77	+\$277
Fitness Instructors	27,234	59%	29%	71%	\$533	\$280	+\$17	+\$217	+\$270	+\$470
Tourism and Travel Advisers	21,357	79%	71%	29%	\$1,221	\$643	-\$671	-\$471	-\$93	+\$107
Gallery, Museum and Tour Guides	6,538	48%	43%	57%	\$783	\$412	-\$233	-\$33	+\$138	+\$338
Hotel and Motel Managers	19,943	43%	87%	13%	\$1,031	\$543	-\$481	-\$281	+\$7	+\$207
Fast Food Cooks	35,160	29%	16%	84%	\$727	\$383	-\$177	+\$23	+\$167	+\$367
Retail Managers	184,751	49%	81%	19%	\$1,294	\$681	-\$744	-\$544	+\$131	+\$69
Air Transport Professionals	13,005	9%	78%	22%	\$3,200	\$1,684	-\$2,650	-\$2,450	-\$1,134	-\$934
Music Professionals	8,375	29%	33%	67%	\$1,052	\$554	-\$502	-\$302	-\$4	+\$196

Note: Replacement wage rates of either JobSeeker at \$550 per week or JobKeeper flat rate of \$750 per week. Average earnings are total earnings which is the sum of weekly ordinary time cash earnings plus weekly overtime earnings.

Source: Bankwest Curtin Economics Centre | Authors' calculations from ABS Labour Force Quarterly Detailed, Cat No.6291.0.55.003 Feb 2020, ABS Employee Earnings and Hours Survey Cat No.6306.0., May 2018. ABS Census 2016.

Sales assistants earn on average \$858 for full-time workers and \$451 for part-time workers. If the average worker was laid off and moved to a \$550 per week JobSeeker payment, workers who previously worked full-time would see an average \$308 shortfall and part-time workers a \$99 gain.

If these workers were instead to remain with their employer and receive the JobKeeper payment of \$750 per week, the average full-time sales assistant would be out of pocket by \$108 per week if their employer decides not to top up the worker's salary to meet this gap.

There would be no salary shortfall under the JobKeeper package if a top up is paid by the employer.

Higher paid occupations including café and restaurant managers, chefs, hotel and motel managers and air transport professionals would still be considerably out-of-pocket under either scenario, but the \$750 JobKeeper payment remains a better outcome than moving to the already enhanced JobSeeker payment.

The majority of workers currently directly impacted are those in low-paid part-time work. Most of these workers would be more than fully compensated under both policy schemes.

This is especially the case under the JobKeeper payment, with the average worker in many of the occupations facing potential job losses receiving between \$200 and \$400 more each week than the normal salary for their role.

There are a number of exceptions, with around 81% of retail managers working full time. We expect more full-time and higher paid workers to be impacted in the coming weeks and months.

## Job impacts and wage replacement

### JobSeeker support

With job losses projected to be around 1.13 million workers across all industry sectors over the next 12-18 months, this would lead to total lost earnings of some **\$1.06 billion** each week – \$805m for full-time workers and \$255m for those working part-time.

In response to the anticipated job losses the Federal Government has already doubled the JobSeeker payment, extending this welfare safety net from \$550 to \$1,100 per fortnight.

Based on projected job losses of 1.13 million, the estimated cost of the existing JobSeeker support package is **\$620m** per week, and would cover 59% of total lost earnings (Table 2).

However, many workers who lose their jobs will see significant income falls beyond the support that the JobSeeker payment can offer. Around 728,200 would see a shortfall – mostly full-time workers.

Up to 94% of full-time workers who lose their job under this projection will see a shortfall in support from the JobSeeker payment – this equates to around 598,000 full-time workers who could be laid off due to the impact of COVID-19.

A far greater share (around 3 in 4) of those part-time workers who are projected to lose their jobs will find the JobSeeker payment to be a sufficient buffer to cover lost income.

### JobKeeper support

The announcement by the government of a \$750 per week JobKeeper wage subsidy will provide support to businesses affected by the COVID-19 crisis for more than 6 million workers – a workforce that costs those businesses around \$11 billion in salaries each week.

