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COVID-19 JobKeeper and JobSeeker impacts on poverty and housing stress under current and alternative economic and policy scenarios

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Abstract

Australia has been hit economically, as well as in health terms by the spread of COVID-19. There have been large declines in employment and hours worked, and dramatic restrictions on domestic and international trade. One of the main policy responses has been to increase payments to individuals and households. The major components of this are the temporary COVID Supplementary payment, which substantially increases working age income support payments of many of those who are not working, and the JobKeeper payment, which is a wage subsidy paid to eligible employers of eligible employees. The JobKeeper payment is designed to maintain the link employees have with their employer and to provide income support. In this paper, we estimate a range of measures of poverty and housing stress under different simulated scenarios related to the level of JobSeeker/JobKeeper payments and Australia's economic circumstances. We find that in aggregate terms these changes have reduced measures of poverty and housing stress, with both now below what they were prior to COVID-19. We find that the protective impact has been reduced somewhat by the July policy announcement to make these supplementary payments less generous and also that with the same level of expenditure a greater reduction in poverty and housing stress could have been achieved by a different payment allocation, and in particular by a slightly lower JobKeeper payment and higher other payments.

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Executive Summary

Australia is currently facing a significant public health and economic challenge due to the emergence and spread COVID-19. Decisions made by individuals to quarantine themselves or avoid activities that put them at risk of infection, as well as government restrictions on businesses as well as internal and external trade has led to dramatic falls in economic production, and associated declines in employment and hours worked.

Two of the main economic policy responses in Australia have been the JobSeeker COVID Supplement Payment and JobKeeper. The former is an increased social security payment to individuals and households, received by many of those who are not working. JobKeeper is a wage subsidy paid to eligible employees, designed to maintain the link with their employer. There were substantial changes to these payments announced in July 2020, with a reduction in levels for both, and a tightening of eligibility requirements.

Much of the focus on JobSeeker and JobKeeper has been on the effect on the Federal Budget deficit. There has been less data available and less discussion on the impact of the two payments on measures of poverty and housing stress. The aim of this paper is to simulate a range of economic measures under different scenarios related to the level of JobSeeker/JobKeeper payments and Australia's economic circumstances.

Methods and scenarios

We combine two sources of data in this paper. We begin with new data from the August 2020 wave of the ANU Centre for Social Research and Methods COVID-19 impact monitoring survey, which is Australia's only publicly available longitudinal survey with information on the same individuals from prior to the spread of COVID-19 and receipt of JobSeeker and JobKeeper. With this data, we are able to estimate an econometric model of the probability of receiving the two payments, conditional on demographic, socioeconomic, geographic, and labour market characteristics in February 2020.

These estimations are then combined with ANU's microsimulation model of the tax and transfer system PolicyMod to create population-level estimates of receipt of JobSeeker and JobKeeper under different economic and policy scenarios. From these estimates, we are able to generate a range of poverty and housing stress measures. The scenarios that we estimate are:

- 1) Scenario 1: Pre-COVID-19 economy and policy trajectory for December 2020 (the no COVID-19 counterfactual scenario);
- 2) Scenario 2: Worst case scenario – pre-COVID-19 policy and June 2020 economy;
- 3) Scenario 3: June policy settings (initial JobKeeper and JobSeeker settings) and June economy;
- 4) Scenario 4: July policy settings (lower JobKeeper and JobSeeker from September) and June economy; and
- 5) Scenario 5: July policy settings and assumed December economy.

In addition to estimating the above scenarios, we also apply our optimal policy modelling framework to estimate the level of the payments that minimise the measures of poverty and housing stress under the different economic scenarios.

Results

The Government response to increase social security payments to those persons directly impacted by COVID-19 has reduced measures of poverty and housing stress. Prior to COVID-19 we estimate that the average poverty gap for households was \$593 per year. In the absence of policy intervention, post COVID-19 that gap would have nearly tripled to \$1,685 per year. The number of persons in poverty would have increased from around 1.6 million to 3.8 million. Using an 'After-housing' version of poverty, the increase in poverty is from 3 million to 5.8 million people.

As a result of the introduction of the original JobKeeper and the JobSeeker Supplement, the poverty gap and the number of persons in poverty is not only lower than in the absence of a policy response but also much lower than pre-COVID times. The poverty gap has been lowered by 39 per cent and the number of people in poverty has been lowered by around 32 per cent.

While the September reduction in JobSeeker and JobKeeper payments are still much more generous than what was offered prior to COVID-19 we do estimate that the number of persons in poverty will increase by 740,000 persons compared to the more generous June policy and that 212,000 persons will be added to poverty compared to pre-COVID-19 economic and policy conditions. The July policy change has pushed a large number of people back into poverty and increased the poverty gap and measures of housing stress. The average poverty gap has increased from \$361 to \$684 per year.

The changes in poverty and housing stress under the different scenarios are not consistent across the population. Those on Newstart/Youth Allowance are estimated to have experienced the largest reduction in household poverty gaps, from a pre-COVID average of \$6,201 per year to just \$241 per year. Their poverty rate drops from around 67 per cent to just under 7 per cent. We find that pre-COVID poverty rates are dominated by single parents with a rate around 20.2 per cent, much higher than all other family types. In the absence of policy change and the advent of COVID-19 this rate increases to 27.9 per cent. COVID stimulus payments were provided to many single parents on the JobSeeker payment and this has assisted greatly in lowering their poverty rate to just 7.6 per cent in June. The lowering of payments in September increases the poverty rate to 13.1 per cent and similarly in December at 12.5 per cent.

The additional support has also flattened out poverty across the wealth distribution with only modestly lower poverty in higher wealth households compared to lower wealth households. The support has also been more beneficial to younger households relative to older households.

Using our optimal policy modelling, we have been able to show that with the same level of expenditure a greater reduction in poverty and housing stress could have been achieved by a better targeting with regards to poverty and housing stress, and in particular by a slightly lower JobKeeper payment and higher other payments.

Concluding comments

The modelling in this paper highlights that the pre-COVID-19 social security system would not have been able to adequately respond to the huge negative economic shock generated by COVID and associated job loss. Poverty rates and housing stress are lower than they otherwise would have been in the absence of policy change. However, there are somewhat different settings that could reduce these rates even further, without increasing the budget deficit.

1. Introduction

COVID-19 has had a very substantial negative impact upon the Australian economy. Total monthly hours worked in early July 2020 were 5.5 per cent lower than they were in early March 2020, a reduction in the fall from a high of 10.4 per cent in May compared March. The number employed in July 2020 was 4.1 per cent lower than it was in March and it was 6.7 per cent lower in May than March.

At the time of writing, National Accounts data for the July quarter were not available, and we only have information on GDP change for the very early part of the COVID-19 pandemic in Australia, with the Australian Bureau of Statistics finding that Australian economy contracted by 0.3% in seasonally adjusted chain volume terms in the March quarter 2020.

In response to the emerging and anticipated economic impacts of COVID-19 a range of measures have been implemented by the Australian Government. The Australian Government July 2020 Economic and Fiscal Update (Overview Fact Sheet) provides an estimate of the additional expenditure on COVID-19 economic response measures as being \$164.1 billion. Two of the more important measures, at least in terms of the level of expenditure involved, are increases in the level of social security benefits (the JobSeeker payment) and a large-scale wage subsidy scheme (the JobKeeper payment). It is forecast that the cost of the JobKeeper payment will be \$85.7 billion over the forward estimates (all of the expenditure) for fiscal years 2019/20 and 2020/21 and the cost of income support for individuals and payments to support households is forecast to cost \$28.1 billion over the forward estimates for the same period.¹ To put this in context, this compares to pre COVID-19 social security expenditure of about \$120 billion per year on cash payments. The second wave of COVID-19 in Victoria expected to increase these numbers.

The JobKeeper and JobSeeker programs were initially announced as lasting for 6-months until 27 September 2020. However, the continuation of significant physical distancing and social isolation measures particularly in Victoria where infection rates reached their highest levels yet in mid-August and weaknesses of the Australian economy has resulted in these policies been extended until at least 28 March 2021, albeit with substantially less generous payment levels from 28 September. The plan is for these payments to be phased out as the economy improves.

These policies have several stated objectives. According to the review of the JobKeeper payment by the Australian Treasury (2020, p. 14) the objectives of the JobKeeper payment are to: support business and job survival while strong health restrictions are in place; preserve the employment relationship between individuals and firms; and provide needed income support. The level of social security payments have been increased to reduce the financial impacts of those who are without work due to COVID-19.

It is clear that these two payments have boosted the incomes of Australians above what they would have been if the social security system had been left more or less as is during the COVID-19 period. However, it is less clear who has benefited the most, and whether there are alternative payment structures that could have achieved the same goals with less expenditure. This paper presents estimates of the impact of the changes to the social security

payments (JobKeeper and JobSeeker COVID-19 policies) on poverty and financial hardships experienced by Australian households and how different types of households have been impacted. The impacts of the JobKeeper and JobSeeker payments are modelled using a combination of data from the ANU Centre for Social Research and Methods COVID-19 tracking surveys and the microsimulation model PolicyMod.

The paper models three policy scenarios. The first is the June 2020 policy settings; that is the initial JobKeeper and JobSeeker policy settings. The second is what we term the July 2020 policy settings, which are the lower rates of the JobKeeper and JobSeeker payments, which take effect from late September 2020. The third is the hypothetical scenario of the pre COVID-19 social security policy settings. The scenario is included for comparison purposes against which the impact of the COVID-19 policy settings can be compared and not because we think it would have been sensible to not provide additional support to households.

There is a very high degree of uncertainty about how the Australian economy will fare in coming months and years. In this paper, we estimate the impact of the different COVID-19 policy scenarios under three employment scenarios to illustrate what the outcomes would be under different economic positions. The first scenario is that the economic situation does not improve from the June 2020 situation. This is the worst economic scenario modelled, though it should be noted that there is no guarantee that the economic situation will not worsen if there is an even more substantial outbreak of infections in Australia, or a further considerable economic shock to one of our major trading partners. The second scenario is that there is some improvement in the economy by December 2020, although it is still much worse than it was pre COVID-19. This scenario is based on the most recent government forecast of the number of people receiving JobKeeper or JobSeeker in December 2020. The third scenario is the highly improbable scenario that by December 2020 the economy will have improved to return to the pre COVID-19 situation. This final scenario allows comparisons to be made of the estimated outcome under the different COVID-19 policy scenarios and economy scenarios with what the outcomes would have been if COVID-19 had not happened.

The paper also attempts to evaluate how well the JobKeeper and increased JobSeeker payments are targeted as assessed using poverty and housing stress measures and to determine whether the additional expenditure could have been re-allocated in order to minimise poverty and financial hardship. This exercise is based upon the Optimal Policy Modelling method that we have developed (Phillips et al. 2018). This methodology uses optimisation techniques to find the level of social security payments (and in this application JobKeeper) that best achieve policy objective, for example minimising poverty or housing stress.

While this paper explores several counterfactual outcomes based on several policy and economic settings, we do not model all the policy measures implemented during the pandemic. The policy measures associated with the response to COVID19 not considered in this paper include:

- allowing early access to superannuation for people financially affected by COVID-19;

- payments to encourage residential construction (HomeBuilder);
- a range of measures to support small or medium sized businesses including a tax free cash flow boost payment to employers, and underwriting a proportion of unsecured loans to Small to Medium Enterprises;
- temporary changes to insolvency laws that are designed to allow businesses to resume normal operation once the COVID-19 crises has passed;
- increasing and extending the instant asset write-off; and
- industry specific support for the child care sector, aviation industry and communications, cyber safety and the arts.

