



# 4

## The impacts of COVID-19 on employment and income support in Australia

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The onset of the Coronavirus 2019 (COVID-19) pandemic in Australia in March 2020 had substantial health and labour market effects. Australia was very successful in managing the direct health effects of the pandemic in 2020 through widespread spatial distancing measures, and activity and business restrictions to control the spread of the virus. These measures did, however, extensively affect the Australian economy, with many people suddenly finding themselves without a job, similar to the situation seen globally. The economic response of Australian governments in providing support packages was aimed to cushion the impact of this initial shock to the economy.

This article describes what happened between March 2020 and May 2021 to employment, income support receipt and income levels following the COVID-related restrictions imposed on businesses and services. However, since May 2021, Australia has experienced further COVID-19 outbreaks and associated business-related restrictions that have affected employment. Governments have also announced additional economic support packages to support Australians affected by these restrictions. Due to the availability of data at the time of finalising this article in mid-July, this article does not discuss changes to employment or income support receipt after May 2021.

This article shows that in the early months of the pandemic in 2020, there were large job losses and reductions in hours worked. The monthly fall in employment between March and April 2020 was the largest on record since the current Labour Force Survey began in 1978. There were also large falls in hours worked, particularly in hospitality, and arts and recreation industries between March and May 2020. The underemployment rate in April 2020 was the highest on record and twice as high as the rate observed between the early 1990's to 2014, driven by the number of full-time workers on reduced hours for economic reasons. These declines in employment were steeper (at least initially) for those working part-time, those in casual employment, females, young people and those living in large urban centres.

The Australian Government's economic response to the pandemic's adverse impact on the labour market meant that many who may otherwise have lost their jobs remained connected with their employers through the JobKeeper Payment. There was also a large increase in the receipt of government income support payments, with the number of recipients of unemployment payments (JobSeeker Payment and Youth Allowance (other)) almost doubling between March and May 2020. The increases in government payments (such as through the Coronavirus Supplement for working-age income support recipients and other stimulus payments) in 2020 also resulted in higher levels of spending and reductions to the poverty rate at the height of the pandemic.

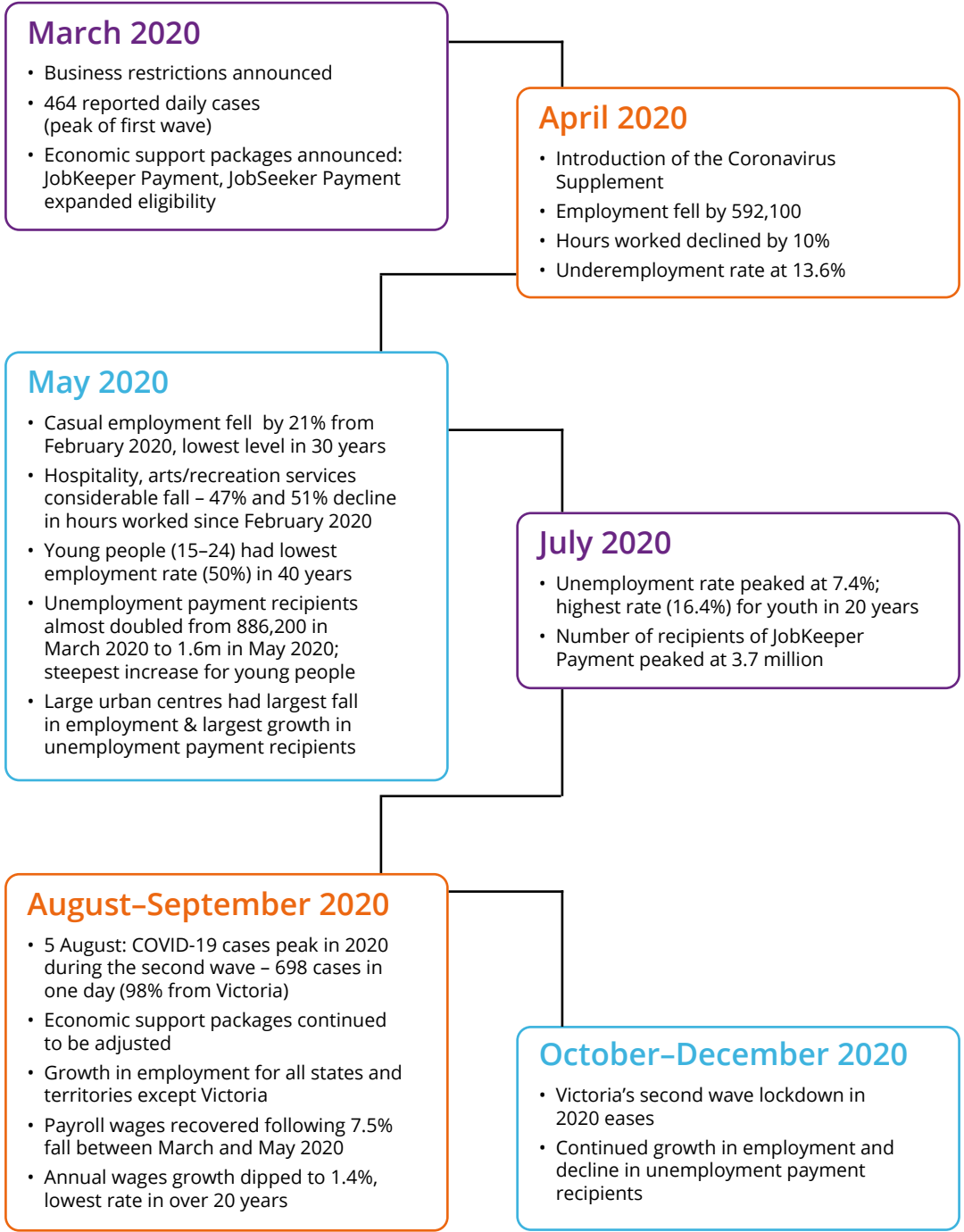
Australia made great progress in improving labour market and income outcomes, with most measures rebounding quickly within 12 months of the imposition of restrictions, faster than for previous recessions. From June 2020, with the progressive easing of restrictions and businesses reopening, there was a steady growth in employment, in the number of hours worked, in total wages, and in income and household spending. By May 2021, most of these measures were faring better than their pre-pandemic level in March 2020, including employment, which reached its highest level on record; unemployment and underemployment were also below their pre-pandemic levels.

Not all measures had returned to pre-pandemic levels by May 2021 though. Hours worked were still lower for those working in industries hardest hit during the pandemic and receipt of unemployment payments was still higher.

Further details on the key findings presented in this article, in the context of the business and services restrictions and policy changes, are presented in Figure 4.1.

While the speed of this COVID-19-related recovery has been faster than for previous labour market downturns, the full impact of the pandemic on the economic wellbeing of Australians is still to be determined. Australia continues to experience COVID-19 outbreaks and associated business-related restrictions across several states (for example, in July 2021, half of Australia was in lockdown).

**Figure 4.1: Key policy, employment, income support and income changes, March 2020–May 2021**



*continued*

**Figure 4.1 (continued): Key policy, employment, income support and income changes, March 2020–May 2021**

### March 2021

- JobKeeper Payment and the Coronavirus Supplement ended
- JobSeeker Payment temporary policy changes ended

### May 2021

#### Back to pre-pandemic (March 2020) levels or better:

- Employment rate (15-64) of 75.5%, highest on record and above previous high (74.5% in January 2020)
- Unemployment rate of 5.1%, below pre-pandemic level (5.3% in March 2020)
- Underemployment rate of 7.4%, below pre-pandemic level (8.8% in March 2020)
- Higher total hours worked (2.9% higher) and payroll wages (3.1% higher) than March 2020

### May 2021

#### Progress still required to reach pre-pandemic (March 2020) levels:

- Hours worked was lower than in February 2020 for:
  - Casual employees (1.2% below)
  - Hospitality, Arts, Recreation services (5.5% and 2.6% below)
- Payroll jobs in hospitality remain 9.8% below March 2020 levels
- Number of unemployment payment recipients remain higher (28% higher than in March 2020)

## Background

Shortly after the World Health Organization declared the Coronavirus disease 2019 (COVID-19) a pandemic in March 2020, the Australian Government introduced a range of measures to contain the virus and to protect Australia's health care system from becoming overwhelmed. These included:

- widespread spatial distancing
- testing and contact tracing
- shutdown of all non-essential business and activities and many education restrictions
- restrictions on local and international travel (including quarantine for travellers), gathering size, opening hours for many businesses, and public transport.

These measures were relatively successful in preventing the spread of the virus in Australia in 2020 and early 2021 and in managing its direct health effects, especially when compared with other countries. They did, however, substantially affect the Australian economy, with many people suddenly finding themselves without a job, similar to the situation seen globally. To help offset the economic downturn that followed business shutdowns, the Australian Government's economic response included:

- the JobKeeper Payment (to keep employees connected with their employers)
- the Coronavirus Supplement for working-age income support recipients
- temporary eligibility changes to the JobSeeker Payment
- economic support payments (one-off payments in March, July, December 2020 and March 2021).

