Independent Evaluation of the JobKeeper Payment

Consultation Paper

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The Independent Evaluation of the JobKeeper Payment acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

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The Treasury has appointed Mr Nigel Ray PSM to conduct an independent evaluation of the effectiveness of the JobKeeper Payment (the JobKeeper Evaluation) in achieving the government's policy objectives for it. The JobKeeper Evaluation may draw broader conclusions about the value for money and outcomes of JobKeeper. The Terms of Reference for the Evaluation are on page 5 below. Mr Ray is supported by a small secretariat in the Treasury.

Consultation Process

Request for feedback and comments

The purpose of this paper is to seek feedback on the JobKeeper Payment, including the objectives and design of the Payment, the implementation and integrity of JobKeeper and the effects and outcomes of the Payment. The evaluation team is particularly interested in receiving submissions covering the lived experience of businesses and employees with JobKeeper and data and analyses of the impacts of the Payment. Commentary on alternative policy options and international evidence would also be particularly appreciated.

While submissions may be lodged electronically or by post, electronic lodgement is preferred. Interested parties can submit responses to this consultation up until close of business on 14 July 2023. For accessibility reasons, please submit responses by email in Word or RTF format. An additional PDF version may also be submitted.

All information (including name and address details) contained in submissions may be made available to the public on the Treasury website unless you indicate that you would like all or part of your submission to remain in confidence. Automatically generated confidentiality statements in emails are not sufficient for this purpose. If you would like only part of your submission to remain confidential, please provide this information clearly marked as such in a separate attachment.

Legal requirements, such as those imposed by the Freedom of Information Act 1982, may affect the confidentiality of your submission.

Closing date for submissions: 14 July 2023

Email	JobKeeperEvaluation@treasury.gov.au
Enquiries	Enquiries can be initially directed to JobKeeperEvaluation@treasury.gov.au.

JobKeeper Evaluation

1. Introduction

The JobKeeper Payment was a wage subsidy made to eligible businesses and not-for-profits affected by the COVID-19 pandemic and the associated severe economic downturn. JobKeeper was designed to support business and job survival, preserve the employee-employer relationship, provide income support and decrease uncertainty.

JobKeeper was one of the largest fiscal and labour market interventions in Australia's economic history. It was part of a broader fiscal stimulus package estimated at the time to have a total value of around $320 billion. It had a large take-up at around 1 million businesses and 4 million employees — around one third of Australian employees at that time. The final cost of the JobKeeper Payment was $88.9 billion (4.5 per cent of GDP).

The JobKeeper Evaluation will consider the objectives and design and effectiveness of JobKeeper. It will also record lessons learned from the design and implementation of JobKeeper, with a view to informing future policy responses. The Evaluation could also signal areas for potential further research into the medium- or longer-term effects of JobKeeper.

The full Terms of Reference for the JobKeeper Evaluation are provided on page 5. The Evaluation will cover the entire JobKeeper Payment which commenced on 30 March 2020 and ran to 28 March 2021 (including the initial six-month program and the two subsequent three-month extensions).

This Consultation Paper briefly outlines the key issues and questions that the Evaluation will consider and invites submissions from the public. This paper is not intended to comprehensively cover every issue that the Evaluation might need to consider and comments on other questions that could be considered are welcome.

The structure of the Consultation Paper is as follows. Section 2 outlines the Terms of Reference of the Evaluation and sets out the scope in detail. Section 3 outlines the economic context and policy environment in which JobKeeper was developed and implemented. Section 4 outlines the three sets of issues for discussion for the Evaluation and poses discussion questions for each issue. Sub-section 4.1 addresses the overarching objectives of JobKeeper and key aspects of its design. Sub-section 4.2 focuses on the implementation and integrity of JobKeeper. Sub-section 4.3 looks at the effectiveness of JobKeeper and the outcomes of the program.