The reason for focussing on the JobSeeker and JobKeeper payments is that they are the largest expenditure item associated with the policy response to COVID-19 and hence the most likely to directly impact on poverty,

In order to measure the impact of the JobSeeker and JobKeeper payments, the remainder of the paper is structured as follows. In Section 2 we outline the COVID-19 policies that we attempt to model, and the methods that we use to model them. This is followed by Section 3 where we present the impact of the COVID-19 stimulus package on poverty rate and poverty gap and Section 4 where we give the distributional impacts and alternative policy scenarios. Section 5 concludes the paper.

2. Overview of COVID-19 Policies and Economic Scenarios Model and Methodology

2.1 COVID-19 policies modelled

This paper models the impacts of the following two COVID-19 policies:

- Increased rate of payment for the JobSeeker payment (COVID Supplement) and the associated relaxation of the JobSeeker Partner Income test allowing individuals to keep some of the Jobseeker payment up to an increased \$3086 per fortnight; and
- Introduction of the JobKeeper wage subsidy payment.

The JobKeeper payment was announced on 30 March 2020 and initially was to be in place for six-months ending on 27 September 2020 with a review after three months to inform Government decisions about the future of JobKeeper. Following the three-month review the Government announced that the JobKeeper Payment would be extended until 28 March 2021 with a lower rate of payment from 28 September 2020 with two tiers of payment.

Under the first phase of the JobKeeper, Payments from 30 March to 27 September 2020 payments are made to eligible employers² of \$1,500 per eligible employee (irrespective of their prior or current hours and earnings). Eligible employees are those who were employed by an eligible employer as either a non-causal employee or long-term casual employee on 1 March 2020 and were aged 18 years or older at 1 March.³ From 3 August 2020 eligible employees has been extended to include individuals who were employed on 1 July 2020.⁴ In this paper we term this the June JobKeeper Payment setting.

From 28 September 2020 until 28 March 2021 eligibility for the JobKeeper payment will be based on businesses experiencing the relevant decline in turnover in the immediately preceding quarter. JobKeeper will be paid at a reduced rate of \$1,200 per fortnight from 28 September 2020 to 3 January 2021 for employees who were working for 20 hours or more a week in the reference work (1 July 2020) and \$750 per fortnight for employees working less than 20 hours per week in the reference week. From 4 January to 28 March 2021 the JobKeeper Payment rate will be further reduced to either \$1,000 per fortnight for those working more than 20 hours per week in the reference work and \$650 per fortnight for those working less than 20 hours per week. In this paper we model the policy setting of JobKeeper payments of \$1,200/\$750 per fortnight and term this the July JobKeeper Payment setting.

In late March the Government introduced the temporary Coronavirus (COVID) Supplement of \$550 per fortnight until 24 September 2020.⁵ In this paper, this is termed the June COVID Supplement policy. From 25 September to 31 December 2020 the COVID Supplement will be reduced to \$250 per fortnight. In this paper this is termed the July COVID Supplement policy. The COVID Supplement is paid to those receiving the JobSeeker Payment, Youth Allowance and Parenting Payment (Partnered or Single).⁶

The two \$750 Economic Support Payments to social security, veteran and other income support recipients and eligible concession card holders have not been included in the modelling in this paper.

2.2 Economic scenarios modelled

In addition to the reductions in the rate of payment of the JobKeeper Payment and COVID Supplement from late September 2020 there are also expected to be significant reductions in recipient numbers. There is considerable uncertainty around future recipient numbers as the state of the economy depends heavily on COVID-19 which is itself very difficult to predict, in particular the onset of new waves or the duration of current waves of the virus (particularly in Victoria).

Three economic scenarios are modelled:

- the economic situation does not improve from the June 2020 situation. In this paper this is termed the COVID-19 in June 2020 economy. This is the worst economic scenario modelled;
- there is some improvement in the economy by December 2020, although it is still much worse than it was pre COVID-19 (the basis for scenario is described below). In this paper this is termed the COVID-19 in December 2020 economy; and
- the pre COVID-19 economy - this scenario allows comparison of the estimated outcome under the different COVID-19 policy scenarios and economy scenarios with what the outcomes would have been if COVID-19 had not happened. This is termed the pre-COVID-19 economy.

The economy of COVID-19 in June relates to the Government's projection of around 3.5 million JobKeeper recipients and we use the June figures for JobSeeker to impute the additional JobSeeker recipients (around 900,000 persons). The December COVID-19 economy adds a further 15 per cent to additional JobSeeker recipients and lowers JobKeeper to around

2.2 million recipients⁷. This latest figure is a revised-up figure because of an expected increase in Victorian recipients. The December economy figures imply that fewer people are receiving JobKeeper and JobSeeker in aggregate and some people have returned to employment as the economy improves.

2.3 Combinations of policy and economic scenarios modelled

In this paper, five separate combinations of policy and economic scenarios are modelled. These, in our assessment represent reasonable current and future outcomes:

- 1) Scenario 1: Pre-COVID-19 economy and policy trajectory for December 2020 (the no COVID-19 counterfactual scenario);
- 2) Scenario 2: Worst case modelled scenario – pre-COVID-19 policy and June 2020 economy;
- 3) Scenario 3: June policy settings (initial JobKeeper and JobSeeker settings) and June economy;
- 4) Scenario 4: July policy settings (lower JobKeeper and JobSeeker settings⁸) and June economy; and
- 5) Scenario 5: July policy settings and assumed December 2020 economy.

Scenario 1 is the pre-COVID-19 scenario under which we model the financial situation of households as of December 2019 and project that forward to December 2020. This means that social security settings are those projected from the 2019 Federal Budget. The number of social security recipients matches to December 2019 administration figures from Department of Social Services – but projected to December 2020 using a simple reweighting of the entire population by age and sex (regardless of recipient status).

Scenario 2 is the ‘worst-case’ scenario under which we assume the same economic impact for June, except we keep the policy settings at pre-COVID-19 payment rates. We make the assumption that persons currently on JobKeeper and the new recipients (post COVID-19) of JobSeeker are all receiving the old JobSeeker rate of around \$570 per fortnight which is substantially below current levels post-COVID-19.

2.4 Data, modelling methodology and measures of poverty and housing stress

All analysis is undertaken using the ANU Centre for Social Research and Method PolicyMod model of the Australian tax and social security system and relates to the 2020-21 financial year. PolicyMod is based on the Australian Bureau of Statistics Survey of Income and Housing (2017-18) and is benchmarked to a range of administration data sets to improve modelling of social security payments and taxation.

A particular challenge for this research is the new JobKeeper payment and the expanded JobKeeper supplement are applied to many ‘new’ recipients. PolicyMod normally models eligibility and entitlement to payments through applying a set of rules. For example, if your family has an income below a certain threshold we can estimate your entitlement to family payments depending upon the age and number of children in the family – information which is all provided in the underlying survey data. The ABS Survey of Income and Housing 2017-18 obviously predates JobKeeper and thus does not provide data on JobKeeper.

There is a lack of data available to us on the characteristics of those receiving JobKeeper other than the industry in which they are employed. In order to provide some information on the characteristics of those receiving JobKeeper a question on receipt of JobKeeper (and receipt of JobSeeker) two questions were added to the August 2020 ANUpoll/COVID-19 impact monitoring survey, replicating questions from the ABS Household Impacts of COVID-19 Survey.⁹ This data will be made available at the unit-record level through the Australian Data Archive, unlike the data collected by the ABS which has only been made available in aggregate form.

ANUpoll is a regular survey run by the ANU Centre for Social Research and Methods and which is conducted using the Life in Australia™ (LiNA) panel. LiNA is Australia's only probability based online panel and allows for Australia's only nationally representative longitudinal survey with data from pre- and post-COVID-19. The longitudinal nature of the data means we can model the characteristics of people who have moved from employment to JobKeeper or JobSeeker from February to August 2020.¹⁰ A probit regression model is used to estimate the individual level characteristics associated with reporting having received the JobKeeper Payment and the results of this model are used to impute people on the PolicyMod basefile who were previously employed and meet several other necessary requirements for these payments.

The August 2020 ANUpoll understates the number of people on JobKeeper. This principally occurs due to some people not being aware they are receiving the payment as they are still working and either receiving the standard JobKeeper payments or their employer is paying them the JobKeeper payment in addition to some other supplementary wage. While this is not ideal, we do believe that the ANUpoll provides a strong basis (and the only basis we are aware of) for identifying the characteristics of those persons most likely to receive the two payments (based on those who report the payment) and our imputation process does ensure the correct number of recipients are imputed onto PolicyMod.

The imputation process for new recipients of the JobSeeker payment also uses the data from the August 2020 ANUpoll to estimate a model of the characteristics of those who move from employment earlier in the year (February) to not employed in August and then using this to impute receipt of JobSeeker on the PolicyMod base file. Details of both the JobKeeper and JobSeeker regression models are provided in Appendix A.

For each of the policy and economy scenarios we calculate a range of outcomes including poverty gaps and poverty numbers, housing stress.

For poverty gaps we calculate both a standard poverty gap where we calculate the gap between a household's income and the poverty line.¹¹ We also calculate the after-housing poverty gap. The poverty gap is a measure of the depth of poverty rather than a simple binary headcount of poverty. The depth measure is a superior metric to the headcount measure as it includes a level of severity and is much less influenced by small policy changes that place a person or household just above or below a poverty line for a given year. The after-housing version of the poverty gap is based on disposable income subtracting housing costs. Following the recommendation of the ABS we don't include the bottom 2 per cent of

the income distribution in our poverty measures (based on pre-COVID-19 income). Further to this, we don't include households with more than a million dollars in net wealth. For all measures we base our estimates of poverty on 50 per cent of the median equivalised income. Equivalising income is based on the use of the 'modified-OECD' scale. We also include the headcount measures of poverty and after-housing poverty.

Housing stress is defined as those households with housing costs that are more than 30 per cent of disposable income and they are in the bottom 40 per cent of the income distribution (equivalised). Again, we use a gap measure rather than a headcount measure, as such we calculate the gap between a household's housing costs above the 30 per cent threshold for housing stress.

The modelling for each scenario does not take into account any behavioural impacts and so represents a static perspective of policy impacts. We were also unable to estimate any additional income some persons who receive JobKeeper or JobSeeker may receive. We have simply set their employment income (business and wages and salaries) to zero. We know this may not be the case for all and from this perspective this paper represents a worst-case scenario. However, we expect the vast majority of recipients will not receive additional wages or salaries or business income and don't expect such an adjustment would make a considerable difference to the results. The modelling is also not able to fully model all aspects of JobKeeper and JobSeeker such as JobKeeper's exclusion of casuals who had not been employed for the 12 months prior to the cut-off date. The modelling also does not include any impacts that may flow from changes to superannuation that allows some people to use a share of their superannuation balance to assist with household costs, as this represents a temporal transfer in income, rather than an increase in income over a person's lifetime. Our modelling focusses on regular weekly income and does not attempt to account for changes in wealth as households and persons potentially dip into reserves.

We acknowledge that policy settings in this paper are a result of a stimulus payment to assist households and the economy through COVID-19. These are not policy settings that are likely to persist beyond COVID-19 and hence our analysis can be interpreted as estimated short-term policy impacts.

2.5 Optimal Policy Modelling

For the scenarios with both JobKeeper and the JobSeeker supplement we also apply our '[Optimal Policy Modeling](#)' approach. Optimal Policy Modelling attempts to find the optimal level of social security payments to minimize some policy objective – such as the poverty gap or housing stress. Such an application provides insights into the appropriateness or otherwise of the payment levels.