This economic downturn affected the employment status and income levels of some individuals and households more than others. The consequences appear to have been greater for young people and females (at least initially), as they were more likely to work in occupations and industries most affected by the shutdowns and spatial distancing measures. The impacts on the labour market across Australia also varied; some regions experienced a higher number of job losses and need for income support than others.

This article explores the impact of the business shutdowns associated with the COVID-19 pandemic on the employment, receipt of government payments, and income levels of Australians, focusing on specific populations disproportionately affected by these shutdowns. It discusses:

- policy measures adopted to reduce the impact of the labour market changes associated with the COVID-19 pandemic, including international comparisons
- the effects of business-related shutdowns on a range of employment measures, including employment, unemployment, underemployment, hours worked and industries most affected; as well as the JobKeeper Payment.

- the impact of these labour market changes on receipt of government income support payments, in particular the JobSeeker Payment
- changes to income and wages during 2020 and 2021.

The article examines 3 key periods:

- March–May 2020: the peak of the first wave in infections and the introduction of the shutdown of all non-essential business and activities
- June–August 2020: easing of restrictions as infection rates started to fall across most states and territories
- September 2020–May 2021: further easing of restrictions and government support packages, with very few confirmed cases, and with regional-specific responses to outbreaks (for example, in Melbourne and Sydney).

Note that in this article, the exact month for any references to ‘pre-pandemic’ or ‘pre-COVID’ varies by data source and depends on data availability; it usually refers to the period before business shutdowns began affecting the economy (before March 2020) rather than to the period before the first case was confirmed in Australia (25 January 2020).

At the time of finalising this article in mid-July 2021, the latest available employment and income support payments data was from May 2021. More recent data released in August 2021, shows that the employment rate for people of workforce age (15–64) remains higher than it was prior to the onset of the pandemic (75.7% in July 2021). While nationally employment grew slightly in July (2,200 more employed people than in June 2021), in NSW employment fell (by 36,000) and total hours worked fell by 7.0% (nationally hours worked fell by 0.2%). The unemployment rate declined to 4.6% in July 2021 and remains lower than it was before the pandemic in March 2020. The underemployment rate declined to May 2021 and then rose to 8.3% in July 2021, but still remains below pre-pandemic levels. Labour force data for July is yet to fully reflect the impact of the lockdowns from mid-2021.

This slower growth in employment since May 2021 was influenced by the further outbreaks and associated business restrictions (in particular in Victoria and Greater Sydney) that affected employment levels and the need for further economic support packages to support Australians affected by these restrictions. These additional economic support packages introduced in June–August 2021 are not included in this article. They included the Australian Government COVID-19 Disaster Payment (payment for loss of income due to the COVID state public health order), Pandemic Leave Disaster Payment (lump sum payment due to the need to self-isolate or quarantine) and New South Wales JobSaver payment (40% of weekly payroll for eligible businesses and organisations) (Services Australia 2021a, 2021b; Service New South Wales 2021).

## Policy responses to COVID-19

In late March 2020, the Australian Government introduced a range of economic support packages to offset the adverse impacts on the labour market of the measures it introduced to slow the spread of the COVID-19 virus – widespread social distancing and other business related restrictions. Two of the largest of these support packages were:

- the introduction of the Coronavirus Supplement for working-age income support recipients
- the introduction of the JobKeeper Payment that provided wage subsidies to eligible businesses for payment to their employees.

State and territory governments also implemented a range of support measures to help slow the spread of COVID-19 in their jurisdiction.

### JobSeeker Payment and Coronavirus Supplement

The JobSeeker Payment is the primary income support payment for working-age Australians (aged over 22 but under the Age Pension qualifying age, 66.5 years on 1 July 2021) who are looking for work or earning under the income threshold. Receipt of this payment is typically subject to asset tests and mutual obligation requirements (such as looking for work or engaged in activities that that will assist with finding work in the future).

In March 2020, the JobSeeker Payment replaced Newstart Allowance, consolidating it with several other payments (such as Sickness Allowance and Bereavement Allowance). Short-term policy changes were made to JobSeeker Payment in late March 2020 (such as waiving the assets tests, waiting periods, and mutual obligation requirements) in response to the COVID-19 pandemic, as described in Box 4.1. These changes provide an important context for the following sections of this article as increasing the number of people eligible for the payment is likely to increase the number of those who receive it.

As well as short-term policy changes to the JobSeeker Payment, some income support payments also temporarily received the Coronavirus Supplement. From 27 April 2020, this supplement was provided for new and existing recipients of unemployment payments (JobSeeker Payment, Youth Allowance, Parenting Payment) and a number of other income support payments. It was initially paid at \$550 per fortnight; it was adjusted to \$250 from 25 September 2020, and then adjusted again to \$150 from 1 January 2021. The Coronavirus Supplement ended on 31 March 2021. In April 2021, there was a permanent increase (an increase of \$50) to the base rate of working-age income support payments, including the JobSeeker Payment.



### Box 4.1: Policy changes to the JobSeeker Payment in response to COVID-19

Temporary changes to the JobSeeker Payment to the 31 March 2021 included:

- expanding eligibility criteria to provide access to sole traders and to other self employed people, to permanent employees who were stood down or lost their job, and to people caring for someone affected by COVID-19 – from 25 March 2020
- waiving the assets test – from 25 March 2020
- waiving the ordinary waiting period, liquid assets waiting period, newly arrived residents waiting period and the seasonal work preclusion period – from 25 March 2020
- relaxing the partner income test by lowering the amount by which payment rates were reduced as a result of partner income – from 27 April 2020
- increasing the income-free area for the JobSeeker Payment and the Youth Allowance (other) – from 25 September 2020.

As well, some temporary changes were made to make the claims process easier, including no longer requiring Employment Separation Certificates or payslips. These changes applied for the period 25 March 2020 to 24 September 2020.

In April 2021, there was a permanent increase to the base rate of working-age income support payments, including the JobSeeker Payment, which was \$55 per fortnight higher than the base rate in March 2020 (\$620.80 per fortnight compared with \$565.70 per fortnight as at 20 March 2020).

## JobKeeper Payment

In March 2020, the Australian Government introduced the JobKeeper Payment. This payment, a fortnightly wage subsidy, was designed to support the economy during the COVID-19 pandemic by helping keep businesses trading and people employed. Eligible organisations had to pay their employees the full JobKeeper amount (after tax) – regardless of whether an employee had undertaken any work– after which the organisation received the JobKeeper Payment from the Australian Tax Office. The conditions of eligibility for businesses and employees are described in Box 4.2.

The introduction of the JobKeeper Payment limited the number of people claiming income support payments (such as the JobSeeker Payment) by providing income to eligible individuals who were stood down or who had their working hours reduced, as well as subsidising the wages of businesses who faced a downturn in revenue. The JobKeeper Payment was considered income for the purposes of the social security income test. This means that people could have been ineligible to receive both the JobKeeper Payment and an income support or other payment at the same time, in particular those in receipt of the first iteration of the JobKeeper Payment. However, some recipients may have been eligible to receive JobKeeper Payment and a part-rate income support or other payment, depending on their circumstances (Arthur 2020).

#### **Box 4.2: JobKeeper Payment eligibility requirements**

The JobKeeper Payment was introduced at \$1,500 per fortnight. Businesses (and some non-profits) were eligible if their turnover was:

- less than \$1 billion and they had an estimated or projected decline of at least 30%
- above \$1 billion and they had an estimated or projected decline in turnover of at least 50%.

Workers needed to be employed by 1 March 2020 to be eligible for the payment. In August 2020, this date was changed to 1 July 2020. Furthermore, casual employees had to be employed on a regular and systematic basis for at least 12 months to receive the payment.

In May 2020 and July 2020, further eligibility requirements were applied, including payments being no longer available for employees of child care services (from 20 July 2020), and those aged 16 or 17 had to be financially independent from their parents, or not studying full-time, to be eligible (from 11 May 2020).

On 28 September 2020, the program was extended by 6 months and changes were made to the JobKeeper Payment (referred to as JobKeeper Extension payment). To receive this payment, organisations now needed to show an actual decline in turnover during the September 2020 quarter compared with the 2019 September quarter, rather than an estimated or projected decline as required previously. The payment was also adjusted to \$1,200 for people who worked 80 hours in the 28 days prior to the employee reference date or \$750 for those who worked fewer hours.

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**Box 4.2 (continued): JobKeeper Payment eligibility requirements**

In January 2021, to be eligible for the JobKeeper Extension payment, organisations again needed to show an actual decline in turnover (during the December 2020 quarter compared with a comparable quarter in 2019) and the payment was adjusted to \$1,000 for those who worked 80 hours in the previous 28 days and \$650 for those who worked fewer hours.

The program ended on 28 March 2021.

See <https://treasury.gov.au/coronavirus/jobkeeper> for more information on the JobKeeper Payment.

**Policy responses by states and territories**

State and territory governments also introduced a range of measures to slow the spread of COVID-19 in their jurisdiction. This included tightening and easing of restrictions in response to changes in COVID-19 case numbers, as well as jurisdiction-specific economic support packages (a mix of Australian and state and territory government payments) for regions most affected by restrictions. The Victorian Government, for example, announced in May 2021 the Circuit Breaker Business Support Package, a \$500 million support package for small to medium businesses and sole traders (Business Victoria 2021).