2. Terms of Reference

The Evaluation will consider the effectiveness of JobKeeper in achieving its objectives by measuring its policy outcomes using relevant quantitative and qualitative data and drawing conclusions from this analysis. Beyond the stated JobKeeper objectives, other conclusions should also be drawn on the value for money and the broader outcomes of JobKeeper.

The Evaluation will record lessons learned from the design and implementation of JobKeeper, with a view to informing future policy responses. The Evaluation could also signal areas for potential further research into the medium- or longer-term effects of JobKeeper.

The scope for this evaluation includes the entire JobKeeper Payment which commenced 30 March 2020 and ran to 28 March 2021 (including the initial six-month program and the two subsequent three-month extensions).

The Evaluation will include examination of:

- The economic and policy context, and how this influenced the design features and implementation of JobKeeper.
- The effect of the JobKeeper Payment on:
  - individuals and businesses who received JobKeeper (compared, where possible, to what would have happened had they not received JobKeeper); and
  - the labour market and the broader economy.
- The effectiveness and appropriateness of the JobKeeper Payment's key design features (payment to business, rate, eligibility criteria, delivery mechanism and duration) in achieving the policy objectives.
- The costs, benefits and value for money of the JobKeeper Payment.
- International comparisons of similar labour market policies adopted in other advanced economies.
- How Treasury and other agencies responded to payment delivery, program implementation and integrity challenges across the program.
- Lessons learned from the design and implementation of JobKeeper.
- Suitability of the JobKeeper Payment for responding to different economic circumstances and challenges.

The Evaluation will draw on a range of data, including JobKeeper Payment program data and publicly available economic and labour market data, and be informed by external engagement and consultation.

3. Context and policy environment

The period in which JobKeeper was designed was characterised by enormous uncertainty – both health and economic. The first reported cases of COVID-19 in Australia were on 25 January 2020. Between then and 11 March, confirmed cases rose to over 100. From then on, cases of COVID-19 in Australia doubled every few days, reaching over 4,500 by the end of March 2020.

Elsewhere, case numbers increased exponentially throughout March. By 29 March, the US had recorded over 140,000 cases, Italy, Spain, and France had recorded 97,000, 80,000 and 40,000 cases respectively while Iran had recorded 38,000 cases and South Korea had recorded 9,000 cases. There was little information available to policymakers at the time about the implications of COVID-19, though it was clear mortality rates were also rising rapidly.

In Australia, public health restrictions were tightening and there was widespread public discussion about allowing only a narrowly defined list of essential services to operate. Extraordinary restrictions on activity were already in place in many other countries, including lockdowns in the United States and parts of Europe.

Behavioural change and enforced restrictions had large economic reverberations resulting in a simultaneous deterioration in economic conditions and activity. Real time indicators of discretionary consumer spending and mobility — foot traffic, driving and public transport use — declined sharply. NAB and ANZ measures of business and consumer confidence had fallen to record lows, given the high degree of uncertainty and restrictions on activity. The Australian Bureau of Statistics (ABS) surveyed businesses on the impacts of COVID-19 in mid-March and 86 per cent of all businesses reported that they expected to be adversely affected by COVID-19. The uncertainty rattled global financial markets.

In Australia, between February and May 2020 employment declined by 6.7 per cent and hours worked declined by 9.5 per cent. Further to job losses, many workers were temporarily stood down as a result of the health response, with the number of workers who did not work for economic reasons increasing from around 60,000 in February 2020 to around 368,000 in May 2020.

Without intervention, Treasury estimated that the unemployment rate in Australia could have reached as high as 15 per cent. Past experiences had shown that unemployment could remain elevated for a sustained period following a downturn. The threat of labour market scarring was a significant concern and triggered a rapid fiscal response, in Australia and overseas.

4. Evaluation issues for discussion

4.1 JobKeeper Payment objectives and design

In Australia, the JobKeeper Payment followed the first and second economic stimulus packages that were announced on 12 and 22 March 2020. Its design reflected the unprecedented health and economic situation presented by the pandemic. It was a central part of a fiscal response that was designed to ensure that the overall level of fiscal support was sufficient to provide a credible offset to the pandemic-induced economic shock, by ameliorating some of the uncertainty, in order to avoid a deeper economic recession and preserve the resources of productive businesses until restrictions eased.