The current settings for JobKeeper represent a significant divergence from past social security payments by providing payments well above typical poverty lines. Using optimal policy modeling will assist in understanding whether, for a given funding envelope the levels of JobSeeker and JobKeeper are appropriate or whether there was potential for other payments to be increased instead or indeed whether higher or lower payments may be more appropriate.

A caveat on such findings is that the optimal policy modelling presented is only from the perspective of a single target – such as the poverty gap. The setting of payment levels, particularly during an economic recession and pandemic may be driven by many other factors – such as economic stimulus.

3. Results – Impact of the COVID-19 stimulus package on poverty rate and poverty gap

Table 1 shows the dramatic impact of the COVID-19 stimulus package. Prior to COVID-19 we estimate that the average poverty gap for households was \$593 per year. In the absence of policy intervention, post COVID-19 that gap would have nearly tripled to \$1,685 per year. The number of persons in poverty would have increased from around 1.6 million to 3.8 million (6.3 per cent to 14.9 per cent of the Australian population).

The equivalent After-Housing poverty gap and number also would have taken a similar trajectory with the gap increasing from \$1,314 to \$3,617 per year and the poverty number would increase from 3 million to nearly 5.8 million persons (11.8 per cent to 22.7 per cent). The equivalent After-Housing poverty gap also would have taken a similar trajectory with the gap increasing from \$783 to \$1,651 per year as averaged across all households regardless of housing stress status.

Table 1 COVID-19 JobSeeker/JobKeeper Scenarios

<i>Policy/Economy</i>	<i>Poverty Gap Mean/year</i>	<i>Poverty Persons (000s)</i>	<i>AH Poverty Gap Mean/year</i>	<i>AH Poverty Persons (000s)</i>	<i>Housing Stress Gap Mean/year</i>
Pre-Covid/Pre-Covid	\$593	1,626	\$1,314	3,018	\$783
Pre-Covid/Covid June	\$1,685	3,799	\$3,617	5,772	\$1,651
Covid June/Covid June	\$361	1,098	\$1,127	2,613	\$836
Covid July/Covid June	\$684	1,838	\$1,730	3,556	\$1,047
Covid July/Covid December	\$597	1,692	\$1,619	3,489	\$1,058

Source: ANU PolicyMod.

In the absence of the COVID-19 stimulus measure poverty rates, poverty gaps and housing stress levels would have increased to levels unlike those ever seen in modern times in Australia. The increases in poverty and housing stress would largely have been driven by the very large increases in the number of person who would have been out of work and the frugal nature of the pre-COVID JobSeeker payment (around \$570 per fortnight). A caveat is required here as we don't know what share of persons on JobKeeper would actually have moved to the JobSeeker payment with it likely that some would have remained employed on the same terms as prior to COVID-19, some would have been employed but working reduced hours or for a lower pay rate and others would not lost their job but likely not have qualified for JobSeeker for a range of reasons.

The 'COVID June/COVID June' scenario shows the impact of actual government policy in response to COVID in conjunction with the ensuing economic downturn. As a result of the introduction of JobKeeper and the JobSeeker Supplement the poverty gap and the number of persons in poverty is not only lower than in the absence of a policy response but also much lower than pre-COVID times (Pre-COVID/Pre-COVID scenario in Table 1). The poverty gap has

been lowered by 39 per cent and the number of people in poverty has lowered by around 32 per cent. The after-housing poverty reductions (both gap and persons) have also lowered but to a smaller extent. The housing stress gap has increased modestly relative to the pre-Covid world but is also much lower than 'Pre-Covid/Covid June' where we simulate the June economy with the pre-Covid policy.¹²

The 'COVID July/COVID June' scenario shows the estimated impact of actual government policy as of July in response to COVID in conjunction with the ensuing economic downturn. The July policy is similar to that of the June policy response except that from the end of September JobKeeper and JobKeeper supplement amounts are lower. The policy simulated is assumed to run for the entire year. The reality is somewhat more complex as the stated policy is to further lower payments in March 2021.

The July policy update for post-September payments with its lower rates of JobSeeker and JobKeeper and lower rates of JobKeeper for persons who were employed for 20 or less hours per week pre-COVID has pushed a large number of people back into poverty and increased the poverty gap and housing stress. The average poverty gap has increased from the June policy from \$361 to \$684 per year – an 89 per cent increase. Poverty numbers for both After-housing and our standard income measure have increased on June policy numbers as has the housing stress gap relative to the June policy. All indicators of stress are expected beyond September (July policy) to deteriorate compare to both June policy and pre-COVID levels.

The 'COVID July/COVID December' scenario shows the impact of actual government policy as of July in response to COVID in conjunction with the government's projected economic outcome in December 2020¹³. The government's projected economic outcome for December is based on an assumed reduction of people on JobKeeper from 3.5 million to 2.2 million and a 15 per cent increase in JobSeeker numbers as people transition from JobKeeper onto either JobSeeker, both payments or returning to paid employment without JobKeeper. This scenario includes the latest update from Treasury incorporating the recent surge in COVID-19 cases in Victoria.

On these assumptions PolicyMod finds that poverty gap and poverty persons measure both show very slightly elevated levels compared to pre-COVID levels but these levels are well below the absence of policy change (Pre-COVID/COVID-June). The after-housing poverty gap and number of persons are both elevated compared to the pre-COVID world by around 23 and 15 per cent respectively.

At an aggregate level the significant reduction in poverty and housing stress shows that the Government's increase to JobKeeper and JobSeeker payments has had a demonstrable positive impact on the economic circumstances of the Australian population. The protective impact of social security has been reduced with the July policy announcement to make these supplementary payments less generous. Poverty rates are significantly lower compared to the worst-case scenario of no policy change but are also significantly higher than the June policy.

The July policy change implies significant budget savings though, implying less government debt but it will also mean less stimulatory benefits (at least in the short-term) that would flow from the higher payments from the June policy.

4. Results – Distributional impacts of the COVID-19 stimulus package

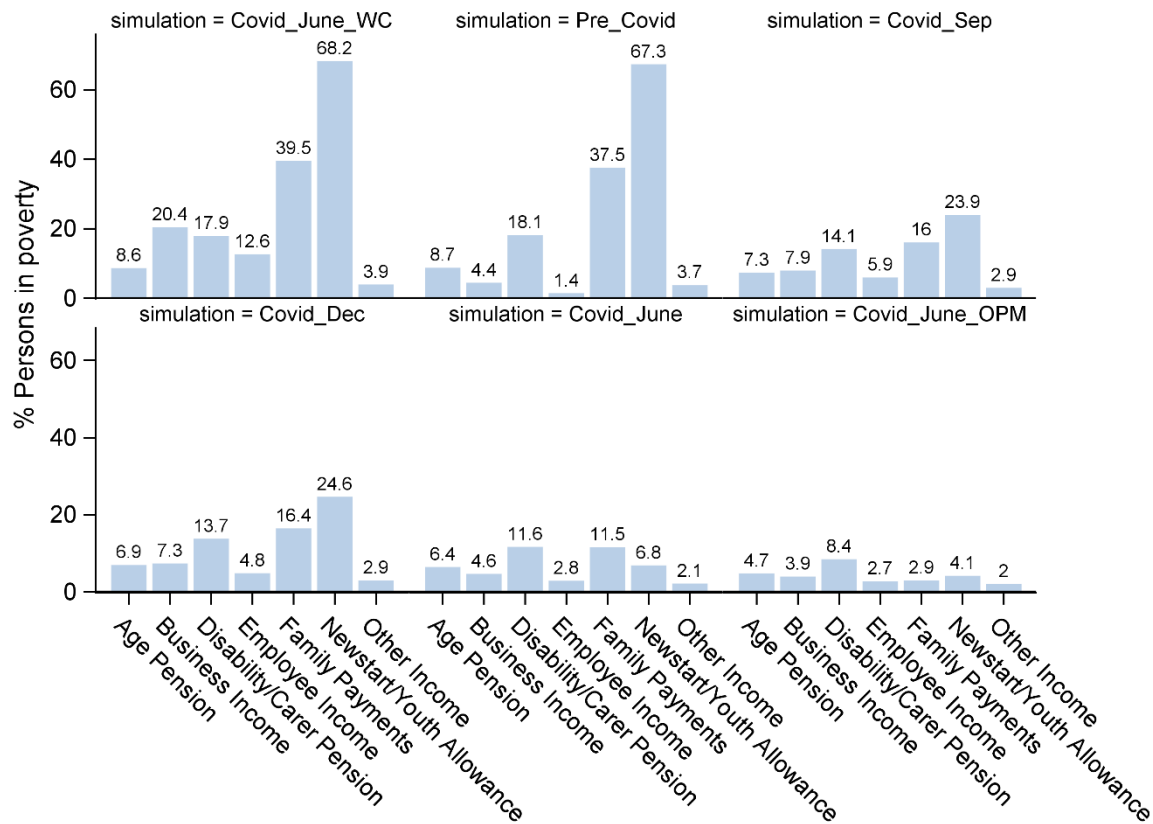
The significant increase in the JobSeeker payment (near doubling) and the even more generous JobKeeper payment have to a large extent taken many people out of poverty and from a household perspective lowered poverty gaps. But, which type of households have benefited the most from these payment changes? In this section we consider the impact of the COVID-19 policies by income quintile, household wealth, source of income, family type, age of the head of household.¹⁴ For each category we consider the household poverty gap and poverty rate for each policy and economic scenarios modelled.

The following results focus around 6 major policy and economic scenarios including¹⁵:

- 1) 'COVID_June_WC' which is a worst case modelled scenario where we have no policy change from pre-COVID times but the economy of 'June' which roughly equates to the worst of the COVID shutdown at a national level.
- 2) 'COVID_June' which combines the worst economic scenario in (1) with the more generous JobKeeper and JobSeeker payments of \$1500 per fortnight and \$1115 per fortnight;
- 3) 'COVID_Sep' which combines the worst economic scenario in (1) with the more less generous JobKeeper and JobSeeker payments from September of \$1200 per fortnight and \$815 per fortnight;
- 4) 'COVID_Dec' which combines the anticipated improved economic scenario in December with the less generous JobKeeper and JobSeeker payments from September of \$1200 per fortnight and \$815 per fortnight;
- 5) 'COVID_June_OPM' which is (2) but where we apply our optimal policy modelling algorithm to better allocate payment levels to minimize the poverty gap;
- 6) 'Pre-COVID' which is simply pre-COVID economic conditions and policy.

Consideration of the main source of income shows quite dramatic changes in poverty rates and poverty gaps with the introduction of COVID payments. Figure 1 shows the poverty rates for the main source of income. The pre-COVID scenario (panel 2) shows that prior to COVID poverty rates were very high for Newstart and Youth Allowance households with 67.3 per cent in poverty. Modelling of the impact of the introduction of COVID payments (panel 5 or COVID_June) shows that this policy has almost eliminated poverty for these households reducing poverty to just 6.8 per cent. The less generous payments scheduled for September return poverty rates for this group to around 23.9 per cent. An improved economy and the same payment rates as per September (panel 4 or COVID_Dec) show similar poverty rates at 24.6 per cent for these households. Where we use our Optimal Policy Modelling algorithm to June policy expenditure we get an even lower poverty rate of just 4.1 per cent.