**Employment policy responses in comparable countries**

Like Australia, other countries also took precautionary measures in early 2020 to prevent the spread of COVID-19, such as social distancing measures, closure of businesses and schools, and border closures. Each government's response to the crisis had impacts on employment levels and the economy.

According to the Organisation for Economic Co-operation and Development (OECD), job retention schemes were one of the main policies used by OECD countries to protect economies and contain employment fall-out due to COVID-19 restrictions. However, countries took different approaches to these schemes (OECD 2020). For example:

- Germany, France and the United Kingdom implemented short-time work schemes that directly subsidised hours not worked
- Australia, New Zealand and Canada (and others) introduced a wage subsidy to subsidise hours worked and to top up the earnings of those employees on reduced hours. Wage subsidy schemes are not conditional on a reduction in working hours.

The aim of both schemes are job retention and to help place economies in 'hibernation', allowing them to return quickly after COVID-19 restrictions ease (Arthur 2020; OECD 2020).

New Zealand had 2-tiered systems for full-time and part-time workers and, if the wage subsidy was more than the employee's usual salary, the difference had to be paid back (Work and Income 2020). Canada announced a 75% wage subsidy for qualifying businesses for up to 3 months. Dependency on these schemes differed between countries. By the end of May 2020, the share of dependent employees was around 65% in New Zealand, 30% in the United Kingdom, 25% in Australia and 15% in Canada (OECD 2020).

## How did COVID-19 impact on employment in Australia?

Employment underpins the economic output of a nation and enables people to support themselves, their families and their communities. It is also tied to physical and mental health and is a key factor in overall wellbeing. Given this, it is important to understand and monitor the impacts on employment and work of the widespread social distancing and other business related restrictions to slow the spread of COVID-19 in late March 2020. The restrictions on social gatherings and the cessation of a range of activities (including the operation of registered and licensed clubs, licensed premises in hotels and bars, and entertainment venues such as cinemas and casinos) along with restrictions placed on cafés and restaurants are likely to have had a substantial impact on employment levels in Australia.

Data from the Australian Bureau of Statistics (ABS) Labour Force Survey (LFS) support routine reporting of standard measures of labour force participation (including employment, unemployment and underemployment). When analysing changes in employment over the medium and long term, it is important to take the size of the population into account. One way to do this is to monitor employment trends (employment-to-population ratio or employment rate) in the working-age population (those aged 15–64) in addition to the more common focus on the unemployment rate and the level of employment for those aged 15 and over (see Box 4.3 for more details).

This section presents information on these measures, focusing largely on how they changed during the COVID-19 pandemic (covering the period from March 2020 to May 2021, the latest available data at the time of writing). It also examines whether some population groups, such as young people, females and those living in urban areas, were more affected than other groups. Understanding the impacts on different demographics is important for providing adequate support and informing economic policy to help those most adversely affected.

### Box 4.3: Labour force data sources and definitions

Data from the ABS LFS (see <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release>) are used to report on measures of participation in the labour market – employment, unemployment and underemployment. The information presented in this article uses the original and seasonally adjusted data series where available.

The measures included in this article are defined as:

**Employment rate** (also known as the employment-to-population ratio) describes the number of employed people as a proportion of the civilian population. For the purposes of this article, the employment rate refers to the working-age population, those aged 15–64. This age restriction has been applied as it is important to account for the size of the population when monitoring longer term trends in employment rates, given the growth in the aged population (those aged 65 and over) in recent decades.

**Unemployment rate** describes the proportion of the population aged 15 and over in the labour force who are unemployed. Unemployed is defined as those not employed in the survey reference week who had:

- either actively looked for work in the last 4 weeks and were available for work in the reference week
- or had been waiting to start a new job within the last 4 weeks and could have started had it been available.

**Underemployment rate** describes the proportion of the population aged 15 and over in the labour force who were underemployed. Underemployed is defined as those who are either:

- employed part time who want to work more hours and are available to start working more hours within the next 4 weeks or
- employed full-time but worked fewer than 35 hours during the survey reference week for economic reasons (including being stood down or insufficient work being available).

**Labour force participation rate** describes the proportion of the population aged 15 and over who are in the labour force (employed or unemployed). For the purposes of this article, the labour force participation rate refers to the working age population, those aged 15–64.

See *Standards for Labour Force Statistics* (ABS 2018) for more details on these labour force definitions.

*continued*

### Box 4.3 (continued): Labour force data sources and definitions

#### JobKeeper and JobSeeker Payments and ABS LFS definitions

People who received the JobKeeper Payment were counted as being employed in the ABS LFS, as the LFS considers people to be employed if they were away from their job for any reason (including if they were stood down) and were paid for some part of the previous 4 weeks (including through the JobKeeper scheme) (ABS 2020b).

People who received the JobSeeker Payment were classified in the ABS LFS based on their labour market activity. Because of COVID-19, the mutual obligation requirements that people till then ordinarily had to meet to receive the JobSeeker Payment (which could include looking for work or studying) were suspended in March 2020; they have been gradually re-introduced since August 2020.

These changes may have influenced whether people were actively searching for jobs – which would affect whether they were classified as ‘unemployed’ or ‘not in the labour force’ in the ABS LFS. They would, however, remain as ‘not employed’ in the ABS LFS unless they actually had a job.

## Employment was rising before April 2020

Since February 1978, when the current Labour Force series began, the employment rate has shown an upward trend, associated with rises in female labour force participation. However, over this time, there have been several economic downturns – the early 1980s and 1990s recessions and the 2008–09 global financial crisis (GFC) – that have resulted in falls in the employment rate. Following the GFC, the seasonally adjusted employment rate for those aged 15–64 fell from 73% in 2008 to 72% for most of 2009 through to early 2017 before gradually increasing to 74% between 2018 and March 2020. While the female employment rate in the first 3 months of 2020 (71%) was the highest it had been over the preceding 40 years, the employment rate for males (79%) was lower than it was for most of 2007 and 2008 (80%) before the GFC, and considerably lower than it was in the late 1960s (83% in 1966–1967; ABS 2007).

Since the late 1970s, the seasonally adjusted unemployment rate has fluctuated between 4–11% due to a number of economic downturns and recoveries. However, since reaching a peak of around 10–11% in the early 1990s, it has been on the downward trend, falling to around 4% for most of 2007 and 2008. Following the GFC, it increased to 6% for most of 2009 and has generally remained around 5–6% between 2010 and 2020. The unemployment rate ranged from 5.4% to 5.0% from May 2018 to February 2020 (5.1%) just prior to the onset of the pandemic.

The underemployment rate has also been influenced by the economic downturns in the early 1990s and the GFC, fluctuating around 6–7% (seasonally adjusted) between 1991 and early 2009, increasing to 8% in 2009 and then remaining around 8–9% between 2014 and March 2020 (8.8% in March 2020). These long-term trends have largely been driven by the underemployment of part-time workers, reflecting the increased share of part-time employment in the labour market and growing underemployment among part-time workers. More recently, employers have increasingly tended to adjust their workforce by changing the hours of existing employees, rather than by changing the total number of employees. This has also contributed to the increase in underemployment in Australia (Chambers et al. 2021).

Over the last 40 years, the female labour force participation rate for those aged 15–64 has generally been rising (from 50% to 74% between March 1978 and March 2020) while the male labour force participation rate for those aged 15–64 has been slowly falling (from 87% to 83%).

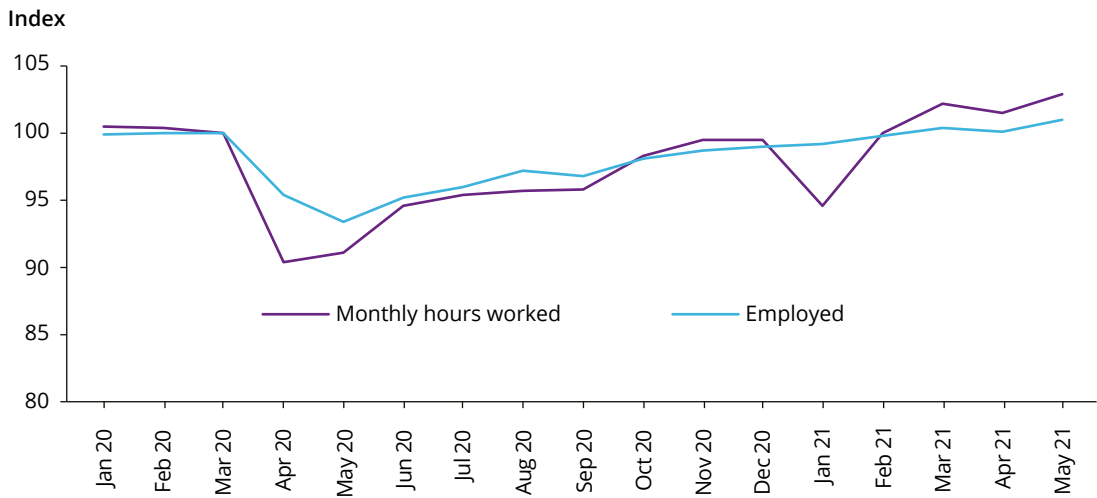
For more details on these long-term trends, see ‘Employment and unemployment’ at [www.aihw.gov.au/reports/australias-welfare/employment-unemployment](http://www.aihw.gov.au/reports/australias-welfare/employment-unemployment).