We estimate the overall cost of the JobKeeper support package at an astonishing **\$4.77 billion** per week if the payment goes to 6 million workers (Table 2). Around \$3.1 billion goes towards support for full-time workers (meeting 35% of their total salary costs) and \$1.67 billion to those currently working part-time (covering 81% of their salaries).

**The JobKeeper package will deliver less than full wage replacement for 3.9 million (93%) of the 4.1 million full-time workers in scope to receive the subsidy.**

However, the JobKeeper payment is especially generous to those working part-time. Only 445,000 (20%) of the 2.2 million part-time workers will receive less than wage replacement, **while 4 in 5 will receive more than their current salary.**

The generosity of the JobKeeper payment to part-time workers is one of the more controversial features of the new wage subsidy. Around 80% of part-time workers will receive more than they were previously paid in salary – and in some cases, significantly more (see Table 1 above).

**Table 2: Projected added costs of salary support options from potential COVID 19 job losses**

Employment type	Number of affected workers	Total wage bill \$m per week	Cost of support package (\$m per week)		Count of workers with shortfall in salary replacement	
			Job Seeker (\$550 pw)	Job Keeper (\$750 pw)	Job Seeker (\$550 pw)	Job Keeper (\$750 pw)
Full-time	4,138,700	8,963.0	350.1	3,104.0	598,300	3,855,700
Part-time	2,219,500	2,055.8	270.8	1,664.6	130,200	445,000
All workers	6,358,200	11,018.7	620.8	4,768.6	728,400	4,300,700

Note: Costings assume a replacement wage rates of either \$550 per week for a projected 1.13 million job losses under the JobSeeker payment, or a flat rate of \$750 per week in JobKeeper subsidies paid to 6.36 million workers in scope for support. Total Earnings are used which is the sum of weekly ordinary time cash earnings plus weekly overtime earnings.

Source: Bankwest Curtin Economics Centre | Authors' calculations from ABS Labour Force Quarterly Detailed, Cat No.6291.0.55.003 Feb 2020, ABS Employee Earnings and Hours Survey Cat No.6306.0., May 2018. ABS Census 2016

### Tweaking the JobKeeper design

An alternative design for the JobKeeper payment could provide a 100% wage subsidy of up to \$750 per week in support, but where the \$750 threshold represents a **cap** on government contributions rather than a flat rate.

The \$750 cap model for JobKeeper payment would cost **\$4.15 billion** (13% less than the flat rate model) with the same share of workers receiving the full wage replacement, rather than replacement in excess of current salary.

In essence, a capped wage subsidy model is more tailored and provides a more targeted and efficient wage replacement system. And employers can still choose to pay the gap between the \$750 government subsidy and an employer's typical wage.

In fact, we estimate that a 100% wage subsidy capped at **\$900 per week** would cost the same as the current flat-rate \$750 JobKeeper payment, but would reduce the number of workers receiving less than full wage replacement by more than half a million (518,700).

This model would lower the number of part-time workers receiving less than full wage replacement from 445,000 to 188,100.

**Table 3: Alternative JobKeeper wage subsidy options**

Employment type	Numbers affected (projected)	Total wage bill	Cost of support package (\$m per week)		Count of workers with shortfall in full wage replacement	
		\$m per week	Job Keeper (100% with \$750 pw cap)	Job Keeper (100% with \$900 pw cap)	Job Keeper (100% with \$750 pw cap)	Job Keeper (100% with \$900 pw cap)
Full-time	4,138,700	8,963.0	2,916.8	3,484.4	3,855,700	3,595,800
Part-time	2,219,500	2,055.8	1,230.4	1,276.6	445,000	188,100
All workers	6,358,200	11,018.7	4,147.2	4,761.0	4,300,726	3,783,900

Note: JobKeeper options include a 100% wage replacement up to a cap of \$750 per week for 6.36 million workers modelled to be in scope for support, and a 100% wage replacement up to a weekly cap of \$900 per week. The latter JobKeeper variant is modelled to be broadly revenue neutral compared with the announced JobKeeper package. Total Earnings are the sum of weekly ordinary time cash earnings plus weekly overtime earnings.