JobKeeper had three overarching objectives:

- supporting business and job survival;
- preserving the employment relationship; and
- providing needed income support.

First phase of JobKeeper

The Payment was announced on 30 March 2020 and was initially scheduled to end on 27 September 2020. In this period under the first phase of JobKeeper, the Government provided to eligible businesses and not-for-profits $1,500 per fortnight to be passed on in full to each eligible employee/eligible business participant.

Employers were eligible for JobKeeper if, at the time of applying relative to a comparable period they estimate their turnover had fallen or would likely fall by the following amounts:

- 50 per cent or more if their business had an aggregated annual turnover of more than $1 billion; or
- 30 per cent or more if their business had an aggregated annual turnover of $1 billion or less; or
- 15 per cent or more if they were a registered charity with the Australian Charities and Not-for-profits Commission (ACNC).

An employer was not entitled to JobKeeper if the entity was an Australian government agency or local governing body; a sovereign entity; a company in liquidation (or provisional liquidation); or imposed with the major bank levy.

Universities were subject to an alternative turnover test which meant many were ineligible for JobKeeper in late May 2020 and approved providers of child care were excluded from mid-July 2020 onwards.

Eligible employees included those who were:

- a permanent full-time, part-time, or long-term casual (a casual employed on a regular and systematic basis for longer than 12 months); and
- employed by the eligible employer on 1 March 2020 (including those stood down or re hired); and
- an Australian resident or a New Zealander on a Special Category 444 visa; and
- aged at least 18 years old (or 16 or 17 years old if independent and not undertaking full-time study).

Some individuals were also entitled to JobKeeper as an eligible business participant, such as sole traders.

The first phase of JobKeeper (28 March – 27 September 2020) supported more than 3.8 million individuals, in over one million businesses, with payments totalling $70 billion.

Under the first phase of JobKeeper, the flat taxable payment of $1,500 per fortnight paid in full to eligible employees was broadly equal to the National Minimum Wage for an adult full-time employee. The timeframe of the first phase of JobKeeper was linked to the health advice that restrictions could need to be in place for six months and the ongoing evolution of the pandemic was highly uncertain.

The eligibility criteria to access JobKeeper drew upon existing tax and revenue concepts and definitions. Initially, eligibility was determined on a prospective basis, rather than requiring evidence of an actual decline in turnover. The full pass-through of payments to employees meant that JobKeeper operated as both a wage subsidy and an income transfer, depending on the circumstances of individual recipients.

Second phase of JobKeeper (extension phase)

On 21 July 2020, following an interim *Three-month review* of the program by the Treasury, it was announced that the JobKeeper Payment would be modified and extended for an additional six months from 28 September 2020. During the extension the Payment was tapered and targeted to those businesses that continued to be most significantly affected by the economic downturn.

To be eligible for JobKeeper under the extension, businesses and not-for-profits needed to demonstrate that they had experienced an actual decline (as opposed to a prospective decline) in turnover for a certain reference period of the following amounts:

- 50 per cent or more if their business had an aggregated annual turnover of more than $1 billion; or
- 30 per cent or more if their business had an aggregated annual turnover of $1 billion or less; or
- 15 per cent or more if they were a registered charity with the Australian Charities and Not-for-profits Commission (ACNC) (excluding schools and universities).

A two-tiered payment was also introduced to better align the payment with the hours worked by employees and eligible business participants. These tiered rates are detailed in Table 1: JobKeeper Payment rates.