## Steep fall in employment in April 2020, recovered, and at record high by May 2021

In interpreting changes in the ABS LFS statistics on employment and work in 2020 and 2021, it is important to consider the impact of the JobKeeper wage subsidy. Recipients of this subsidy continued to be paid by their employer and therefore were considered to be employed in the labour force data even if working zero hours. This wage subsidy kept some people officially ‘in employment’ who otherwise may have been made redundant and therefore likely to be unemployed or be outside the labour force (discussed further in the next section and in boxes 4.2 and 4.3). JobKeeper ended in March 2021, so labour force data from April 2021 onwards are no longer directly subject to this effect.

Following the announcement of restrictions on social gatherings and the cessation of a range of activities, the number of employed people aged 15 and over (seasonally adjusted) fell by 592,100 between March and April 2020. This was by far the largest monthly fall in employment since the current Labour Force series began in February 1978. Employment declined by a further 264,800 in May 2020 but then increased every month to May 2021, except for a fall of 45,600 in September 2020 and another fall of 30,700 in April 2021. While employment fell rapidly in April and May 2020, by May 2021, the number of employed people had recovered to above its March 2020 level, with an additional 130,400 employed people in May 2021 than in March 2020 (Figure 4.2).

**Figure 4.2: Hours worked and employment index, January 2020 to May 2021 (March 2020=100)**



*Notes*

1. The data in this figure are presented in the form of an index, representing seasonally adjusted monthly hours worked and number of employed people between January 2020 and May 2021 as a proportion of total hours and number of employed for March 2020.
2. Data are seasonally adjusted.

Source: ABS Labour Force Survey (ABS 2021f: Chart 1).

The large reductions in employment in April and May 2020 led to marked reductions in the seasonally adjusted employment rate for people aged 15–64, falling from 74.4% in March 2020 to 69.7% in May 2020. The employment rate steadily increased thereafter to 75.5% in May 2021, exceeding the previous high level in January 2020 (74.5%) and reaching its highest level since the current labour force series commenced in February 1978.

Job losses were associated with a spike in the number of people who were retrenched in the quarter to May 2020, at the height of the COVID-19-related social distancing and other business-related restrictions. In the quarter to May 2020, the retrenchment rate was 4.4% (or 573,400 retrenchments), the highest since August 2014 (when the current series on retrenchment commenced) and almost 4 times as high as the quarter to February 2020 (148,100 retrenchments or 1.1%). It then declined in each quarter to May 2021 – from 2.4% in August 2020 to 0.8% (or 99,900 retrenchments) in May 2021, which was below the pre-pandemic levels (48,200 fewer people retrenched than in the quarter to February 2020; ABS 2021h:Table 29a).

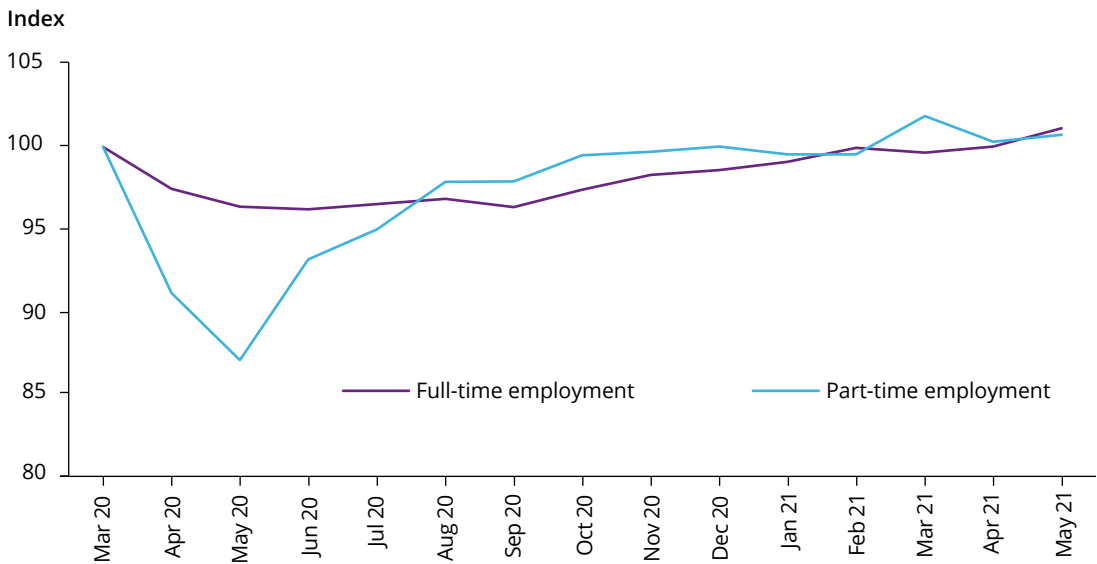


Additional measures were developed during the COVID-19 period to assess unemployment and loss of work. One such composite measure was the 'effective unemployment rate', developed by the Department of the Treasury. This measure includes unemployed people, those who have recently withdrawn from the labour force and those still connected to their employer but working zero hours. The effective unemployment rate peaked at around 15% in April 2020; it then declined to around 14% in May 2020 and then to 11% in June 2020, as restrictions started to ease and employment increased, with fewer people working zero hours (Kennedy 2020).

Another way to look at trends in employment is to focus on monthly aggregate hours worked. This is important as people on JobKeeper were counted as employed even if working zero hours. As shown in Figure 4.2, between March and April 2020, seasonally adjusted monthly hours worked declined by almost 10% but rose almost every month from April 2020 to May 2021. The exception to this was a fall in January 2021 (declined by 5.4% of March 2020 levels or a monthly fall of 5.1%) and April 2021 (monthly fall of 0.7% but still 1.5% higher than March 2020 levels). These falls in hours worked are associated with a larger number of people than usual taking leave over January 2021 and the Easter holiday period (ABS 2021f). Hours worked in May 2021 were 2.9% higher than hours worked in March 2020.

Looking at the pattern of working hours, it is worth noting that the number of people in part-time employment fell at a much faster rate than those in full-time employment between March and May 2020 – a 13% decline compared with a 3.6% decline for full-time employment (Figure 4.3). From May 2020, the number of people in part-time employment increased and, by December 2020, seasonally adjusted levels were similar to those in March 2020. By May 2021, 30,300 more people were in part-time employment than in March 2020. While overall part-time employment grew at a faster rate than full-time employment in the 12 months to May 2021 (16% compared with 4.9%), since September 2020, full-time employment has been growing at a faster rate (5.0% increase compared with 2.9% for part time employment between September 2020 and May 2021).

**Figure 4.3: Full and part-time employment index, March 2020 to May 2021  
(March 2020=100)**



*Notes*

1. The data in this figure are presented in the form of an index, representing the number of people in full-time and part-time employment between March 2020 and May 2021 as a proportion of people in full-time and part-time employment in March 2020.
2. Data are seasonally adjusted.

*Source:* ABS Labour Force Survey (ABS 2021i: Table 1).

The number of people who worked zero hours for economic reasons rose dramatically between March and April 2020 (a 10-fold increase from 76,400 to 766,800), at the height of the COVID-19-related shutdowns and restrictions. It has since fallen in most months to May 2021, except for an increase in August 2020 and January–February 2021, reflecting the tighter restrictions imposed to control the COVID-19 outbreaks in specific areas. In May 2021, the number of people working zero hours (58,200) has remained relatively stable since March 2021 and below the levels observed in March 2020 (ABS 2021f: Chart 6).

## Casual employment fell to its lowest level in 30 years

The term ‘casual work’ is used to describe a large variety of work arrangements, and typically includes employees who do not tend to have leave entitlements (such as paid sick leave or annual leave). Such entitlements are usually for non-casual or permanent employees (ABS 2020c). Note that, in March 2021, a specific definition for casual work was introduced (Fair Work Ombudsman 2021). However, data presented in this section are based on currently available data from the ABS LFS on employees without leave entitlements that are used as a measure of casual employment.

The share of all employees employed on a casual basis in Australia grew from the late 1980s to the early 2000s (28% in August 2003) but remained relatively steady in the 6 years to February 2020 (around 24–25%). It fell to 20.6% in May 2020, the lowest rate since August 1991 (ABS 2020c). By May 2021, this share had risen to 23.7%, almost the same level as in February 2020 (24.1%; ABS 2021h: Table 13).

Casually employed workers accounted for nearly two-thirds (63%) of the job losses between February and May 2020 (ABS 2020a). Over this period, the number of casual employees fell by 21%, compared with a 2.6% drop in the number of employees who were not casually employed (that is, those with leave entitlements). From May 2020, the number of casually employed workers steadily increased from 2.1 million to 2.6 million by May 2021, slightly below the numbers seen in February 2020 (25,300 fewer).

