

Tough times, less support

Analysis of effective unemployment and Government income support in two waves of the pandemic

22 September 2021

This brief compares 'effective unemployment' and the level and coverage of COVID19 income supports last year and in August 2021 (Delta lockdowns).

Using Treasury's 'effective unemployment rate' measure, we find that the share of the labour force out of paid work due to the latest wave of lockdowns in August 2021 (8%) is close to that in October 2020 (9%) when we were recovering from a deep recession.

Yet public income supports for those affected (COVID Disaster Payments) reach far fewer people than equivalent payments a year ago (Jobkeeper and Coronavirus Supplement):

- In August 2021, just 11% of the overall labour force and 9% of people on the lowest income support payments received COVID income supports (14% and 17% respectively if we compare *September* COVID Disaster Payment recipients and *August* labour force and income support figures).
- In October 2020, 26% of the labour force and 100% of people on the lowest income support payments received COVID income supports.

So, while those who *haven't* lost paid working hours are building up their savings, many people on the lowest incomes under lockdown face severe financial hardship.ⁱ

Half the nation is locked down, and in those places we are more divided than we were last year. We are no longer 'in this together'.

The Government must urgently heed the calls from those worst affected and:

- Immediately extend COVID Disaster Payments to lift incomes for all people without paid work to at least \$600 per week, including those in receipt of social security and those without any other income source at all.
- When Parliament resumes, pass legislation lifting working age income support payments (JobSeeker, Youth Allowance, parenting payments and related income support) to the pension rate, which is just above the poverty line (at least \$475pw single people).
- Index all income support payments twice a year to wage growth as well as prices.
- Extend income support to all without adequate paid work, including temporary visas.
- Increase Commonwealth Rent Assistance by 50%.
- Provide supplementary payments for people with disability or illness, and single parents, recognising the additional costs they face.
- Invest in social housing to address the critical shortfall of supply.
- Introduce a flexible national employment support scheme to support jobs and wages for employers and workers directly or indirectly affected by lockdowns and border closures, which guarantees continued employment and payment of wages at least at COVID Disaster Payment levels.

'Effective unemployment' is almost as high as a year ago

Figure 1 compares 'effective unemployment rates' with the ABS unemployment rates in August 2021 and last year.

Effective unemployment rates are calculated in similar manner to the measure used by Treasury last year, including:

- People who are unemployed (from ABS labour force data);
- The change in the number of people who are employed but working zero hours for economic or 'other' reasons (to include people stood down from employment on Jobkeeper or COVID Disaster Payments); and
- The reduction in the labour force due to lockdowns, as people stopped searching for employment (based on a comparison of ABS labour force estimates before and during or after each wave of lockdowns).

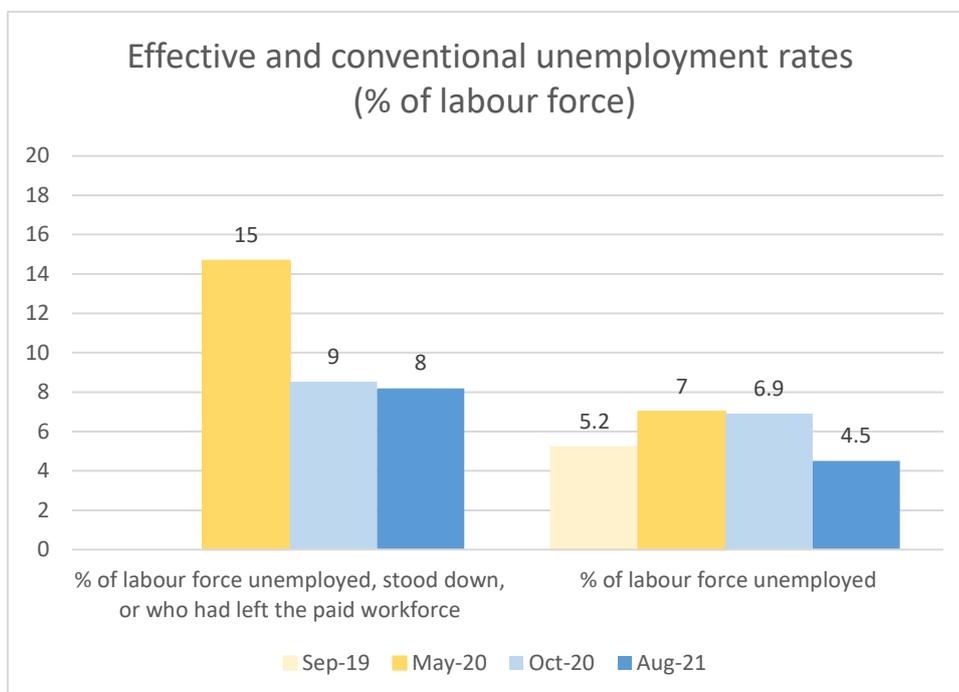
In October 2020 (as lockdowns were eased in most States and employment was recovering from the recession) the effective unemployment rate was 9%:

- 950,000 people were unemployed;
- Since the first lockdowns commenced, another 210,000 people were employed but working zero hours for economic or other reasons;
- The labour force had almost recovered from lockdowns (a net reduction of 8,000 people since February 2020).