Figure 1 Household Poverty Rates by Main Source of Income



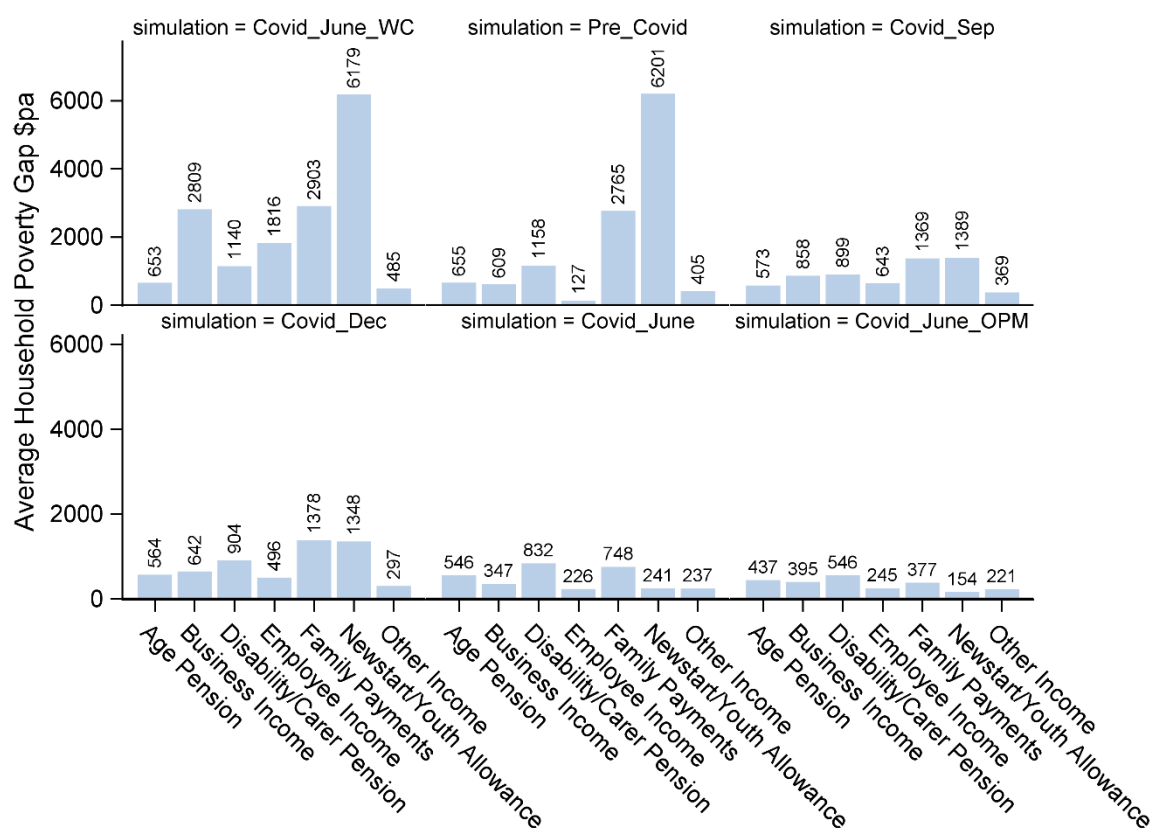
Source: ANU PolicyMod.

The largest category of households are those with employee income. In pre-COVID times (panel 2) their poverty rate is just 1.4 per cent. In the absence of policy change but with the economy depressed through COVID this rate increases dramatically to 12.6 per cent (panel 1 or COVID_June_WC). This is considered our 'Worst Case' scenario. With the initial JobSeeker and JobKeeper policy applied to our June economy scenario the poverty rate declines to just 2.8 per cent. With optimal policy modelling applied, this lowers to 2.7 per cent. With the September scheduled reduction in JobKeeper and JobSeeker payments employee poverty rates are higher at 5.9 per cent (panel 3 or COVID_Sep). By December, with an improved economy this rate drops to 4.8 per cent.

With age pensioners not receiving JobKeeper or JobSeeker and usually only having minimal employee income within these households the changes in poverty rates are modest compared to other categories for each simulation. There is more variability in Disability and Carer pensions with most simulated scenarios showing an improvement over pre-COVID conditions (panel 2). Business income household results are similar to that of employee households but from a modestly higher base of poverty. Those households with other income as their main source of income are generally unaffected in our simulations with relatively low poverty rates throughout. An important caveat is that we are not modelling investment returns which, for some households, may be lower and increase their actual poverty rates.

Figure 2 shows the poverty gaps for each category of source of income. A similar picture is revealed as per Figure 1. The most striking element again being that Newstart/Youth Allowance household poverty gaps are reduced very significantly from current (panel 2) and worst case scenario (panel 1 or no policy change with June economy). The reduction of the poverty gap is from a pre-COVID average of \$6201 per year to just \$241 per year. Put another way, the average Newstart/Youth Allowance household was around \$120 per week below the poverty line but with the more generous COVID supplement this gap lowered to around \$4.60 per week. Poverty gaps are now much more evenly distributed compared to pre-COVID times. This results holds, albeit less extent, for the less generous September and December simulations. Panel 6 (COVID_June_OPM) shows the optimal policy modelling results for the June economy and June policy expenditure level and show even lower poverty gaps with Newstart and Youth Allowance at just \$154 per year.

Figure 2 Household Poverty Gaps by Main Source of Income



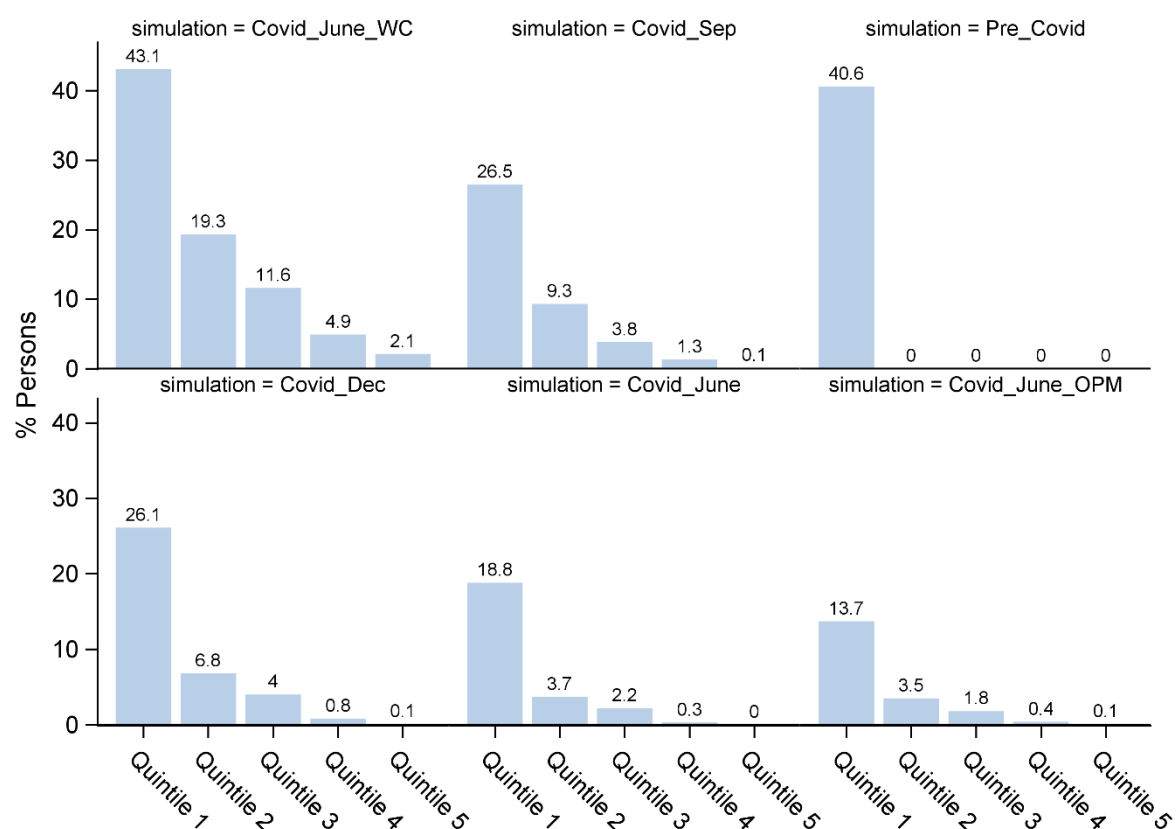
Source: ANU PolicyMod.

By income level we also see dramatic changes in poverty rates and gaps for the various policy and economic scenarios. In the pre-COVID world the poverty rate was 40.6 per cent for the bottom quintile of income and naturally all higher income households were, by definition since their income is above the poverty line, not in poverty. Since we keep households in

their pre-COVID income categories we can see how each income category is impacted by COVID and the related policy and economic scenarios.

In the absence of policy change (panel 1 or COVID_June_WC) our worst-case scenario shows that poverty rates would have not only increased for the bottom income category but significant levels of poverty are estimated for higher income households. Middle income (Quintile 3) household's poverty rate increases from 0 per cent to 11.6 per cent and even the top quintile would have some poverty (2.1 per cent). The stimulus payments for COVID by June (panel 5) have not only significantly reduced poverty from pre-COVID rates but also assisted in lowering poverty rates across the income spectrum. Quintile 1 poverty rates are more than halved from pre-COVID rates.¹⁶ September and December scenarios are less impressive with respect to poverty rate reductions whereas our Optimal Policy Modelling of the June policy and June economy do reduce poverty rates well below current levels or any other alternative scenario we model with rates about one third of those estimated for pre-COVID times for the bottom quintile. For this scenario we do still see some modest increases in poverty rates for Quintile 2 to Quintile 5 but not to the same extent as other COVID scenarios.

Figure 3 Household Poverty Rates by Income Quintile

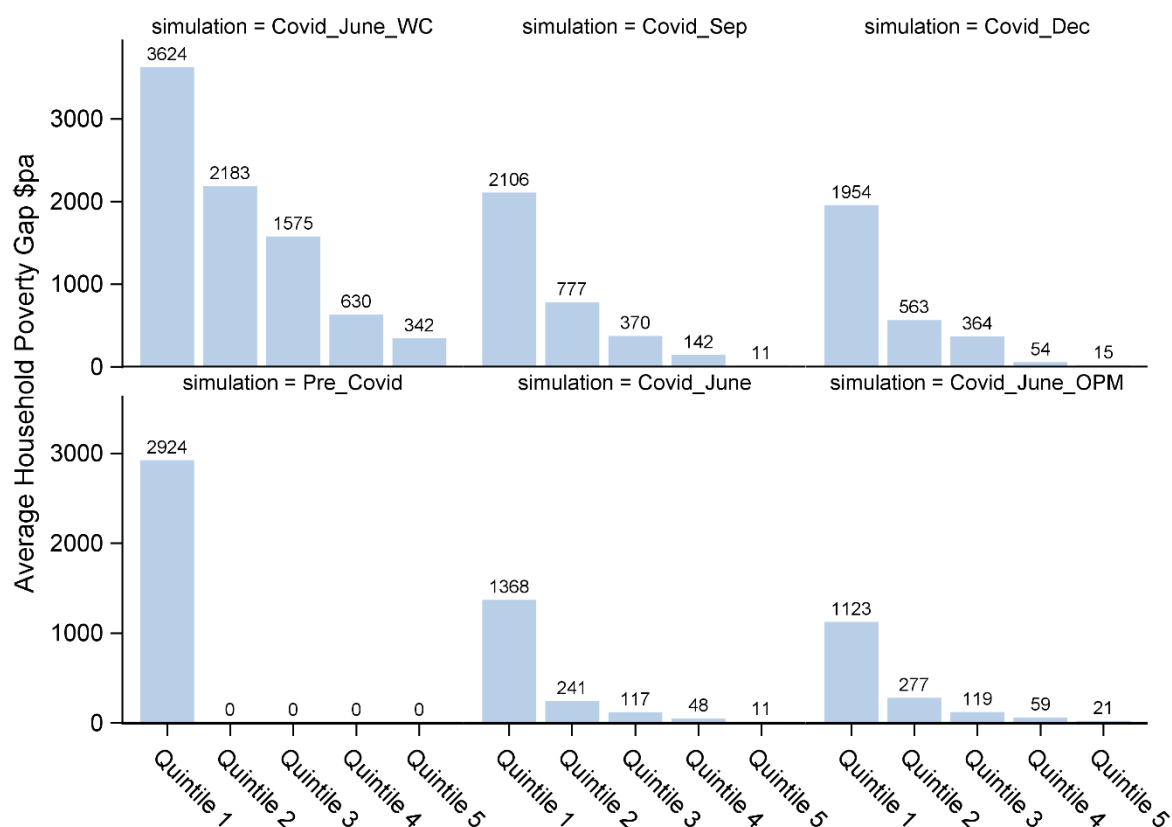


Source: ANU PolicyMod.

