

JobKeeper Payment Transitions

Briefing Paper

8 July 2020

Purpose

This brief summarises our views on the future of the JobKeeper Payment, the \$750 per week wage subsidy introduced in April 2020 to sustain employment relationships in the face of the lockdowns ordered to reduce the spread of COVID-19. It should be read in conjunction with a separate [COVID-19 Response and Recovery - Community Sector Issues Briefing Paper](#).

Goals

- **Maintain** jobs and businesses/services (**including community services**) that are likely to be viable after the health crisis and lockdowns end;
- **Provide** at least a basic level of income insurance for workers affected (both employees and self-employed);
- **Sustain** confidence and consumer demand to avert a (further) economic downturn;
- **Support** employers and workers affected to make necessary adjustments (e.g. to the way services are provided, to search for alternative employment, to re-skill) to new market and employment conditions;
- **Maximise** opportunities for people who are unemployed (including those already unemployed before COVID-19 and those who became unemployed during the lockdowns) to secure paid work.

Proposals

- **Fully maintain** JobKeeper Payments for current recipients until at least 27 September;
- **Extend** JobKeeper urgently (and JobSeeker or equivalent payments) to temporary migrants and visa holders who have been excluded by legislation, and simplify administration so that people from culturally and linguistically diverse and First Nations communities are not excluded in practice;

- **Maintain** JobKeeper Payment for those who need it beyond September, by **phasing it down gradually** (avoiding a 'fiscal cliff') **subject to** progress in containing the disease and easing lockdowns:
 - Both on the basis of **need**, by testing the ongoing impact of COVID-19 and lockdowns on the income of employers receiving JobKeeper and;
 - The **level of payment**, by gradually reducing payment rates from \$1,500 per fortnight rather than fully removing the subsidy all at once, beginning with a step down to the level of JobSeeker Payment + Coronavirus Supplement (\$1,100 per fortnight), with consideration of a lower rate for part-time workers.
- **Keep** the JobSeeker Payment **Coronavirus Supplement** in place for all recipients of the relevant income support payments during the phase-out, or until income support payments are lifted to a level that keeps people out of poverty;
- **Support** community services adversely affected by COVID-19 and lockdowns (due to reductions in income or increases in demand for services) through a combination of JobKeeper Payments, enhanced program funding, and a Community Sector Continuity of Service Fund. See separate [COVID-19 Response and Recovery - Community Sector Issues Briefing Paper](#);
- **Continue** the suspension of activity requirements for people receiving unemployment payments (apart from registering with an employment service) until 31 August, and ensure that any subsequent requirements are fit for purpose, taking account of people's physical and mental health and the state of the labour market:
 - Automated payment suspensions should end;
 - The nature and focus of employment assistance should change, from enforcement of activity requirements to positive help with employment, skills, and other needs;
 - These changes should occur before activity requirements are restored.
- **Offer** career guidance and training for people who are newly unemployed, including those who are retrenched, new entrants to the labour market (including young people leaving education) and re-entrants to the labour market (including parents and carers, and older people changing careers), to help them adjust to changing and uncertain employment conditions:
 - Training should include foundational skills, be relevant to current and future employment opportunities, and of assured quality, preferably offered through public and community-based providers.

Overview of JobKeeper Payment

JobKeeper Payment is a flat \$750 per week (\$37,000 per annum) payment for employees and self-employed people (as at 1 March 2020) in organisations that experienced a 15-50% reduction in turnover after COVID-19 lockdowns were introduced. To receive a monthly wage subsidy from the ATO, employers must:

- Pay the \$750 per week to all eligible employees (excluding casuals not employed continuously for at least 12 months, and visa holders other than New Zealanders);
- Report on the status of their paid workforce and turnover each month.

There is no obligation for employers to keep them employed, and employees may be required to work additional hours where the \$750 is greater than their previous wage, and may be stood down temporarily or made redundant if there is insufficient work. They continue to receive the JobKeeper Payment as long as they are employed by that employer.

The payment was originally scheduled to run for six months until 27 September 2020.