Table 1: JobKeeper Payment rates

JobKeeper Phase 1	**Flat payment**	
28 March 2020 to 27 September 2020	The payment was a flat rate of $1,500 per fortnight for all eligible employees, regardless of hours usually worked.	
JobKeeper Extension (Phase 2)	**Higher payment**	**Lower payment**
Part 1: 28 September 2020 to 3 January 2021	The payment rate was $1,200 per fortnight for all eligible employees who, in the four weekly pay periods before the reference period, were working in the business or not-for-profit for 20 hours or more a week on average and for business participants who were actively engaged in the business for 20 hours or more per week.	A lower payment $750 per fortnight for employees who were working in the business or not-for-profit for less than 20 hours a week on average and business participants who were actively engaged in the business less than 20 hours per week in the reference period.
Part 2: 4 January 2021 to 28 March 2021	The payment rate was $1,000 per fortnight for all eligible employees who, in the four weekly pay periods before the reference period, were working in the business or not-for-profit for 20 hours or more a week on average and for business participants who were actively engaged in the business for 20 hours or more per week.	A lower payment of $650 per fortnight for employees who were working in the business or not-for-profit for less than 20 hours a week on average and business participants who were actively engaged in the business for less than 20 hours per week in the reference period.

The first part of the JobKeeper extension phase (October – December 2020) supported around 1.7 million individuals and around 530,000 businesses in one or more JobKeeper fortnights, with payments totalling $13 billion. The second part of the JobKeeper extension phase (January – March 2021) supported around 1.1 million individuals and around 390,000 businesses in one or more JobKeeper fortnights, with payments totalling $6 billion.

Discussion Questions

1. Given the economic and health situation at the time, and the urgency with which the Payment was developed:
   - Were the objectives of JobKeeper appropriately defined, targeted and communicated to the public?
   - Were the key design features of JobKeeper appropriate and well-communicated?
2. Was JobKeeper introduced sufficiently early in the crisis? And was the initial rate appropriate?
3. Were the extension phases of the JobKeeper Payment appropriately reflective of evolving economic circumstances and the needs of businesses and employees for ongoing support?

4.2 Implementation and integrity

JobKeeper was implemented and overseen by the ATO and the Treasury. The Commissioner of Taxation was responsible for the day-to-day administration of the JobKeeper scheme, while the Treasury was responsible for JobKeeper policy advice and evaluation.

The first monthly JobKeeper claim period opened five weeks after the Payment was announced. When designing the Payment, there was acknowledgement of the need for balance between facilitating access to the Payment, commencing timely payments and ensuring integrity in the administration of JobKeeper.

In the first six months of the scheme, eligibility for JobKeeper was based on a business's forecast of its turnover decline, over a month or a quarter, to enable the payment to be made rapidly given the unfolding crisis. There was no claw-back mechanism to enable the Government to reclaim payments made to businesses that did not ultimately experience expected turnover declines in the first six months. This feature was designed to provide certainty to businesses. The timeframe was linked to the health advice that restrictions could need to be in place for six months and the ongoing evolution of the pandemic was highly uncertain. It was understood that this risked making payments to businesses that recovered quickly and may not need support by the end of this period. Eligibility for JobKeeper moved from an assessment of anticipated decline to actual decline in turnover as the recovery strengthened.

Eligible employers were required to pay their employees a minimum of the JobKeeper amount after tax for each JobKeeper fortnight. Employers were reimbursed for the payments to employees on a monthly cycle, in arrears, through the ATO following a claim process. Businesses could use their existing tax systems and processes to meet the requirements and obligations of JobKeeper.

The use of existing systems and concepts also enabled the ATO to use its existing compliance and risk programs as well as information already reported to the ATO in prior periods to identify potential compliance or integrity issues from the outset of the scheme. The ATO had the ability to recoup payments where projections were deemed unreasonable to ensure the integrity of the program. Integrity features of the JobKeeper policy design and legislative framework included:

- eligibility rules
- payments in arrears
- reporting and record keeping obligations, and
- the use of existing administrative, civil and criminal penalties.