Figure 4 provides the same chart in Figure 3 but highlighting the poverty gap rather than poverty rate. For income quintile analysis Figure 4 shows a very similar picture to that of the

poverty rate in Figure 3 with COVID policy reducing poverty gaps substantially relative to a worst-case scenario of no policy change and also relative to the status quo of 'Pre-COVID' for the lowest income households.

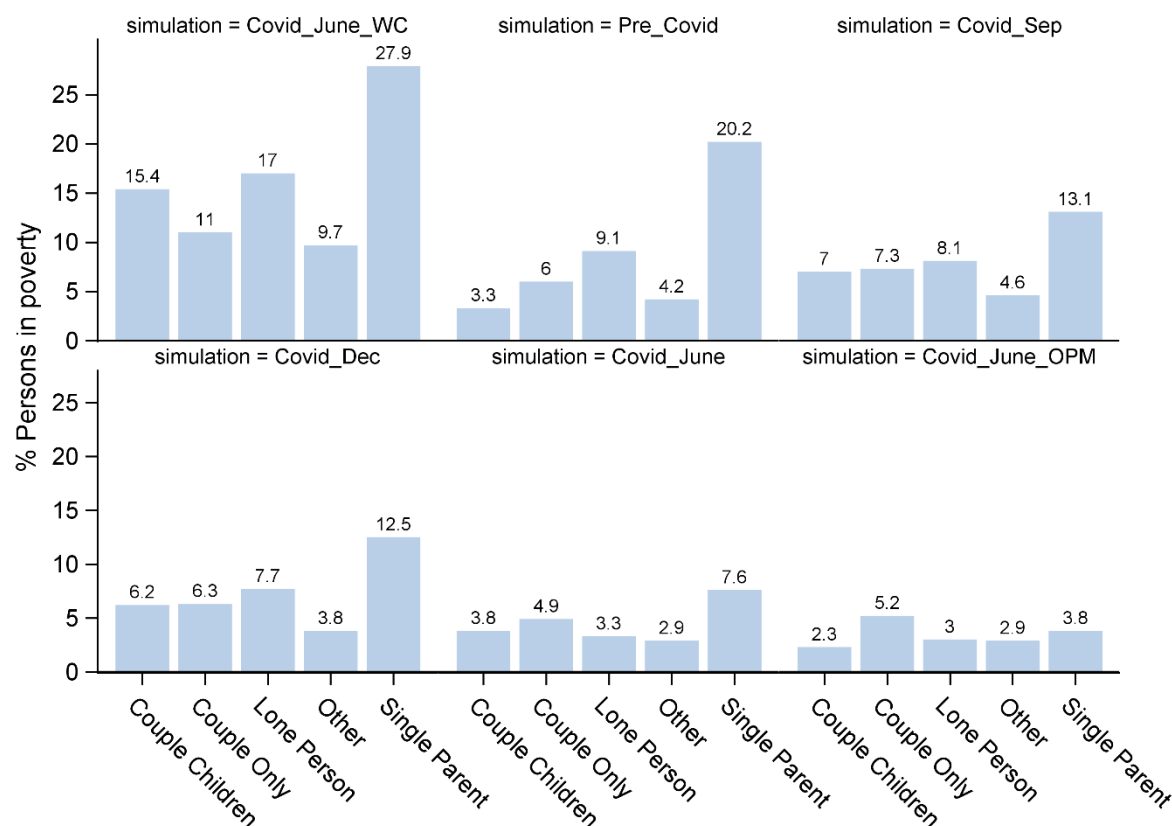
Figure 4 Household Poverty Gaps by Income Quintile



Source: ANU PolicyMod.

For household family type poverty rates we find that pre-COVID rates are dominated by single parents with a rate around 20.2 per cent. In the absence of policy change and the advent of COVID (panel 1) this rate increases to 27.9 per cent. COVID stimulus payments were provided to many single parents on the JobSeeker payment and this has assisted greatly in lowering their rate to just 7.6 per cent in June. The lowering of payments in September increases the poverty rate to 13.1 per cent and similarly in December at 12.5 per cent. Optimal allocation of the June payments would lead to an even greater reduction in poverty to just 3.8 per cent for single parents.

Figure 5 Household Poverty Rates by Family Type

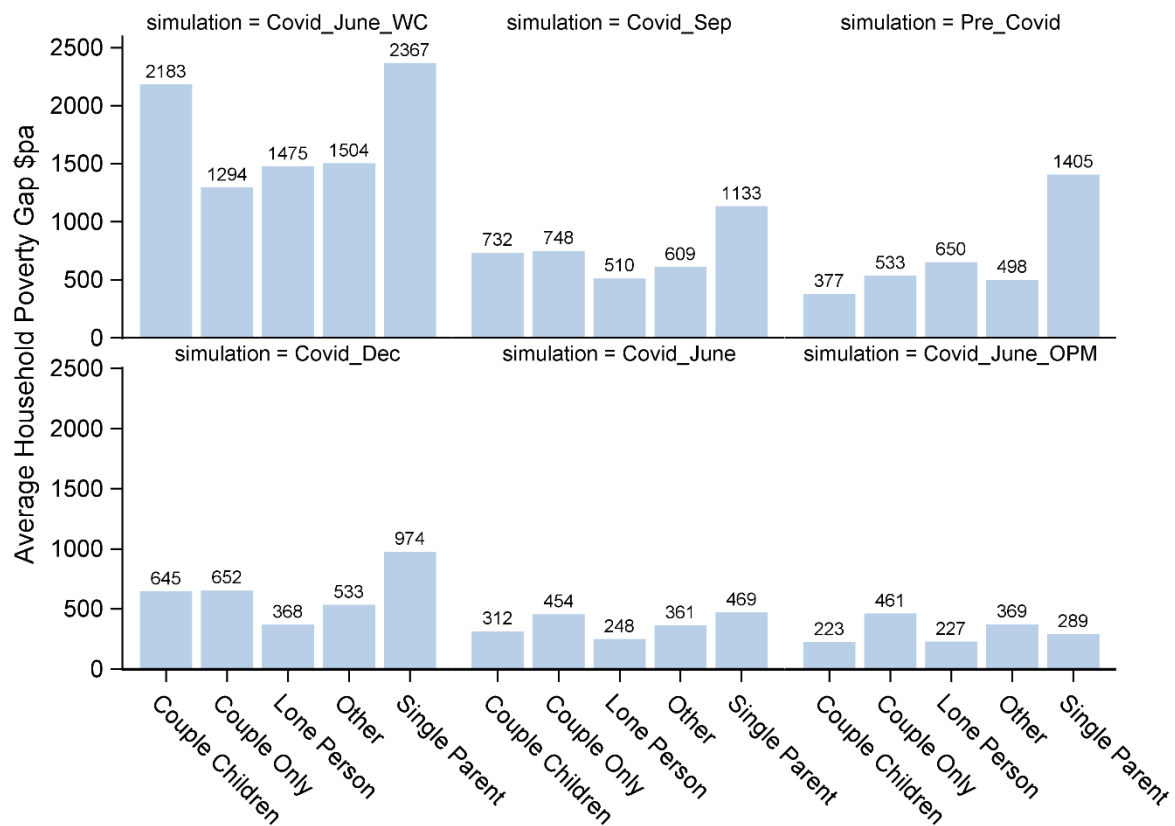


Source: ANU PolicyMod.

In terms of the *change* in poverty rates couples with children would have been most impacted by the worst-case or no policy scenario with poverty rates increasing sharply from a pre-COVID rate of 3.3 per cent to 15.4 per cent. Other categories would have roughly doubled their respective rates. The June policy enabled rates for couples with children to remain at a rate similar to pre-COVID but significantly lower all other family types. The less generous September payment levels will see a more than doubling of poverty rates for couples with children. The improved economy by December will assist moderately in lowering that rate to 6.2 per cent from 7 per cent in September for couples with children.

Figure 6 shows the poverty gaps by household family type. The general pattern is very similar to that of the poverty rates with the exception that the no policy change scenario in panel 1 would see the estimated poverty gap for couples with children closer to that of single parents.

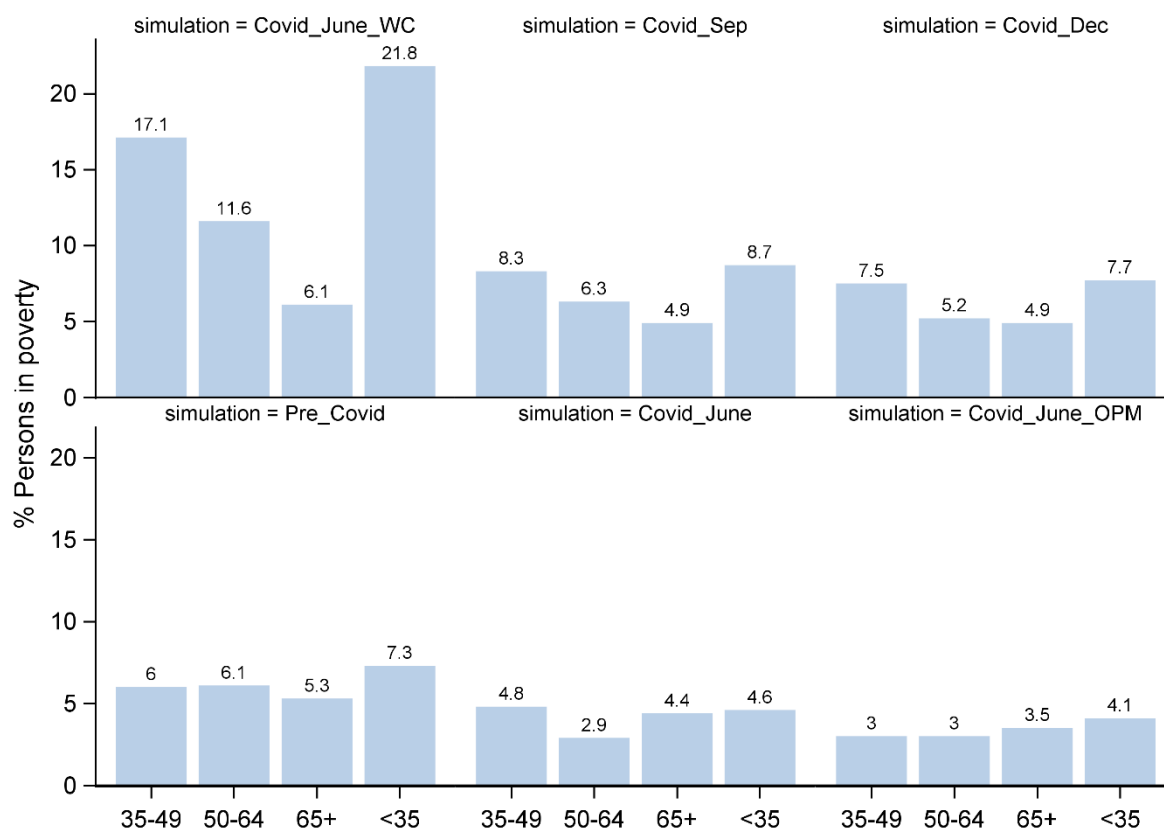
Figure 6 Household Poverty Gaps by Family Type



Source: ANU PolicyMod.