Total hours worked by casual employees fell by 28% between February 2020 and May 2020, compared with a decrease of 6.1% for non-casual employees. By May 2021, hours worked for casual employees were still below pre-pandemic levels (1.2% lower than in February 2020) while hours worked for non-casual employees were 0.9% higher than in February 2020 (ABS 2021h: Table 13).

## Steep initial rise in unemployment and underemployment, but recovered to below pre-pandemic levels by May 2021

In March 2020, before the business shutdowns associated with the COVID-19 pandemic, the seasonally adjusted unemployment rate was 5.3% for the population aged 15 and over. This rate increased to a peak of 7.4% in June and July 2020, and then gradually declined to 6.4% in January 2021. It fell further to 5.1% in May 2021, below the level observed in March 2020 (Figure 4.4).

These unemployment rates equate to an increase of 280,600 unemployed people between March and July 2020 (from 723,500 to 1.0 million over this period).

The number of people unemployed then fell by 303,000 between July 2020 and May 2021 (to 701,100 in May 2021).

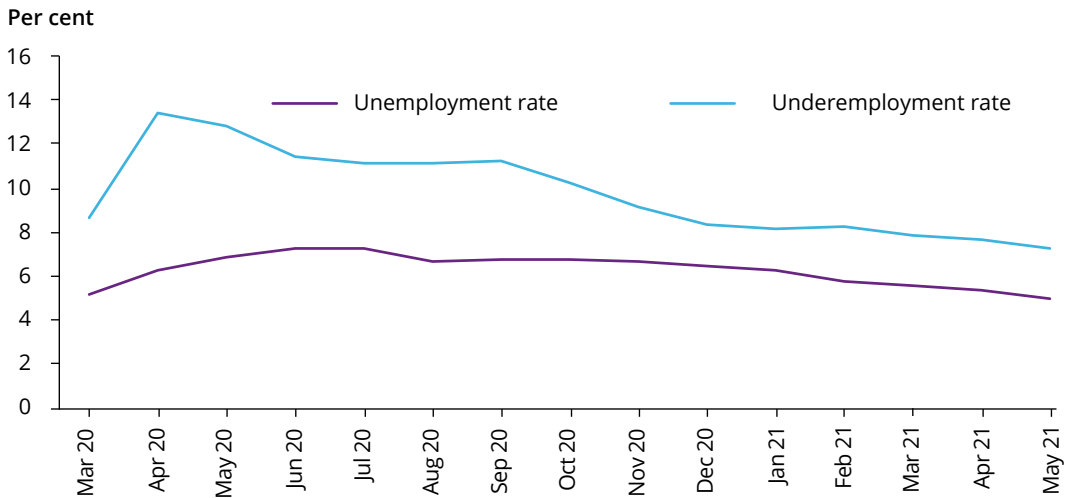
The underemployment rate followed a similar pattern, with large increases over the earlier months of the COVID-19 pandemic, but, by May 2021, was below the level observed in March 2020. The seasonally adjusted underemployment rate for the population aged 15 and over increased from 8.8% in March 2020 to a peak of 13.6% in April 2020, before gradually falling to 7.4% in May 2021, below the level before COVID-19-related business restrictions were imposed (Figure 4.4). The peak of 14% in April 2020, was the highest on record and almost twice as high as the rate observed over the average of the previous 20-year period (7.3%).

In terms of the number of people affected, those who were underemployed increased from 1.2 million in March 2020 to 1.8 million in April 2020 (an increase of 601,200 people) and then steadily declined to 1.0 million in May 2021.

This initial increase, and subsequent decrease, in the underemployment rate, was largely driven by reductions in hours for full-time workers for economic reasons, as there was little change over this period in the underemployment rate among part-time employees (Chambers et al. 2021). This suggests that the COVID-19 pandemic had a large impact on hours worked and a minimal impact on the preferences of part-time employed people for more hours (ABS 2021j).

Because full-time employed people who work part-time hours (that is, fewer than 35 hours) in the reference week for economic reasons count as underemployed, the introduction of the JobKeeper Payment is likely to have caused a spike in the underemployment rate (some people on JobKeeper worked zero or reduced hours). This should be taken into consideration when interpreting underemployment data. The JobKeeper Payment also had a protective effect in keeping employees connected to their employers; without this, it is likely that there would have been a larger increase in the unemployment rate over this period.

**Figure 4.4: Unemployment and underemployment rate, people aged 15 and over, March 2020 to May 2021**



Note: Data are seasonally adjusted.

Source: ABS Labour Force Survey (ABS 2021i: Table1, Table 22).

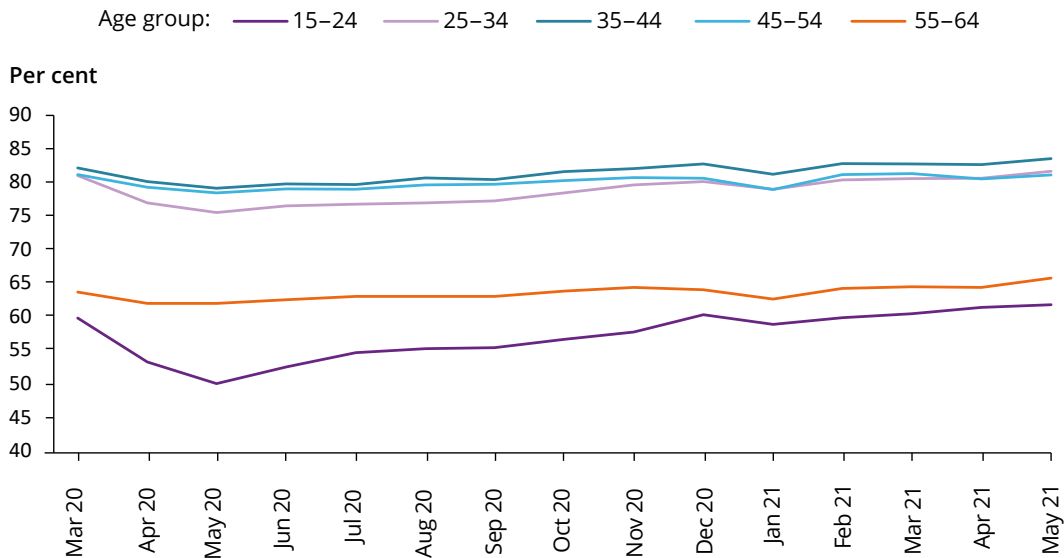
## Labour force outcomes worse for young people than older age groups but all age groups had recovered by May 2021

Young people aged 15–24 accounted for 38% of the 856,900 decrease in employment between March and May 2020 and experienced the steepest rise in the unemployment rate. Young people were particularly affected by loss of work during this time, as they were more likely to work in industries hardest hit by social distancing measures (for example, retail, hospitality and recreation). As well, a considerable share of young people are employed on a casual basis and, to be eligible for JobKeeper, casual employees had to have worked with their employer on a regular and systematic basis for 12 months. This was because the JobKeeper Payment was targeted at supporting those employees who had an ongoing connection with their nominated employer. This meant that a large share of young people were ineligible for the payment (Klapdor & Giuliano 2020). On the other hand, young people did benefit from the Coronavirus Supplement income support payment.

### Young people had the steepest drop in employment rates

Between March and May 2020, the employment rate for young people aged 15–24 fell from 60% to 50%, the lowest rate since the Labour Force series began in 1978 (it ranged from 54% in August 1993 to a high of 67% in late 2007). This was the largest fall of all age groups over this period, followed by that for those aged 25–34 (from 81% to 76%). The employment rate for all other age groups fell by 2–3 percentage points between March and May 2020 (Figure 4.5).

The employment rate for those aged 15–24 began recovering after this low in May 2020, reaching 62% by May 2021, above the level in March 2020. In May 2021, all age groups had employment rates that were above March 2020 levels, before the introduction of business restrictions, except the 45–54 age group where employment rates were similar.

**Figure 4.5: Employment rate, by age group, March 2020 to May 2021**

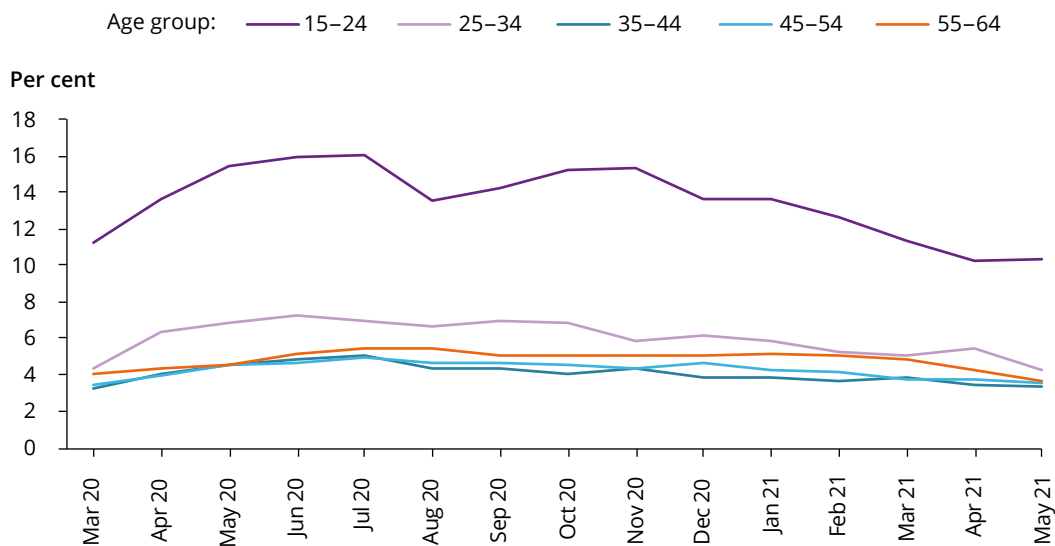
Note: Data are based on the original Labour Force series and are not seasonally adjusted.