Source: Bankwest Curtin Economics Centre | Authors' calculations from ABS Labour Force Quarterly Detailed, Cat No.6291.0.55.003 Feb 2020, ABS Employee Earnings and Hours Survey Cat No.6306.0., May 2018. ABS Census 2016

### Is the JobKeeper payment a good policy?

At a projected cost of **\$130 billion** over the next half year, the new JobKeeper package is an extraordinary level of commitment from the Federal government, and a huge statement of intent to support Australian businesses and workers.

**Overall the JobKeeper package will help many businesses to stay afloat and workers to stay attached to their employers as we move through the crisis.**

A number of questions and issues are nevertheless raised in relation to the implementation, impact and consequences of the JobKeeper payment:

#### Exclusion of short-term casual workers

The JobKeeper payment excludes casual workers that have been attached to their employer for less than 12 months. This effectively excludes around 1 million workers as shown earlier – many are employed in the hospitality, retail, construction, health care and social assistance sectors.

Arguments for excluding this group include the greater likelihood of the JobSeeker payment providing adequate income replacement for lost earnings at \$550 per week. However, our analysis shows that these workers earn on average \$670 per week. Clearly many will be worse off if they don't have access to the JobKeeper payment.

#### Equity between full and part-time workers

The extent to which the JobSeeker payment is targeted towards part-time and lower paid workers, with many in line to receive significantly more in support than they have been paid by their employers, invites further justification.

It also raises questions around how equitable the policy is between part and full-time workers, especially if they are continuing to work in a similar capacity as before, even though, granted, many won't be. For example, a part-time worker on 15 hours per week now effectively has access to the same weekly wage as their colleague who is still working a 35 hour week.

Employers may look to re-organise hours of work to make this fairer, but some workers may want fewer hours and others more. Regardless of hours, many workers can expect to receive exactly the same pay.

A capped wage subsidy model offers the potential to deliver effective support more efficiently, and potentially deliver a higher maximum rate of support for full-time workers at the same cost as the current package.

### **Why is the JobKeeper payment so generous for part-time workers?**

The generosity of the JobKeeper payment for part-time workers is puzzling. It effectively gives a wage rise to millions of part-time workers, with no requirement for them to increase hours (if they work any at all)

One of the reasons for targeting part-time workers in this way is that it directs a greater resource to those on the lowest incomes.

It's also a simple design. Allocating a flat \$750 payment may make it easier to administer and will also make it easier to police. Every worker and every employer knows that they will receive \$750. Anything outside this amount will raise alarm bells.

### **Interaction with other Government payments**

The overall budget impact of the JobKeeper payment will not be fully known until the extent of its offsets with other aspects of the welfare system are known.

Many part-time workers also receive family payments and means tested government income support and are combining work with caring for others and/or studying.

The flat rate of \$750 per week will mean that this income support will reduce. The overall income impact may be neutral, but there could be a greater expectation from employers around the number of hours these workers now commit each week – if the business is still able to operate.

### **Multiple job holders**

There are currently more than one million workers in Australia who hold more than a single job, but where they are eligible for the JobKeeper payment for only one job.

They will effectively have to choose which job to keep their attachment to. This also penalises employers that will not receive support for a worker holding more than one job.

### **Will the JobKeeper payment actually keep people in work?**

A core deliverable of the JobKeeper payment, as the name suggests, is to keep more workers in jobs. But to what extent will it succeed in this aim?

Only time will tell – the labour market is in uncharted territory, which makes the impact of this package incredibly hard to judge.

The JobKeeper payment offers an incentive for many workers to stay attached to their employer and in work, whatever form that may take. Workers will be motivated by this payment and will be materially better off than on the JobSeeker payment.