In 2022, the Australian National Audit Office (ANAO) published an audit of the administration of JobKeeper titled '*Administration of the JobKeeper Scheme*.' The ANAO found that the ATO was effective in administering the legislative rules (entitlement, payment rates and payment timeframes) for JobKeeper. The ANAO noted the priority of making timely payments to eligible entities, and that in light of this the ATO largely implemented fit for purpose arrangements to protect the integrity of JobKeeper payments. However, the ANAO noted that a more structured approach for documenting the reasons for exercising discretion on JobKeeper overpayments would have provided more transparency and accountability. Lastly, the ANAO states that the ATO's monitoring and reporting on the operational performance of JobKeeper was effective and provided regular reporting to Treasury and other government entities.

Discussion Questions

4. Did JobKeeper get the balance right between speed of implementation and ensuring integrity, given the risks and uncertainty at the time?
5. Were program implementation and integrity challenges faced throughout JobKeeper managed well? How could these challenges have been handled differently?
6. All things considered, what were the lessons learned from the implementation of JobKeeper?

4.3 Effects and outcomes

A central focus of the JobKeeper Evaluation is whether JobKeeper had its intended effect of supporting business and job survival, keeping employees connected to their employers, and providing income support to individuals during the economic upheaval related to the COVID-19 pandemic.

JobKeeper ultimately provided support for around 4 million employees and 1 million businesses at a total cost of $88.9 billion. In May 2020, it was estimated that around 12 per cent of JobKeeper recipients – about 375,000 workers – had been stood down from their job and were only receiving JobKeeper payments. From June to September 2020, an average of around 260,000 stood-down workers were only receiving payments due to JobKeeper each month. An early estimate published in an RBA Working Paper suggested that JobKeeper prevented around 700,000 people from losing their job in its early months.

The end of the JobKeeper Payment occurred during an unprecedented recovery in the labour market. Employment was above pre-pandemic levels, and the unemployment rate was down to 5.7 per cent.

The number of people working zero hours for economic reasons had fallen and total monthly hours worked was now higher than prior to the pandemic. Fears of labour market scarring were reduced as a large proportion of workers who became unemployed during the pandemic successfully gained employment. By this time, businesses relying on JobKeeper had fallen to around 1.1 million individuals and 385,000 businesses.

Maintaining the employer-employee relationship was intended to prevent longer-term labour scarring and preserve important business-specific capital, knowledge and relationships. Supporting individual incomes through the economic downturn also worked to reinforce consumer spending.

On the other hand, there were clear risks and costs associated with the design of JobKeeper beyond the direct financial cost. As acknowledged in '*The JobKeeper Payment: Three-month review*', JobKeeper had a number of features that created adverse incentives which may have become more pronounced over time as the economy recovered. It distorted wage relativities between lower and higher paid jobs, it damped incentives to work, it hampered labour mobility and the reallocation of workers, and it kept businesses afloat that would not have been viable without support.

While the eligibility criteria for the JobKeeper Payment were designed to apply broadly across industries and business structures for simplicity and expediency, this feature may have created difficulties for some businesses in meeting the eligibility criteria. Support was targeted to each entity on a consistent basis, but eligibility tests did not vary by specific business models. For example, mixed businesses that did not meet the decline in turnover threshold but had limited ability to cross-subsidise may not have qualified for the payment.

Discussion Questions

7. How effectively did JobKeeper achieve its primary policy objectives?
8. What was the impact of JobKeeper on the Australian economy, labour market, and business environment during and after the Payment?
9. What effect did JobKeeper have on those individuals and businesses who received JobKeeper payments? What were JobKeeper's broader social impacts on Australian society?
10. What effect did JobKeeper have on the distribution of income?
11. Was an appropriate balance struck between the policy objectives and the anticipated costs and potential negative effects of JobKeeper?
12. Were there unanticipated costs and effects associated with the design and implementation of JobKeeper?
13. What are the lessons for Australia from international experience with similar interventions during the COVID-19 crisis?
14. All things considered, how could the experience of JobKeeper help to inform future policy development?
15. In the future, under what circumstances would it be appropriate to implement a policy like JobKeeper? How should such a policy be different to JobKeeper?