The results (Figure 7) by age of head of household show a similar pattern to that of previous sections – that the most generous policy (June) dramatically lowers poverty relative to either the pre-COVID world or the worst-case scenario of no policy change but the COVID economy of June.

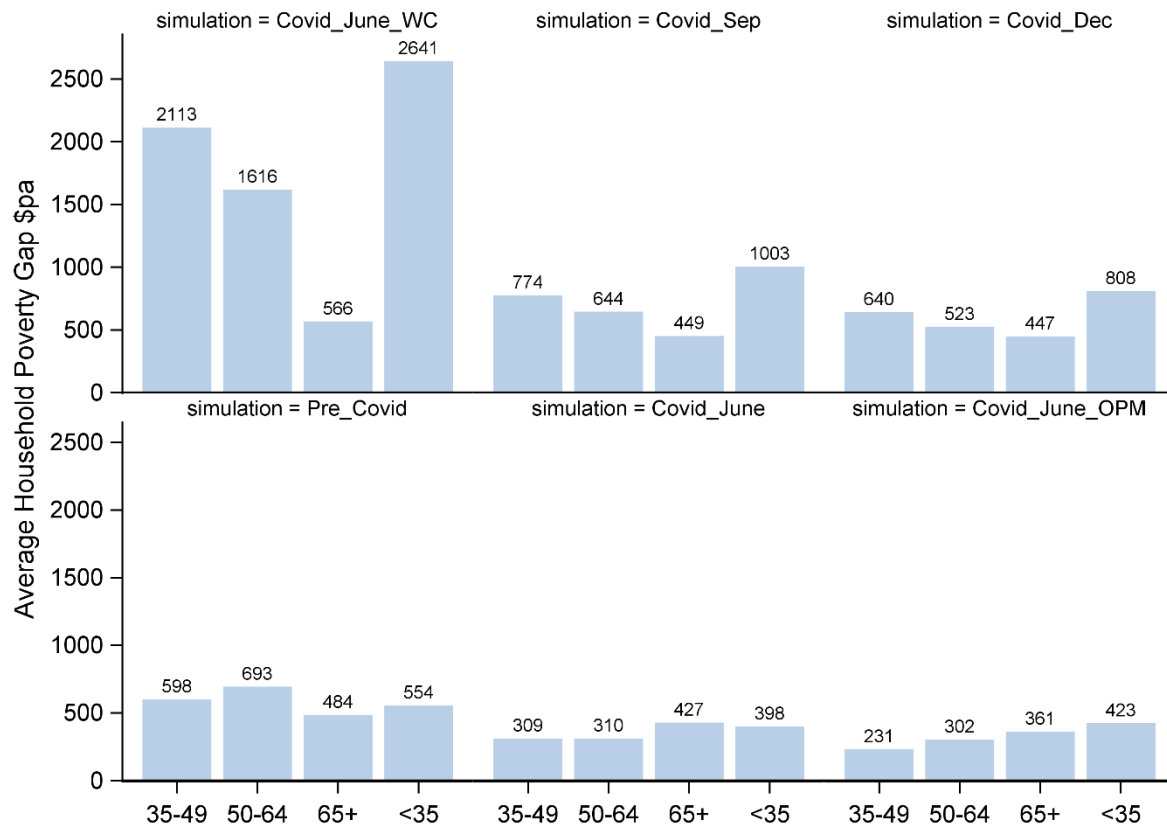
Figure 7 Household Poverty Rates by Age of Head of Household



Source: ANU PolicyMod.

Poverty rates are reasonably similar prior to COVID (panel 4 or Pre-COVID) with a rate of 7.3 per cent for the youngest cohort (15-35 years) and the lowest poverty for the oldest category (65+). The worst-case scenario impact is very clear with younger age groups the most impacted. Panel 5 shows the initial policy response kept the relativities roughly in line with pre-COVID and lowered poverty rates for each age group. The less generous September and December policies show the divergence and greater impact for younger cohorts. Optimal policy modelling results in panel 6 also show the lowest poverty rates (slightly higher for 50-64). Overall, we do see that the policy response has had a stronger and more positive impact for lower age group, keeping them closer to their original (or even lower) rates of poverty. Figure 8 shows the poverty gap numbers – the interpretation of impact is not different to that of Figure 7.

Figure 8 Household Poverty Gaps by Age of Head of Household

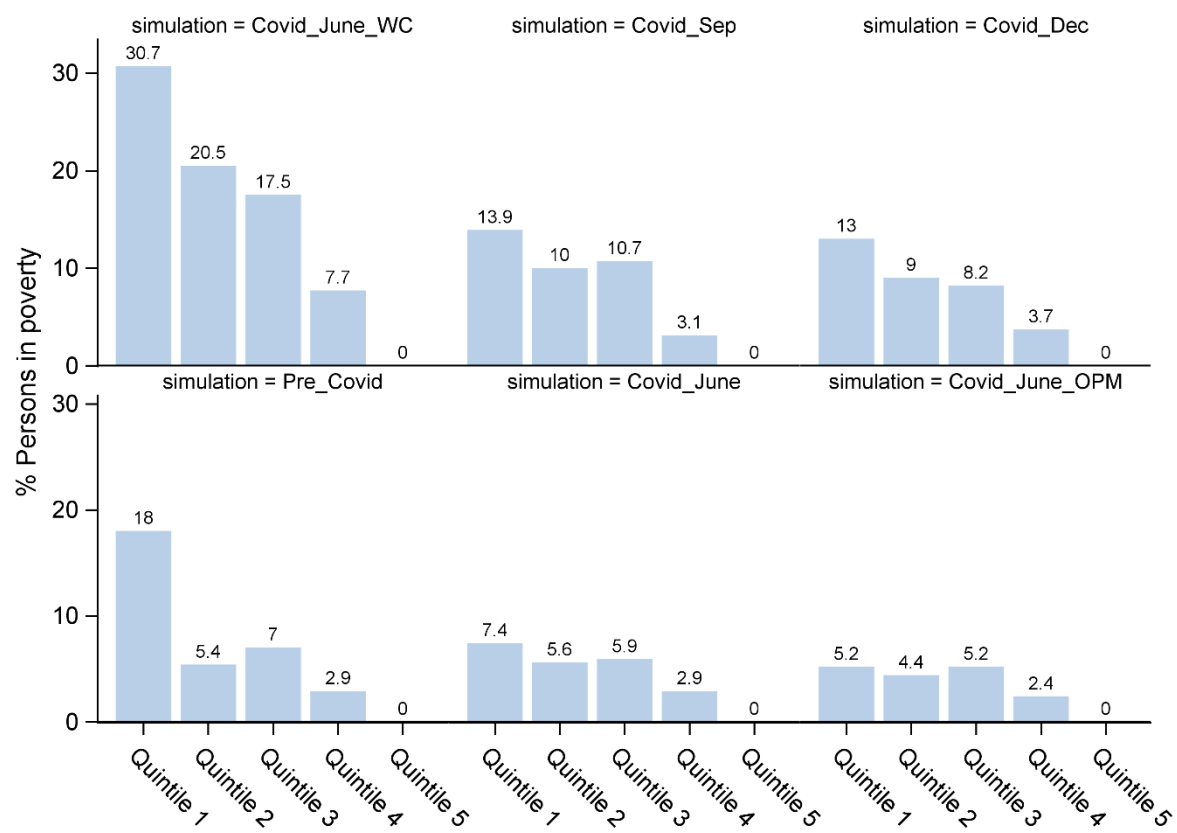


Source: ANU PolicyMod.

Household wealth impacts for the various scenarios are similar to our other variables. For the base case of the pre-COVID world we estimate that poverty gaps are much higher for low wealth households compared to higher wealth households. The absence of a policy response (panel 1) we estimate would lead to significant increases in the poverty rate across the wealth distribution – keeping in mind the Quintile 5 is excluded due to our rule that any household with a net wealth of over a million dollars is not in poverty.

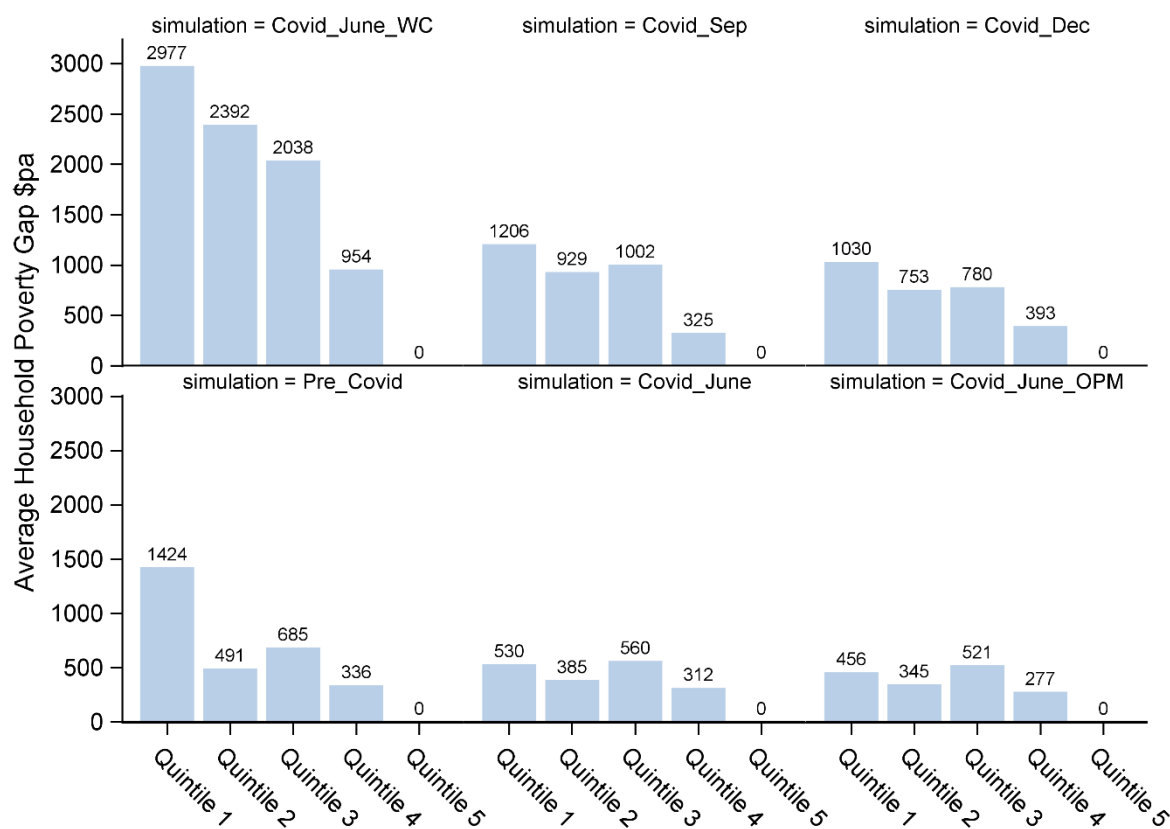
The more generous stimulus payments in June have the impact of not only lowering poverty rates but also smoothing out poverty with little difference between low and middle wealth households. As the stimulus is unwound (September and December scenarios) the gradients return and lower wealth household's poverty rates increase substantially. Figure 10 shows the poverty gap analysis but again there is little difference in the story between the poverty rate and poverty gap.

