

# POST COVID 19 Economic Recovery: Briefing

April 2020

## Summary

As we move to respond to the COVID Crisis, we should aim to recover on a path to building a better future.

We should start from **first principles, agree criteria** for the way forward, **adopt measures that meet these criteria and set specific goals to be achieved. Be accountable.**

To succeed, we must **work together, government, community, business and unions.**

Our **First Principles** include jobs-rich growth, a focus on people most at risk, a collaborative approach with a regional focus, improving liveability and resilience, reducing carbon emissions.

Our **Criteria** include targeting cash payments towards people on lower incomes who are most likely to spend, target projects that generate jobs quickly but deliver long-term security, assist the most disadvantaged regions and deliver long-term social, economic and environmental benefits.

Our **Proposals** include five job-rich measures that will help people and communities to recover.

1. Increasing income supports to people most in need to stimulate spending and wellbeing
2. Creating healthy and affordable homes: A national low-income energy productivity program
3. Building 30,000 social housing dwellings to reduce homelessness and generate jobs
4. Closing the gaps in home care services to focus on people most at risk and create jobs
5. Averting a rise in long-term and structural unemployment

## Briefing

This crisis is **different** so we need a **different kind of “stimulus”**.

The Grattan Institute estimates that between [2 and 3.4 million workers will have lost their jobs](#) (14-26% of employees) by the end of June 2020 because of the COVID19 lockdown. Treasury estimates that unemployment will reach 10% by July, with up to another 5% of ‘hidden’ unemployment via the JobKeeper Payment.

The people affected are disproportionately those who will struggle to re-establish their careers and incomes as the economy recovers: people in low-paid and insecure jobs (mainly young people and women), of whom around a third are expected to lose their jobs. Since mid-March, there have been 500,000 new claims for JobSeeker Payment, adding to the more than 800,000 people already receiving this payment. Before the lockdowns, over two-thirds of this group had to rely on income support for more than a year.

We cannot afford to allow unemployment to remain in double digits. While many businesses will re-open once lockdowns are lifted, high unemployment could smother the recovery. People without paid work (or fearful of losing their jobs), people with higher debt burdens and lower incomes will be reluctant to spend. Businesses with higher debt and fewer customers will be reluctant to invest.

The keys to recovery over the next six to 12 months are direct public investment, and confidence from households and businesses that their incomes and job security will be restored. Investment incentives and tax breaks won’t work when businesses lack demand for their products (both here and overseas). Efficiency-boosting ‘micro-economic reforms’, especially those that improve people’s skills, health and well-being, are needed for the medium term, but changes announced during a crisis that threaten income and job security will undermine confidence and recovery. Income supports to tide us over the lockdowns, like the JobKeeper Payment and moratoriums on debt repayments, should only be eased carefully and gradually.

## Recovery

As in the lock-down phase, in the recovery phase governments - in partnership with business and civil society - will have to play a much greater role than they have in the recent past. As well as stimulating recovery, they will need to help us navigate our way through it.

In the last 12 months, we have lived through two emergencies that have devastated livelihoods, health, communities and our environment - unprecedented bushfires and now Covid-19. Both crises have exposed weaknesses in our social, environmental and economic support systems. Now a third crisis - mass unemployment - is unfolding. The Government has openly acknowledged that

existing policies were no longer fit for purpose, including by doubling the JobSeeker Payment (formerly Newstart).

Governments, business, unions and the community sector quickly realised that we can only overcome these emergencies by working together in partnership. This is a change we can be proud of, in a world racked with political division. We will need those partnerships just as much in the recovery phase. It should be built upon common goals: to get unemployment and under-employment below double digits as quickly as possible, and to prevent the entrenchment of long-term unemployment. We must plan for, and coordinate, a jobs-rich recovery as the economy and labour market undergo the second major restructure in less than a year - from a stay-at-home economy to one that's likely to be very different to business-as-usual.

Other goals must be front and centre as we plan the recovery: to reduce carbon emissions and build resilience; restore bushfire-affected regions; reduce poverty and inequality, and to ease the anxiety and financial stress that too many people have suffered during 2020. This is an opportunity to help people, communities and business not only to recover, but to build back better.

We urge governments to adopt a principled approach and test proposals against criteria that will lift our chances of rapidly recovering stronger and more resilient.

## **Our First Principles**

1. Deliver increased jobs and incomes
2. Focus on people most at risk
3. Lift people out of poverty
4. Improve liveability and community resilience
5. Take a collaborative partnership approach
6. Build resilience to future shocks by reinvigorating, and creating, sustainable local industries
7. Strengthen public and community services
8. Reduce climate emission and build climate resilience and adaptation
9. Support greater environmental sustainability and nature protection

## **Our Criteria**

- Aim to begin 2021 with unemployment below 10%, and to ensure that as the economy recovers, no more than half of those on JobSeeker Payment/Youth Allowance are unemployed for more than twelve months;
- Lift public investment to counter the fall in private spending, targeting projects that generate jobs in the short and medium terms and deliver lasting economic and social benefits;

- Target low and modest-income households: Lift the purchasing power of households most affected by the lockdowns, who are also those most likely to spend it;
- Target the most disadvantaged regions, especially those with above-average unemployment;
- Strengthen (and don't undermine) job and income security by investing in social security; and
- Tackle our greatest challenges, including climate change, poverty and inequality, homelessness, declining productivity, and gaps in care for people most at risk from the health, social and economic impacts.