Source: ABS Labour Force Survey (ABS 2021h: Table 1).

## Unemployment rates for young people the highest in over 20 years

The seasonally adjusted unemployment rate for young people aged 15–24 increased from 11.6% in March 2020 to a high of 16.4% (or 344,700 unemployed youth) in July 2020, the highest rate since February 1997 (when the youth unemployment rate was 16.5%). After this initial spike, it then generally declined and returned to below pre-COVID levels by April 2021. In May 2021, the youth unemployment rate was 10.7%, which equates to 24,800 fewer unemployed young people than in March 2020.

The unemployment rate for the 25–34 age group also rose steeply between March and June 2020 (from 4.7% to 7.6%) and then fell to 4.6% by May 2021, while for the other age groups the relative growth in rates was slower (Figure 4.6).

**Figure 4.6: Unemployment rate, by age group, March 2020 to May 2021**

Note: Data are seasonally adjusted, except for the 55-64 age group.

Source: ABS Labour Force Survey (ABS 2021i: Table 22).

The seasonally adjusted underemployment rate for young people aged 15-24 rose from 19.2% in March 2020 to a peak of 23.6% in April 2020, the highest since the current Labour Force series began in February 1978. It has steadily fallen since, with the rate in May 2021 (15.8%) below the level observed in March 2020 and similar to the level in May 2014. Other age groups also saw a large increase in the underemployment rates between March and April 2020 (7.3% to 14.1% for those aged 25-34 and 6.3% to 10.6% for those aged 35-44), but by May 2021 had also dropped to below March 2020 levels (6.3% and 5.8%, respectively; ABS 2021i: Table 22).

## Labour force outcomes initially worse for females than males, but both males and females had recovered by May 2021

Females were particularly affected by loss of work during the initial months of the COVID-19 pandemic, as they were more likely to work as casual employees than males and more likely to work in public-facing industries, which were hardest hit by social distancing measures (for example, retail, hospitality and recreation) (Dados & Taksa 2020).

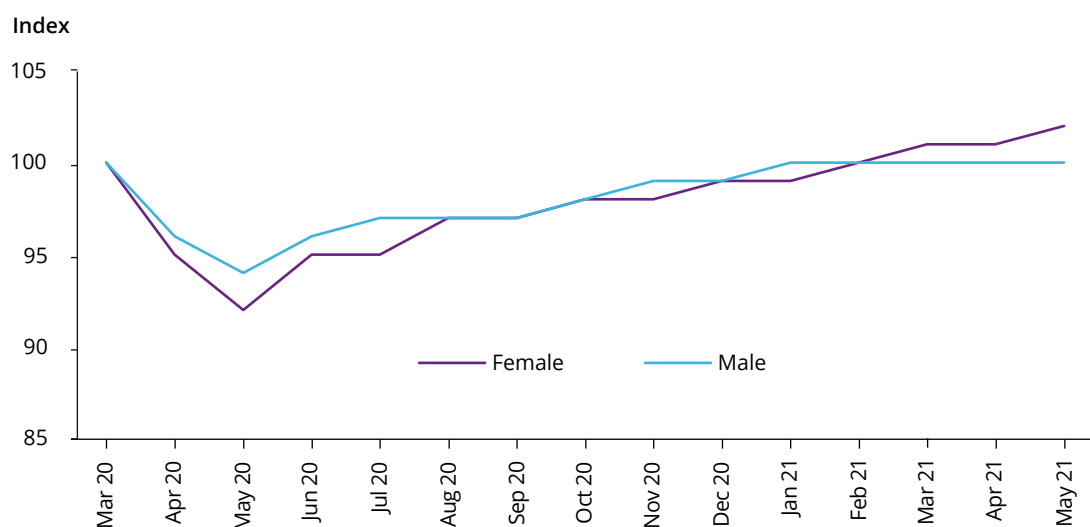
## Female employment fell faster, recovered and was at a record high by May 2021

Female employment fell at a faster rate than male employment early in the pandemic (Figure 4.7). However, by early 2021, female employment was higher than it was in March 2020 while male employment remained at a similar level to what it had been in March 2020.

Between March and May 2020, at the height of the COVID-19 restrictions, the number of employed females (seasonally adjusted) fell at a faster rate than the number of employed males – a decline of 7.7% (from 6.2 million to 5.7 million) compared with a 5.6% decline for males (from 6.8 million to 6.5 million). However, between June 2020 and May 2021, female employment numbers increased at a faster rate than for males – by 7.4% or 428,700 compared with 4.9% or 320,100 for males. By May 2021, 97,500 more females were employed than in March 2020 (1.6% higher) and 32,900 more males (0.5% higher).

In terms of the seasonally adjusted employment rate, females aged 15–64 had returned to pre-pandemic levels by February 2021 while male levels had recovered by April 2021. Both males and females were above pre-pandemic levels by May 2021 – 72.0% for females and 79.1% for males, compared with 70.4% and 78.5% in March 2020, respectively.

**Figure 4.7: Employment index, by sex, March 2020 to May 2021 (March 2020=100)**



### Notes

1. The data in this figure are presented in the form of an index, representing the number of employed males and females between March 2020 and May 2021 as a proportion of the number of employed males and females in March 2020.
2. Data are seasonally adjusted.

Source: ABS Labour Force Survey (ABS 2021i: Table 1).



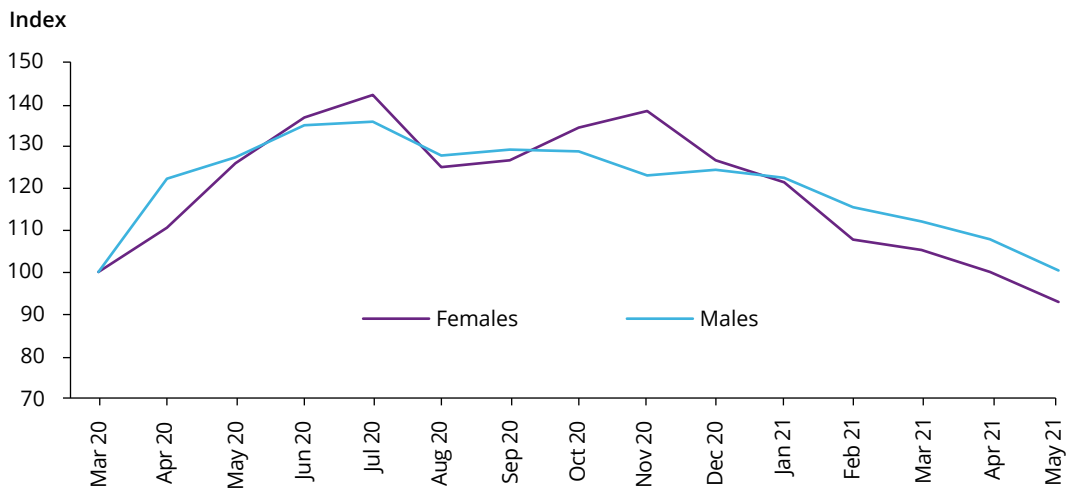
## Male unemployment rates did not recover as quickly as female rates

As shown in Figure 4.8, between March and April 2020, the number of unemployed males (seasonally adjusted) rose at a faster rate than female unemployment (22% increase compared with 11%). Thereafter, changes in unemployment were relatively similar for males and females, except in November 2020 where growth in the number of unemployed females was steeper than for males (38% compared with 23%). By May 2021, the number of unemployed females was below pre-pandemic levels (23,900 fewer unemployed females than in March 2020) and male unemployment had returned to March 2020 levels.

The female unemployment rate increased from 5.2% in March 2020 to a peak of 7.5% in July 2020 and then fell to 4.7% in May 2021. The corresponding rates for males were 5.4%, 7.4% and 5.4%, respectively. The larger fall in employment and smaller increase in unemployment among females is reflected in a slightly steeper decline in the labour force participation rate among females than males aged 15–64 between March and May 2020 (from 74% to 70% for females and 83% to 80% for males) (ABS 2021i: Table 18).

While unemployment rates for males were generally higher than for females in the 14 months to May 2021, the underemployment rate for females has stayed consistently higher than that for males over this period, consistent with longer term trends. In March 2020, the seasonally adjusted underemployment rate was 7.1% for males and 10.6% for females. In April 2020, when pandemic-related restrictions began, the underemployment rate increased, reaching a peak of 12.4% for males and 15.0% for females, before declining to 6.3% for males and 8.7% for females by May 2021, below the pre-pandemic levels in March 2020 (ABS 2021i: Table 22).