Recipients of JobKeeper Payment may receive social security payments such as Family Tax Benefit, but would not be entitled to income support payments (such as JobSeeker Payment) due to the income tests that apply. However, couples may receive a combination of JobKeeper and JobSeeker payments in some circumstances.

There are 3.3 million workers on JobKeeper Payment (one quarter of all people employed), mainly in the most-affected industries such as hospitality, retail, tourism and care services.

Benefits

- Keeps many people employed, and many businesses and services afloat, that would otherwise be lost due to COVID-19 and lockdowns;
- Boosts incomes for workers who would otherwise experience (larger) income losses, and thereby helps sustain consumer demand and employment;
- Avoids the disruption associated with mass business failures and retrenchments;
- Helps maintain essential services, including community services.

Limitations

- Aspects of the scheme are inequitable, e.g. exclusion of visa holders, some part-time workers receive more than their previous wage, people who are no

longer effectively employed receive higher income support than those on JobSeeker Payments;

- Delays necessary adjustments to the organisation of businesses and services, and to employment arrangements, to the changed conditions after the lockdowns:
 - JobKeeper is not a 'hibernation' scheme until the labour market 'returns to normal' because conditions will be very different after the lockdowns – e.g. less reliance on face to face services, more automation, and reductions in travel.
- Sustains organisations that will not survive after the lockdowns, at the expense of others (competitors) that are viable and growing;
- Keeps people in jobs that are not viable, at the expense of other opportunities they may have;
- Reduces the number of job vacancies available to people who are unemployed (since it encourages employers to make greater use of existing staff, including by increasing the hours of part-time employees), and disadvantages competitors that are more viable/growing;
- To the extent that JobKeeper is extended beyond its original purpose (temporary support for organisations and people affected by COVID-19 and associated lockdowns), it may displace other, more appropriate forms of support such as permanent increases in funding for community services.

A viable path to sustaining and growing jobs

See also related ACOSS briefing papers on ['Economic recovery'](#) and ['Recovering jobs'](#).

Taking account of these benefits and limitations of JobKeeper Payments, a viable transition path to recover jobs, incomes and services would include:

- Fixing gaps and inequities in the scheme, including exclusion of visa holders and the lack of a part-time rate of payment;
- Keeping JobKeeper Payments in place where they are needed for the intended purpose (temporary sustainment of incomes of those affected by COVID-19 and lockdowns), and not beyond that purpose;
- Designing a simple, robust and fair process to identify those employers and employees that still need JobKeeper, while avoiding unintended consequences such as incentives for businesses to keep cash flows low or 'game the system' in order to qualify:

- Case-by-case assessment would be fairer and more publicly accepted than attempts to ring-fence industries, sectors or regions still affected by COVID-19, though it may be administratively challenging.
- Phasing JobKeeper out gradually rather than abruptly to prevent sudden mass redundancies and business/service failures, and a loss of confidence/demand across the economy;
- Strengthening alternative income supports for those who need them, especially JobSeeker Payment (including level of payment and treatment of people receiving it);
- Taking account of the relationship between JobKeeper and JobSeeker Payments, to smooth transitions from one to the other and avoid unintended consequences, such as:
 - Where people find they are better off on JobSeeker and leave a viable job;
 - Where people face large income losses moving from JobKeeper to JobSeeker.
- Strengthening career guidance, employment assistance and training for people who become unemployed as JobKeeper phases out (and those who were already unemployed):
 - Those services **must** be in place by the time JobKeeper Payment begins to be phased out.
- Subsidising the employment of people who would otherwise be most disadvantaged by post-COVID-19 employment changes such as people unemployed long-term;
- Putting in place timely, well-targeted economic stimulus to pick up the slack in demand and employment as the JobKeeper Payment is phased out (given that incomes and employment will not 'bounce back' quickly to previous levels once lockdowns are eased);
- Putting in place alternative, fit-for-purpose safety nets for businesses, regions, and services (including the community sector) that are adversely affected by **secondary impacts** of COVID-19 and the lockdowns including higher unemployment, a loss of donations, and increased demand for services (e.g. mental health, domestic violence services).