## Recommendations

We propose **five jobs-rich measures to boost confidence and create jobs quickly.**

### 1. Maintain income supports

The doubling of JobSeeker, introduction of JobKeeper and other supports for households and business were necessary and very welcome. Any rapid change to these supports will hamper economic and social recovery.

For example, supports for people on low or greatly reduced incomes boost jobs as well as incomes by keeping people attached to their employers, and lifting the incomes of people who are most likely to spend. For example, [an estimated](#) 43% of the \$750 lump sum stimulus payments delivered in late March were spent by the people on social security payments. Spending by low income earners rose by 14% while spending by high income earners fell by 29%.

Research by [Deloitte Access Economics](#) for ACOSS found that a modest permanent \$3.3 billion a year increase to 2019 levels of Newstart and related allowances would deliver a greater boost to GDP and jobs than its up-front cost to the budget.

It would lift GDP by 0.15%, increase wages by 0.2% of GDP and create 12,000 jobs (especially in regions with high unemployment). Taking account of higher income tax collections and boost to growth, the 'net cost' of the policy is an estimated \$1.5 billion.

ACOSS recommends the following actions:

**1.1. Temporary wage subsidies for households and businesses,** (JobKeeper Payment and help with debts) should be **phased down gradually** along with the lockdowns.

If these temporary supports are suddenly withdrawn, many people will struggle with finances, health and wellbeing and the recovery will falter.

### 1.2 The **JobSeeker Payment must be permanently increased.**

The doubling of the \$287pw JobSeeker Payment acknowledges that the previous payment was grossly inadequate. Together with the \$750pw JobKeeper Payment it will help those worst affected by the emergency to avoid poverty. We need to do much more. JobSeeker Payment cannot return to \$40 a day.

**1.3 The JobKeeper and JobSeeker payments must be urgently extended to the over one million migrants who presently miss out.** This remains the most serious flaw in these income supports and must be quickly remedied.

## **2. Healthy and Affordable Homes: A national low-income energy productivity program**

ACOSS advocates for Governments to implement a national low-income energy productivity program (NLEPP), that installs energy efficiency and solar in the homes of people on low-incomes.

Many people are living in homes that are too cold in winter, too hot in summer and expensive to maintain health and wellbeing. People on low-incomes are more likely to live in inefficient homes and cannot afford (or are unable in the case of renters) to improve efficiency. These impacts are felt more acutely during the COVID-19 crisis as people are required to spend more time at home.

Investment in energy efficiency and solar would quickly create thousands of jobs (training, auditing, installation, manufacturing, retail) quickly, increase household disposable income to spend in the economy, and lead to improved health and wellbeing. The investment would also deliver on other government priorities including reduced energy bills, cuts in carbon emissions, reduced load on the electricity grid, and improved health and wellbeing of vulnerable people.

### **NLEPP has four components:**

**2.1 Social housing** - The Federal Government provide funds to match state and territory governments to invest in energy efficiency upgrades and solar PV installations for social housing dwellings.

**2.2 Low-income home owners** - The Federal Government partner with local councils to provide energy efficiency audits, upgrades and solar PV installations for low-income owner occupiers. A portion of the costs could be recouped through rates.

**2.3 Inefficient rental properties** - Over the next two to three years, COAG is working on a proposal to implement mandatory energy efficiency standards for rental properties. In the meantime, the Federal Government could provide grants to landlords to support the upgrade of poor performing rental properties. Landlords would be entitled to free energy audits, and homes that perform under a predetermined rating would then be eligible to access a grant of up to \$5,000 to upgrade the energy performance of the home based on recommendations of the energy audit. A requirement to ensure tenants benefit from the upgrade should be implemented and tied receiving and retaining the grant.

**2.4 Low-income appliance replacement offer** – Governments provide subsidies for low-income households to replace inefficient appliances, or purchase more energy efficient appliances (could be delivered through NILS or via vouchers for pre-approved retailer/supplier). Approved appliances would include: heating and cooling, fridge, hot-water systems, washing machines, dryers and TVs (size limited). The appliance replacement offer would stimulate jobs in retail, local manufacturing and supply chain and quickly contribute to addressing immediate energy efficiency needs during the lockdown.

It is envisaged that NLEEP would be delivered in partnership with organisations experienced in delivering home energy services that have a track record of delivering high quality, low-risk, energy services programs, such as the Australian Energy Foundation (AEF), Brotherhood of St Laurence, Energy for the People (BOOMPower), and Good Shepherd. The organisations listed have established relationships with trusted, qualified installers and a track record of working with federal, state and local governments to roll out energy efficiency and solar programs in accordance with relevant safety and quality standards.

Energy productivity measures would include (but not be limited to), reverse cycle air conditioners for heating and cooling, more efficient hot water (heat pumps), draught sealing, ceiling fans, efficient building envelope, lighting and solar PV.