**Figure 4.8: Unemployment index, by sex, March 2020 to May 2021**  
(March 2020=100)



*Notes*

1. The data in this figure are presented in the form of an index, representing the number of unemployed males and females between March 2020 and May 2021 as a proportion of the number of unemployed males and females in March 2020.
2. Data are seasonally adjusted.

Source: ABS Labour Force Survey (ABS 2021i: Table 1).

## Victoria and capital cities had largest falls in employment

Before the COVID-19 pandemic (between 2016 and early 2020) and in the first few months of the pandemic until August 2020, changes in the number of employed people had been relatively consistent across all states and territories. However, the Stage 4 restrictions in Melbourne (and Stage 3 restrictions in regional Victoria) led to diverging patterns between Victoria and the rest of Australia between August 2020 and May 2021.

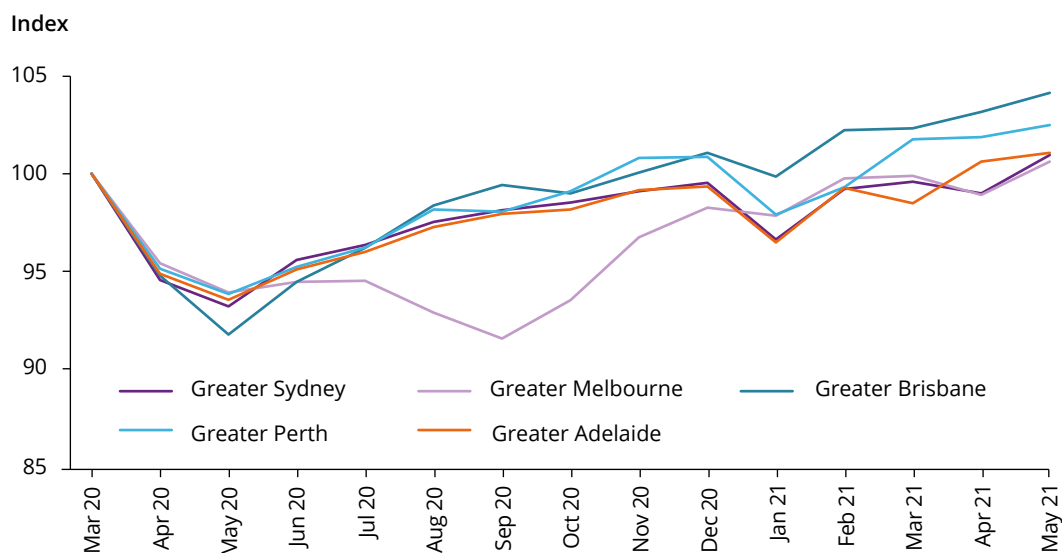
All states and territories saw a fall in employment in April 2020 (ranging from 5.3% in New South Wales and Queensland to 3.0% in the Northern Territory). In June and July 2020, the number of employed people increased in all states and territories except the Northern Territory. In August 2020, Victoria was the only state or territory to record a decrease (down 1.1%), while increases were observed in all other states and territories (from 1.3% in Tasmania to 4.1% in the Northern Territory). The divergence in data for Victoria from data for the rest of Australia in August 2020 reflects the introduction of tighter restrictions in Victoria in August 2020 to slow the spread of COVID-19 in that state.

Since October 2020, states have generally experienced an upward trend in employment across most of the months to May 2021, and the territories a slight decline. In May 2021, the numbers of employed people across all states and territories were similar to those in March 2020, except for the Northern Territory where the number of employed people was 4% lower than in March 2020 (ABS 2021i: Table 12).

Capital cities also experienced larger falls in the number of people employed than other areas during 2020. These analyses are focused on the larger capital cities: Sydney, Melbourne, Brisbane, Perth and Adelaide. As shown in Figure 4.9, from March to May 2020, the largest falls were observed in Brisbane, a fall of 8.2% (compared with a 6.1–6.8% fall in the other large capital cities). Since May 2020, employment has been generally increasing each month to May 2021, except in Melbourne in August and September 2020 where the fall in employment was one of the highest during the COVID-19 period (a fall of 7.2% and 8.4% from March 2020 levels).

This drop in employment coincided with the greater social distancing and business restrictions enforced in Victoria during the second wave of COVID-19. By May 2021, employment levels in these large capital cities were above the levels they were 14 months earlier, in March 2020 – in particular 4.1% higher in Brisbane and 2.5% higher in Perth than the March 2020 level for these cities.

**Figure 4.9: Employment index for selected capital cities, March 2020 to May 2021 (March 2020=100)**



*Notes*

1. The data in this figure are presented in the form of an index, representing employment numbers, by select capital cities, between March 2020 and May 2021 as a proportion of employment numbers for March 2020.
2. Data are based on the original Labour Force series and not seasonally adjusted data.

Source: ABS Labour Force Survey (ABS 2021h: LM1).

## Some industries (such as hospitality and recreation) hit harder than others and had not fully recovered by May 2021

One way to examine the impact of the pandemic-related business closures on different industries is to look at hours worked. In May 2020, the industries with the largest decline in hours worked were accommodation and food services, and arts and recreation services (47% and 51% decline, respectively, since February 2020) (ABS 2021h: Table 11). While these industries have recovered somewhat since May 2020, hours worked are still below pre-pandemic levels (5.5% and 2.6% lower than February 2020 levels in May 2021). These industries were particularly affected by the social distancing measures and business restrictions/shutdowns to control the virus at various times during 2020.

Meanwhile, the electricity, gas, water and waste services industry was one of the few that saw an increase in hours worked after business closures were introduced. Hours worked in this industry rose by 23% from February to May 2020 and remained above February 2020 levels through to May 2021 (14% higher in May 2021).

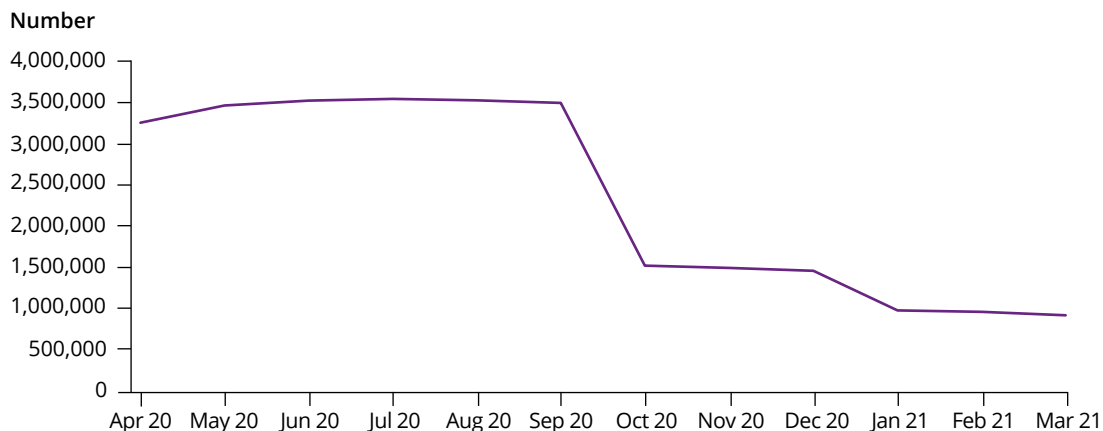
These results are also reflected in the ABS's Weekly Payroll Jobs and Wages in Australia data, which highlighted that the accommodation and food services, and arts and recreational services experienced the greatest job losses between 14 March and 11 April 2020 (35% and 30% decline, respectively). By 22 May 2021, job losses across many industries were continuing to recover, though accommodation and food services jobs were still down 9.8% from March 2020 levels (ABS 2021i: Table 4).

## JobKeeper Payment introduced to keep businesses running and Australians in jobs

The JobKeeper Payment was designed to maintain the connection between employees and their employer (see previous section headed 'Policy responses to COVID-19'). The data on JobKeeper Payment receipt in this section are sourced from previously unpublished data from the Australian Tax Office, unless otherwise stated.

In April 2020, the first month of the JobKeeper Payment, around 3.4 million employees received the payment increasing to a peak of 3.7 million by July 2020, and then declining to 3.6 million by September. From October 2020, eligibility changes to the payment came into effect (referred to as JobKeeper Extension payment), such as organisations needing to show an actual decline in turnover rather than an estimated or projected decline as required previously (see Box 4.2 for further details on eligibility changes over the period of the payment). These changes and the general improvement in labour market conditions meant that the number of people receiving the JobKeeper Payment reduced from 1.6 million in October 2020 to 1.0 million by March 2021 (Figure 4.10).

**Figure 4.10: Number of people receiving the JobKeeper Payment (April to September 2020) and the JobKeeper Extension Payment (October 2020 to March 2021)**



*Note:* For JobKeeper Payment the number of individuals are estimated based on payment disbursements after repayments from entities. For JobKeeper Extension Payment the number of individuals is based on a processed application and for whom a payment has been disbursed.