But, some workers may judge their overall welfare to be better served if they were receiving a combination of JobSeeker payment and other welfare receipts and may not seek out the JobKeeper payment from their employer.

### **Will the JobKeeper payment keep businesses afloat?**

The JobKeeper payment will effectively pay almost half the wages and salaries of Australian workers over the next six months.

The benefit for employers is that the cost of their wages are largely covered. But this still may not be enough to keep businesses operating if other costs become too large. This will especially be the case for firms with a lower labour cost share overall.

The JobKeeper payment will provide the most benefit to firms that have a higher labour cost share but are still able to operate in some way.

For firms that have to completely close their doors and not trade at all, the JobKeeper may not be enough incentive to keep people on the books and be the “middle-man” to drive this payment through to their workers.

This is where other elements of the government's support package will come into play to keep businesses afloat.

Our modelling incorporates jobs growth in these sectors, where 70,000 jobs are added.

### **Will businesses change their behaviour to become eligible?**

Behavioural responses to policy changes will always happen. Some will be good, some bad and others unknown. With the level of support to businesses and workers at such a scale, what responses or reactions might be expected?

The JobKeeper payment inevitably creates incentives for firms to modify their operations to become eligible sooner than they might otherwise be. This may mean that firms effectively force reduced turnover and activity.

It also may induce firms to pay their workers at the flat \$750 even if they are able to pay their workers at full pay – not the best outcome.

### **What if 6 months isn't enough and how do you unwind this type of commitment?**

One of the great unknowns of the COVID-19 crisis is where it will end. There are predictions of a V-shaped recovery as soon as the virus' spread is under control, but in reality it may take longer for businesses, markets and workers to feel safe enough to put their heads back above the parapet. The government has currently committed to paying wages for workers for six months. There is a lot riding on this end date and they may well be left with no choice but to extend it.

Many businesses may also not be in a position to start trading in the same way they did before. Consumption patterns change during times of uncertainty and consumers may not be as willing (or able) to spend at the end of the six month period as they were before.

It may also take some time for business operations in certain sectors to build up again – airlines are an example of this.

And what will be the workers expectations of wages, especially among those that have seen a wage rise without the commensurate increase in hours? How will they adjust if their employer is unable to keep them on or isn't able to continue to pay the same level of wages?

We will need to think and plan very carefully about the disengagement process that will be needed.

**Technical Notes:**

Wage replacement levels have been constructed for employees working in industry sub-sectors that face exposure to the COVID-19 downturn. Exposure level has been graded at the ANZSIC 3-digit level and using the distribution of ANZSCO 4-digit occupations within. Essential services such as Health Care and Utilities as well as supermarkets are not assumed to face job losses. Wage replacement rates have then been calculated taking into account the distribution of full and part-time workers at ANZSCO 4-digit and their average weekly earnings. All workers (including short-term casuals) have been included in our modelling.

Costings for the JobSeeker allowance assume an additional \$550 per week for a projected 1.13 million job losses. The JobKeeper payment is modelled using the announced \$550 flat-rate subsidy to 6.36 million workers in industries facing exposure to the COVID-19 crisis. The alternative capped JobKeeper options include a 100% wage replacement up to a cap of \$750 per week and a 100% wage replacement up to a weekly cap of \$900 per week. The capped \$900 JobKeeper subsidy is modelled to be broadly revenue neutral compared with the announced JobKeeper package. Total Earnings are the sum of weekly ordinary time cash earnings plus weekly overtime earnings.

Data Sources: A number of data sources have been used to construct the underlying model and parameters. These include ABS Labour Force Quarterly Detailed, Cat No.6291.0.55.003 Feb 2020, ABS Cat No. 6201.0 Labour Force Australia, ABS 2016 Census TableBuilder, ABS Cat No.6306.0 Employee Earnings and Hours Survey ABS Cat No.6306.0 ABS Characteristics of Employment 2019 TableBuilder, ABS Counts of Businesses including Entries and Exits Cat No.8165.0 2019, ABS Business Indicators Cat No.5676.0.