It is envisaged the NLEEP would be designed to work with local suppliers and create new apprenticeships and local jobs. The program can be rolled out now (training in audits and installations, conduct energy audits, sale of energy efficiency appliances, planning and promotion), as we restart the economy. It could begin in areas where state and local governments, community housing and delivery organisations have means to implement quickly or where need is urgently identified, and ramp up quickly through a national rollout.

*Contact ACOSS for Healthy and Affordable Low-income Homes Briefing note, for more information.*

### 3. Reduce homelessness and generate jobs by building 30,000 social housing dwellings

The COVID lockdowns have exposed the scale of homelessness and rough sleeping in Australia, both as a social problem and as a health risk. In the last census, the ABS estimated that [at least 116,000 people were homeless](#) (in overcrowded or insecure accommodation or sleeping rough).

As winter approaches, homeless services are struggling to find suitable accommodation for people where they can keep a reasonable distance from others and avoid catching the virus. Some are being accommodated in hotels, but this is not sustainable over the long term.

Research indicates there is a [national shortage of just over 400,000 homes](#) that are affordable for people who are homeless or living on the lowest incomes (the lowest 20% by household income).

More public and community housing is the most cost-effective solution to chronic homelessness. The affordable rents, security of tenure, and other supports available to financially vulnerable people in social housing [reduces their risk of homelessness by more than half](#).

#### 3.1 ACROSS advocates [a \\$7 billion public investment to construct 30,000 social housing dwellings](#).

Direct public investment in social housing is also a cost effective way to boost growth in jobs and incomes. For every dollar invested, it is [estimated to boost GDP by \\$1.30](#).

Importantly, housing construction can be undertaken quickly and can be undertaken safely while maintaining degrees of social distancing. Furthermore, the 'pipeline' of residential construction projects from investments undertaken during the housing boom is declining. This means skilled labour and materials are more likely to be available for social housing construction.

*Contact ACROSS for COVID19 Housing & Homelessness brief for more information.*

### 4. Close the gaps in Home Care services

Together with civil society, governments should work together to strengthen **care and support services for people who are vulnerable**. Services for people who are vulnerable including mental health, aged care, disability services, support for domestic violence survivors, and for people who are homeless, are essential services and continue to be critical during this crisis. COVID19, and associated lockdowns have exposed (and often exacerbated) long-standing weaknesses in adequacy of resourcing of the services.

As the lockdowns are eased, governments should prioritise improving resourcing of these services. This would grow employment, as these services are much more jobs-rich than infrastructure projects.

As a first step we recommend a **\$2.3 billion boost to home care packages for older people**. As at September 2019, there were 112,000 people needing home care who were waiting more than a year for a suitable package that meets their needs. An investment of \$2.3 billion would reduce the waiting list by three months and create thousands of jobs across Australia. With appropriate training (which can be delivered while social restrictions are still in place) home care packages can generate jobs quickly. As with public infrastructure projects, a share of these jobs should be earmarked for people who have been unemployed long-term or are most at risk.

Investment in home care packages would also improve well-being by enabling people to remain at home, and ease pressure on aged care facilities which are struggling under high demand.

## 5. Avert a rise in long-term and structural unemployment

Government should **partner with business and civil society to manage the transition** from a stay-at-home economy as lockdowns are eased, so that **unemployment and long-term unemployment are reduced as quickly as possible**.

With a large number of people unemployed or under-employed, and rapid shifts in the structure of employment (e.g. partial recovery in jobs requiring face to face contact), the jobs available after COVID19 will be different to those we had during the lockdowns and also those we had previously. As well as generating more jobs through economic stimulus measures, the government and its partners must carefully manage this adjustment in the labour market to smooth the necessary adjustments to jobs and skills.

5.1 The government should bring forward **major reforms to employment and training services** for people who are unemployed or otherwise affected by rapid changes in the jobs market. This should include **paid work experience and training** for people unemployed long-term or at risk, especially young people who face major disadvantages as they enter a labour market with diminished employment opportunities. **Harsh and unrealistic activity requirements and financial penalties** for people receiving JobSeeker Payment should be removed.

5.2 Governments, business, unions, in partnership with civil society organisations should **publicly commit to give those most affected by higher unemployment every opportunity** to reskill, and secure employment, to avoid long-term unemployment. This commitment should include creating jobs through public stimulus measures.

Collaboration among employers, unions and community organisations at the regional level should help identify local job pathways for people more at risk of long-term unemployment, and design education and training, mentoring and job placements, to accelerate people moving into real jobs, as quickly as possible.

*Contact ACOSS for COVID19 JobKeeper briefing for more information.*

## **6. Other Considerations: Let's collaborate, consult and add to this list of options that would broadly meet principles and criteria**

Examples of other stimulus measures that could be considered:

1. Aboriginal and Torres Strait Islander Communities Clean Energy Fund
2. Improving energy productivity and resilience of Essential and Community Services
3. Clean, resilient and affordable public spaces
4. Community and residential battery storage
5. Regional mini-grid upgrades
6. Accelerate Smart metre roll out
7. Electric, Public and Active Transport
8. Energy productivity for industry
9. Clean energy research and development