Figure 9 Household Poverty Rates by Wealth Quintiles



Source: ANU PolicyMod.

Figure 10 Household Poverty Gaps by Wealth Quintiles



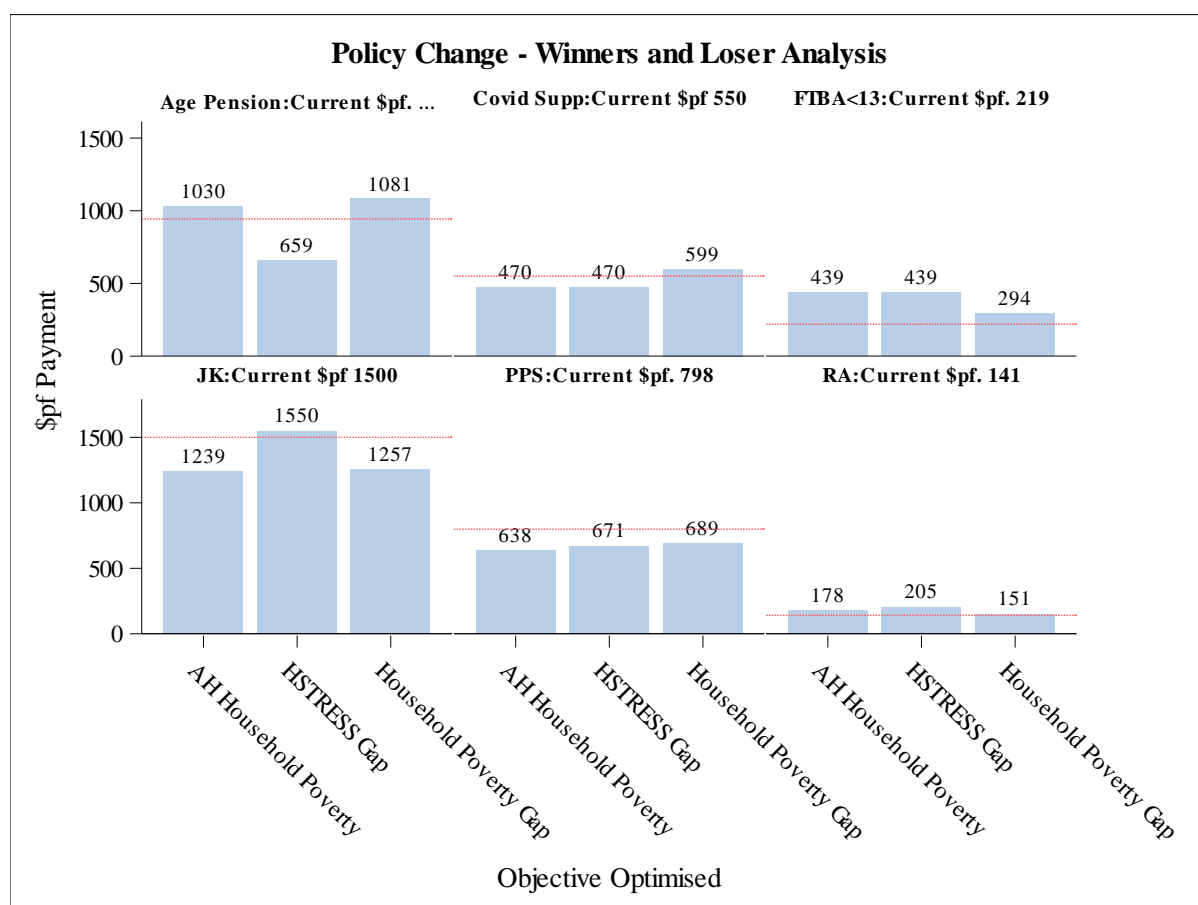
Source: ANU PolicyMod.

Figure 11 considers the optimal payment levels we estimated for June – where policy expenditure on social security payments (including the boosted COVID Supplement and JobKeeper) increase dramatically. We estimate that for June, over a full financial year (2020-21) these payments including all other standard payments such as the age pension, disability, family payments, rent assistance and allowances would cost around \$290 billion per year. This represents a substantial increase relative to the less than \$120 billion in our pre-COVID scenario where JobKeeper and the COVID supplement (added to JobSeeker) do not exist.

With this budget we apply our **optimal policy modelling framework** to set each social security maximum payment rate so that we minimize some policy target for all Australian households.

Where our target is minimizing the poverty gap we estimate the JobKeeper payment could be lowered to \$1257 per fortnight from its current \$1500 and that the COVID Supplement would be raised to \$599 per fortnight. Given that 3.5 million people are receiving JobKeeper this allows considerable savings to boost other payments. The age pension would increase to \$1081 per fortnight from a current level of around \$944 and the maximum rate of family payments for children aged less than 13 would increase to \$294 per week up from \$219 (similar increases for other family payment rates), Parenting Payment would be lowered to \$689 from \$798 per fortnight and rent assistance would increase modestly.

Figure 11 Optimal Payment Rate Levels (June Policy Expenditure Level and June Economy)



Notes: FTBA = Family Tax Benefit Part A; NSA = New Start Allowance; PPS = Parenting Payment Single; RA = Rent Assistance.

Source: ANU PolicyMod.

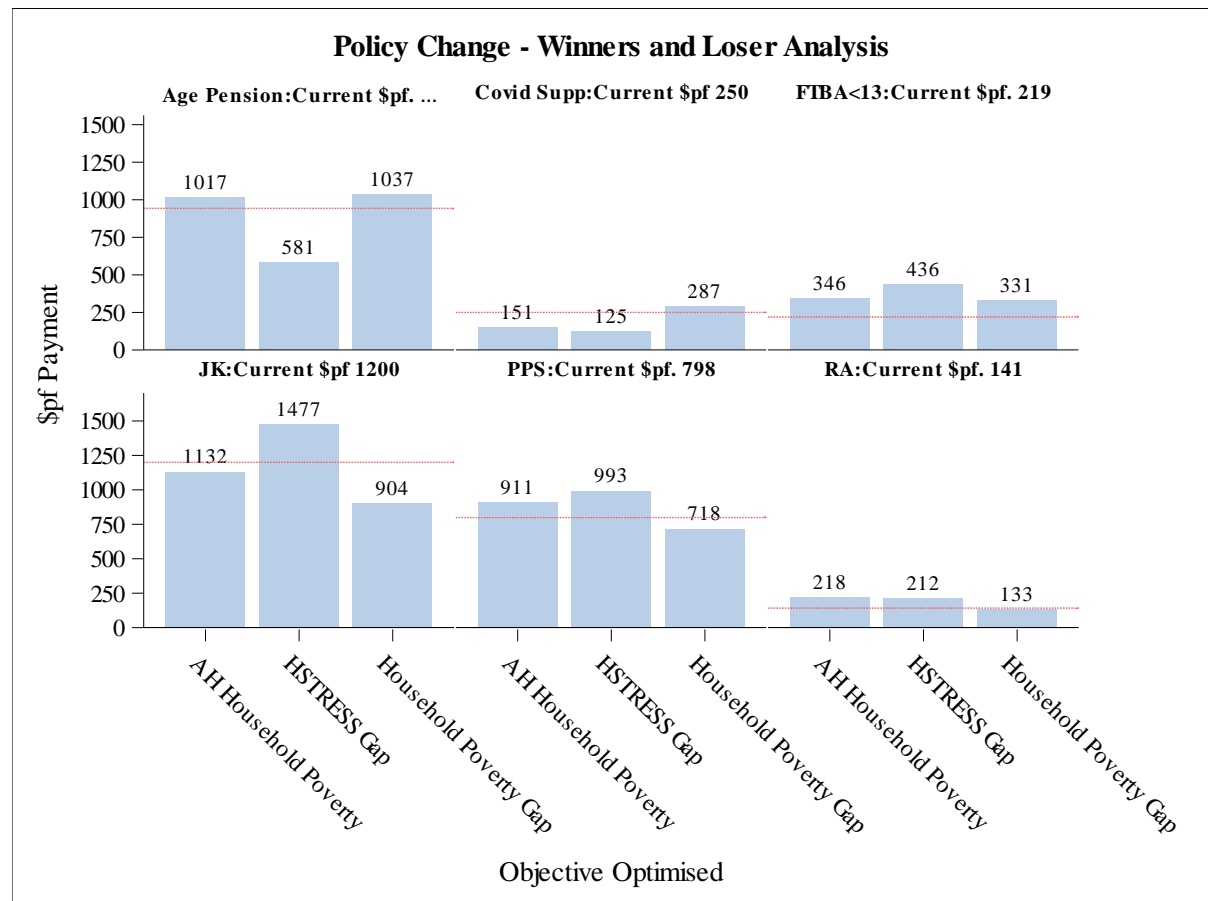
Where we optimize with respect to after-housing poverty (where we deduct housing costs from income) we get similar results except provide a larger boost to family payments and lower the COVID supplement. Where the objective is housing stress we find provide more funding to JobKeeper but lower the age pension significantly.

While our optimal policy modelling approach does throw up some different results depending upon the target for our preferred targets (the poverty gap measures) it is consistent in suggesting that JobKeeper is perhaps relatively generous compared to where it ideally would be and that some modest reduction could be argued for. Our optimal level is roughly where the government has moved JobKeeper from September. It should be noted however that in lowering JobKeeper our optimal modelling keeps the same budget and increases some other payments. It should also be noted that our optimal policy modelling algorithm does not provide guidance on the optimal overall *amount* to spend, rather, the optimal allocation of payments to minimize some policy target.

The lowering of the budget from September when we apply our optimal modelling again shows that JobKeeper is set at a level above its optimal level – from the perspective of our

preferred poverty gap targets. Interestingly, our COVID Supplement optimal estimate remains roughly where it is for the poverty gap target and is lowered for our after-housing poverty gap target (Figure 12).

Figure 12 Optimal Payment Rate Levels (July Policy Expenditure Level and June Economy)



Notes: FTBA = Family Tax Benefit Part A; Covid Supp = Covid Supplement; PPS = Parenting Payment Single; RA = Rent Assistance; JK = JobKeeper

Source: ANU PolicyMod.

5. Summary and concluding comments

Like in other countries around the world, the spread of COVID-19 and associated public-health responses has led to dramatic economic impacts in Australia, with large declines in employment and hours worked, falls in total economic production, and drastic increases in budget deficits. One of the main policy responses has been to increase payments to individuals and households, substantially via the JobSeeker COVID Supplement Payment, which increases the social security payment received by many of those who are not working, and the JobKeeper payment, which is a wage subsidy paid to eligible employers of eligible employees, designed to maintain the link employees have with their employer.

In this paper, we combine new data from the August 2020 wave of the ANU Centre for Social Research and Methods COVID-19 impact monitoring survey with the ‘Optimal Policy Modeling’ approach developed using the ANU PolicyMod microsimulation model. That is, we combine information from Australia’s only currently available longitudinal survey program that has data from pre- and post-COVID-19 with Australia’s most comprehensive model of the tax and transfer system.