In August 2021 (as half the country was again locked down), the effective unemployment rate was 8%:

- 639,000 people were unemployed;
- Since the latest lockdowns commenced, another 316,000 people were employed but working zero hours for economic or other reasons;
- An additional 177,000 people had left the labour force since May 2021, before the lockdowns began.

Figure 1:



Source: ABS labour force, Australia, detailed

But COVID income supports are much weaker

Figure 2 compares the coverage of COVID income supports last year and in August 2021

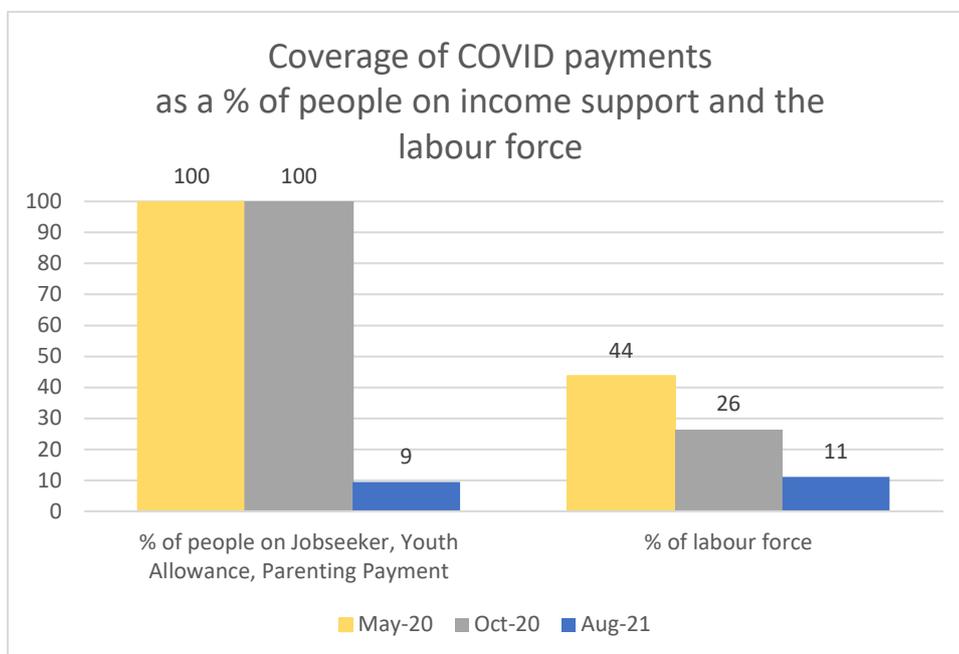
In *October 2020*, most lockdowns were lifted and employment was recovering from recession, 26% of the labour force and 100% of people on the lowest income support payments received COVID income supports:

- *Jobkeeper Payment* of \$375-\$600pw (previously higher), which was more tightly targeted by this stage to employers with a substantial loss of turnover, and paid at different rates for full and part-time workers. It was paid (through employers) to 1,540,000 workers.
- *Coronavirus Supplement* of \$125pw (previously higher), which was paid to all people on the lowest income support payments (including Jobseeker Payment, Youth Allowance and Parenting Payment) whether or not they were directly affected by lockdowns. It was paid to 2,210,000 people on income support payments.

In *August 2021*, when half the country was locked down and employment had declined by 115,000, just 11% of the labour force and 9% of people on the lowest payments in locked down areas received COVID income supports (14% and 17% respectively if we compare *September* COVID Disaster Payment figures and *August* labour force and income support figures):

- *COVID Disaster Payment* of \$450-\$750pw, was paid directly to workers who lost paid working hours due to an ongoing lockdown.
- A \$200pw Disaster Payment was paid to people receiving an income support payment (like JobSeeker) who had lost paid work because of the lockdowns.
- 1,524,000 people (1,930,000 in Sept) received one of these payments, including 107,000 (160,000 in Sept) of 1,709,000 people on the lowest income support payments (such as Jobseeker Payment, Youth Allowance and Parenting Payment)
- In locked down areas, 89,000 people out of a total of 942,000 on those payments received the \$200pw payment.

Figure 2



Note: Bars on left hand side are the % of people on the lowest income support payments in locked-down areas. COVID Payments are Jobkeeper Payment and Coronavirus Supplement in 2020 and COVID Disaster Payment in 2021.

ⁱ Demand for emergency relief has risen dramatically in the current lockdowns (ACOSS, [Locked out in lockdown](#)). The OECD recently pointed out that Australia has the lowest unemployment payment among wealthy nations, and urged the government to increase it to the poverty line (OECD 2021, [Economic Surveys AUSTRALIA](#)).