We combine these two sources of information to simulate a range of economic measures under different scenarios related to the level of JobSeeker/JobKeeper payments and Australia’s economic circumstances. We find that in aggregate terms the Government response to increase social security payments to those persons directly impacted by COVID-19 (via JobSeeker and JobKeeper) has reduced measures of poverty and housing stress. Not only are levels of poverty and housing stress lower than what would have occurred during the COVID-19 pandemic if these policy changes weren’t made, we also find that poverty and housing stress were lower than prior to the spread of COVID-19. This protective impact will be reduced somewhat by the July policy announcement to make these payments less generous, though we still find that economic circumstances for households under the new payments are far better than they otherwise would be in the absence of these payments.

While the September reduction in JobSeeker and JobKeeper payments are still much more generous than what was offered prior to COVID-19 we do estimate that the number of persons in poverty will increase by 740,000 persons compared to the more generous June policy and that 212,000 persons will be added to poverty compared to pre-COVID-19 economic and policy conditions.

The less generous July policy for JobSeeker and JobKeeper applied to the Government’s more optimistic economic projection for December moderately improves poverty numbers and poverty gaps and does little to alter housing stress. The projected December economy does shift some people away from the new payments and back on to employment which lowers poverty, however, some also shift from JobKeeper to JobSeeker which tends to add some people to poverty.

Detailed distributional modelling shows that the June levels of JobSeeker’s Covid Supplement and JobKeeper payment had a significant impact across the income distribution, ensuring many households right across the income spectrum were kept out of poverty. We also find dramatic reductions in poverty rates and poverty gaps and housing stress amongst

households who relied mostly upon the JobSeeker payment prior to their increase. The poverty rate of this group was 67 per cent prior to COVID-19 but the supplement payment dramatically reduced their poverty rate to 6.8 per cent. The rate of single parent poverty has fallen dramatically too from 20.2 to 7.6 per cent and could have been as high as 27.9 per cent in the absence of policy change. The additional support has also flattened out poverty across the wealth distribution with only modestly lower poverty in higher wealth households compared to lower wealth households. The support has also been more beneficial to younger households relative to older households.

These payments have significantly worsened the budgetary position of the Australian government. It is beyond the scope of this paper to make a judgement as to whether the reductions in poverty and housing stress were worth the budgetary cost. What we have been able to show, however, is that with the same level of expenditure a greater reduction in poverty and housing stress could have been achieved by a better targeting with regards to poverty and housing stress, and in particular by a slightly lower JobKeeper payment and higher other payments. But to be clear this conclusion is based only on consideration of our narrow range of poverty and housing stress policy targets. The design of the JobKeeper and JobSeeker payments reflect a broader range of stated objectives including fiscal stimulus, the survival of businesses and maintaining an employment relationship between employers and their employees.

Policy decisions have had to be made very rapidly during the COVID-19 period, with limited evidence and real time data and extreme uncertainty to support decision making. By collecting longitudinal data with information from the same individuals pre- and post-COVID-19 and integrating these results with a detailed microsimulation model, we have been able to show that the payment system introduced in the early COVID-19 period and then modified in July has had significant economic benefits for the poorest households in Australia. Indeed, the modelling in this paper highlights that the pre-COVID-19 social security system would not have been able to adequately respond to the huge negative economic shock generate by COVID and associated job loss.

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Appendix A JobKeeper and JobSeeker regression modelling results

Table A2 JobKeeper Imputation Probit Regression (Probability of transitioning from Employment in February to JobKeeper in August)

	Coefficient	Std. Err.	Z Score	P> z *
Agriculture Forestry Fishing	0.530	0.614	0.86	0.388
Manufacturing	0.883	0.305	2.9	0.004
Electricity Gas Water and Waste Services	0.011	0.630	0.02	0.986
Construction	1.164	0.405	2.87	0.004
Wholesale Trade	1.365	0.523	2.61	0.009
Retail Trade	-0.052	0.314	-0.16	0.87
Accommodation and Food Services	1.838	0.359	5.12	0
Transport Postal and Wharehousing	0.820	0.399	2.05	0.04
Information Media and Telecommunications	0.180	0.534	0.34	0.736
Rental Hiring and Real Estate Services	1.022	0.451	2.26	0.024
Professional Scientific and Technical Services	0.579	0.251	2.31	0.021
Administrative and Support Services	0.861	0.370	2.32	0.02
Public Administration and Safety	-0.538	0.465	-1.16	0.247
Education and Training	0.221	0.296	0.75	0.456
Arts and Recreation Services	0.922	0.527	1.75	0.08
Other Services	1.336	0.483	2.76	0.006
Household Income 2019	0.000	0.000	-1.35	0.178
Household Income 2020 squared	0.000	0.000	0.2	0.84
Hours Worked Feb	-0.006	0.005	-1.24	0.215
Female	0.168	0.153	1.1	0.273
age18_24	-0.480	0.363	-1.32	0.186
age25_34	-0.190	0.240	-0.79	0.43
age45_54	0.213	0.205	1.04	0.299
age55_64	-0.297	0.207	-1.44	0.15
age65_74	0.341	0.310	1.1	0.272
age75plus	0.559	0.670	0.83	0.404
Born OS English Speaking Background	-0.441	0.243	-1.81	0.07
Born OS Non-English Speaking Background	-0.664	0.255	-2.6	0.009
Language Other than English	0.238	0.247	0.97	0.334
< Year 12 Education	-0.017	0.317	-0.05	0.957
PostGrad	0.094	0.271	0.35	0.728
UnderGrad	0.254	0.233	1.09	0.275
Cert3/4 Qual	0.074	0.229	0.32	0.748
Non-Capital City	-0.125	0.160	-0.78	0.435
Constant	-0.915	0.374	-2.44	0.015
* Highlighted is significant at 10% level				

Source: August 2020 ANUpoll.

Table A2 JobSeeker Imputation Regression (Probability of transitioning from employment (February) to not employed (August))

	Coefficient	Std. Err.	Z Score	P> z *
Household Income 2019	0.002	0.002	1.02	0.31
Household Income 2020 squared	0.000	0.000	-1.46	0.143
Hours Worked Feb	-0.015	0.011	-1.38	0.168
Female	0.291	0.290	1	0.316
age18_24	0.183	0.474	0.39	0.7
age25_34	0.148	0.293	0.51	0.612
age45_54	-0.664	0.340	-1.95	0.051
age55_64	-0.227	0.263	-0.87	0.387
age65_74	-0.706	0.336	-2.1	0.036
age75plus	0.951	0.629	1.51	0.13
Born OS English Speaking Background	-0.444	0.314	-1.41	0.157
Born OS Non-English Speaking Background	0.472	0.326	1.45	0.147
Language Other than English	-0.013	0.299	-0.04	0.964
< Year 12 Education	0.022	0.475	0.05	0.963
PostGrad	0.194	0.437	0.44	0.658
UnderGrad	0.165	0.343	0.48	0.63
Cert3/4 Qual	0.318	0.394	0.81	0.419
Non-Capital City	-0.073	0.199	-0.37	0.712
Constant	-2.187	0.701	-3.12	0.002
* Highlighted is significant at 10% level				

Source: August 2020 ANUpoll.

Endnotes

- 1 This includes the COVID-19 Supplement (\$16.8 billion), the JobSeeker Partner Income Test measure (\$2.0 billion) and the two \$750 Economic Support Payments to social security, veteran and other income support recipients and eligible concession card holders (\$9.4 billion).
- 2 In order to be an eligible employer the business must be a business or not for profit organisations and to have experienced a substantial decline in turnover. The required reduction in turnover is 30% for businesses with turnover of \$1 billion or less, 50% for businesses with turnover of more than \$1 billion and 15% for registered charities. Ineligible employer categories include Australian government agencies, local governing bodies, and entities wholly owned by an Australian Government agency or local governing body.
- 3 Long-term casuals are people who have been employed on a regular and systematic basis over a 12-month period and who are not a permanent employee of any other employer. Employees also need to be an Australian resident with the meaning of the Social Security Act 1991 or the Income Tax assessment Act 1936 and the holder of a Subclass 444 (Special Category) visa.
- 4 Sole traders may be eligible for the JobKeeper scheme if their business experienced a downturn that meets the eligibility criteria.
- 5 Various changes have been in order to make it easier for people to access income support payments or to relax means testing of benefits. Until 24 September 2020 the asset means test has been suspended as has the Liquid Assets Waiting Period. From 25 September 2020 these meant tests will be reinstated. The Ordinary Waiting Period for eligibility for income support payments have been waived until 31 December 2020. Job seekers' mutual obligation requirements were suspended from 24 March to 8 June 2020. Mutual obligation requirements have been progressively reintroduced since 9 June and from 4 August job seekers mutual obligation requirements have been largely reintroduced but no payment suspensions or financial penalties are being applied (except if a job seeker refuses an offer of suitable employment).
- 6 It is also paid to those receiving Austudy, ABSTUDY (Living Allowance), Farm Household Allowance, Special Benefit or Department of Veteran's Affairs Education Scheme and the Eligible New Enterprise Incentive Scheme participant.
- 7 <https://www.dailymail.co.uk/news/article-8599569/JobKeeper-changes-Victoria-740-000-people-eligible-Christmas-lockdown.html>
- 8 July COVID policy allows for the possibility of Jobseeker recipients also receiving Jobkeeper. We have allowed only 245,000 persons to receive both payments in July (fewer in December) as per [Treasury forecast](#).
- 9 A screening question was first asked: 'Which of these descriptions applies to what you have been doing for the last 7 days?' with the first option being 'In paid work (or away temporarily) (employee, self-employed, working for your family business).' Respondents were then asked one of two additional questions, depending on their response to the employment question, and using the same introductory statement: 'We would now like to ask you about whether you have received any of the Government stimulus payments or benefits in response to COVID-19.' For those who said they were employed, we asked 'Are you currently receiving the \$1500

-
- JobKeeper payment from your employer?’. For those who were not employed, we asked ‘Are you currently receiving the temporary \$550 supplement per fortnight that was made available for eligible income support recipients?’
- 10 At the time of writing this paper the August 2020 ANUpoll was still in the field. The analysis is based on a sample of 1,904 individuals out of an expected full sample of about 3,100, weighted based on their February 2020 population weights. The vast majority of respondents complete online, with a small proportion of respondents enumerated over the phone in order to ensure that the sample is representative of the offline population.
- 11 The poverty line used is based on the PolicyMod basefile for 2020-21 using the pre-COVID-19 version of the model and is thus held constant for all of the scenarios modelled in this paper at around \$416 per week.
- 12 This finding is consistent with other direct data from ANUpoll. For example, Biddle et al. (2020) estimated that between February and April 2020 ‘There was an increase of 33.5 per cent in per person after tax household income for the lowest income decile, and smaller increases for the second and third income deciles.’
- 13 <https://www.dailymail.co.uk/news/article-8599569/JobKeeper-changes-Victoria-740-000-people-eligible-Christmas-lockdown.html>
- 14 Gender would be a further variable of interest (amongst several others) however our unit of analysis here is the household which often has both male and female members.
- 15 All scenarios modelled are projected onto a PolicyMod 2020-21 base year.
- 16 These findings are consistent with the data from the ANU Centre for Social Research and Methods ANUpoll COVID-19 impact tracking surveys that there have been very substantial increases in income at the bottom of the income distribution (Biddle et al. 2020).