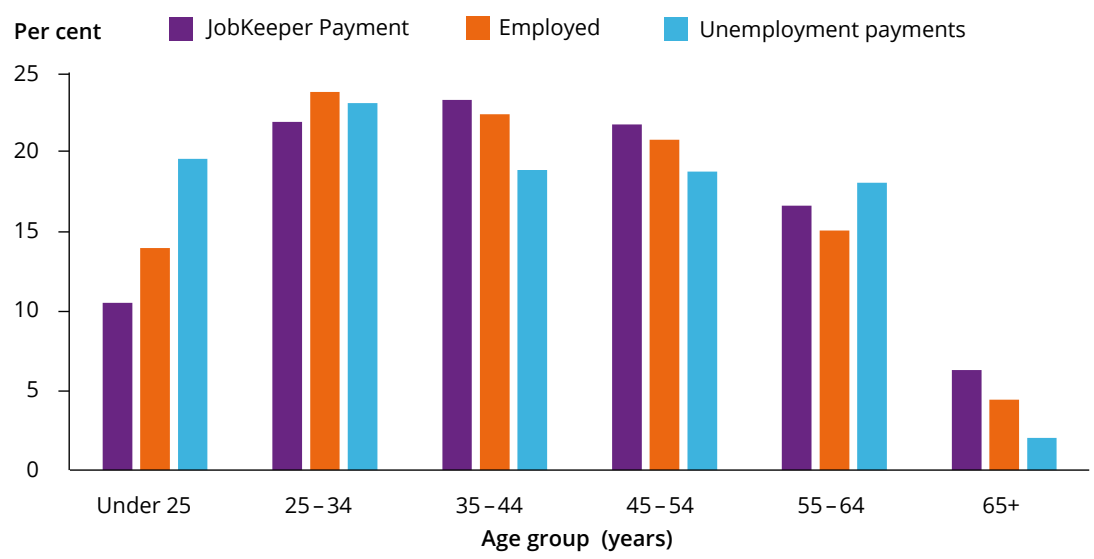
*Source:* AIHW analysis of previously unpublished data from the Australian Tax Office.

## Young people under-represented in JobKeeper Payment coverage

Between April and September 2020, similar proportions of employees in age groups 25–34 (22%), 35–44 (23%) and 45–54 (22%) received the JobKeeper Payment – with these 3 age groups accounting for 2 in 3 employees receiving the payment. These age groups also accounted for a similar proportion of the employed population.

Despite young people being disproportionately affected by the economic downturn associated with COVID-19 shutdowns, only 10% of employees who received the JobKeeper Payment between April and September 2020 were aged 24 or under. This under representation in JobKeeper Payment receipt for young people may reflect the eligibility rules for JobKeeper – that is, a high proportion of young people were employed as casuals and to be eligible for the JobKeeper Payment, casual employees had to be employed on a regular and systematic basis for at least 12 months. While young people were less likely to receive the JobKeeper Payment, they did benefit from receipt of unemployment payments (JobSeeker Payment, including the Coronavirus Supplement) – young people accounted for almost 1 in 5 recipients of unemployment payments in April 2020, as shown in Figure 4.11. However, not as many young people reaped the benefits of the JobKeeper Payment as older age groups – that is, remaining connected with their employers during the temporary economic downturn and available to restart employment when required.

**Figure 4.11: Age distribution of JobKeeper Payment recipients, unemployment payment recipients, and employed people, April 2020**



*Notes:*

1. Unemployment payments include JobSeeker Payment and Youth Allowance (other).
2. For the JobKeeper Payment the proportions per age group are based on employees who were nominated by employers for the JobKeeper program and were listed as eligible in the month shown.

*Sources:* AIHW analysis of Australian Tax Office unpublished data; ABS Labour Force Survey (ABS 2021i: Table 22); Department of Social Services JobSeeker Payment and Youth Allowance recipients – monthly profile data.

### Males more likely to receive the JobKeeper Payment and at the higher rate

According to ABS Household Impacts of COVID-19 Survey, JobKeeper Payment receipt in the first few months of the program differed by sex, with males more likely than females to receive the payment (with 13% to 16% of males aged 18 and over receiving it, compared with 9% to 13% of females between June and September 2020; ABS 2021d). There were minimal sex differences thereafter. However, males were more likely to report receiving the higher rate of payment than females between November 2020 (59% compared with 30%) and March 2021 (76% compared with 55%; ABS 2020e, 2021d). This is likely due to more males meeting the monthly hours of work requirement to qualify for the higher rate.

## Working from home increased

As well as the closure of non-essential businesses, working arrangements for many of those who remained in jobs changed in order to reduce the spread of the COVID-19 virus. One key change was an increase in working from home.

According to the ABS's Household Impacts of COVID-19 Survey, there was a large increase in 2020 in the proportion of people aged 18 and over with a job who worked at least 1 day a week from home in the previous 4 weeks – from 24% in March 2020 to 46% in late April to early May 2020 before falling to 36% by May 2021 (ABS 2020d, 2021e: Table 22.1). The main reasons employed Australians worked from home in February 2021 were COVID-19 restrictions (12%), the availability of flexible work arrangements (11%) and to catch up on work (5.5%) (ABS 2021c).

## How did COVID-19 affect income support payment receipt in Australia?

Adequate levels of income help a person support themselves, their family and the community more broadly. However, some people may not be able to earn enough income to meet the everyday costs of living, and therefore require government assistance. Government payments, such as income support and other payments, help those who may not be able to fully support themselves or would benefit from financial assistance at various stages of life.

The type of financial assistance a person receives often reflects their life circumstances at the time of receipt: payments are designed to assist those pursuing post-school learning, those unable to work (due to disability or caring responsibilities), those unable to find work, families with the cost of raising children, and rental costs (see Box 4.4 for further details). In 2017–18, almost 1 in 4 households (23%) reported government pensions and allowances as their primary source of income (ABS 2019).

As described earlier in this article, a number of government income support packages were introduced (the Coronavirus Supplement and expanded eligibility criteria to access the JobSeeker Payment) in response to the impacts on the labour market of the widespread social distancing and other business-related restrictions put in place to slow the spread of COVID-19 (see Box 4.1). Note that the JobKeeper Payment described in the previous section of this article was a wage subsidy through the tax system and not a social security income support payment.

This section examines the receipt of income support payments – in particular, changes in receipt of unemployment-related payments such as the JobSeeker Payment and the Youth Allowance (other) during the COVID-19 pandemic (covering the period from March 2020 to May 2021). It also explores whether some groups (young people, females and those living in particular areas) were more affected than others. Data are sourced from latest publicly available data (as at mid-July 2021) on income support receipt – Department of Social Services payment demographic data and Department of Social Services JobSeeker Payment and Youth Allowance monthly profile data– unless otherwise noted. The patterns and trends presented in this section should be considered in the context of the employment and JobKeeper Payment results presented in the previous section.

#### **Box 4.4: Income support payments**

The Department of Social Services administers social security payment policy in Australia and Services Australia delivers it. This article focuses on a specific category of social security payments called an ‘income support payment’ that are designed to serve as a recipient’s primary source of income. Individuals can receive only one income support payment at a time.

Income support payments are subject to means testing – as income and assets rise, the rate of payment is reduced towards zero. Some payments are also subject to activity tests; for example, to remain qualified for a payment, recipients of unemployment payments are required to actively look and prepare for work in the future. See Box 4.1 that includes further details on policy changes to specific payments during the COVID-19 pandemic.

In this article, income support payments include the Age Pension, student payments, unemployment payments (Newstart Allowance, JobSeeker Payment, Youth Allowance (other)), disability-related payments (Disability Support Pension, Carer Payment), and other income support payments.

## **Declining reliance on income support before 2020**

In interpreting data on the number of people receiving income support payments (see Box 4.4), it is important to take the size of the population into account as, until the onset of the COVID-19 pandemic, Australia had one of the fastest rates of population growth among OECD countries. One way to do this is to examine receipt of income support payments to the size of the population aged 16 and over.



In 2019, the proportion of the Australian population aged 16 and over on income support was at its lowest level in 20 years (24% in June 2019 compared with a high of around 29% between June 2001 and 2003). This is consistent with the decline observed for the working age population, with income support receipt falling from 22% in 2001 to 15% in 2018 for the population aged 18–64 (AIHW 2019).

Over the period from 2001 to 2019, income support receipt has generally fallen, reflecting in part labour market conditions as well as reforms to the social security system, such as enhancements to mutual obligation requirements over the last decade. For more information, see 'Chapter 3 Income support over the past 20 years in *Australia's welfare 2019: data insights*' <https://www.aihw.gov.au/reports/australias-welfare/australias-welfare-2019-data-insights/contents/summary>.

These reforms, combined with a declining unemployment rate, influenced the large decline in the proportion of the population aged 16 and over in receipt of income support until 2008 (from 29% to 25% between June 2001 and June 2008). The GFC affected a slight reversal of this trend, with proportions increasing thereafter to 27% by June 2010; since 2015, however, the decline seen earlier has continued (from 27% to 24% in June 2019).

There were 235,200 fewer income support recipients in June 2019 than in June 2015, with declines varying somewhat across payments – recipients of unemployment-related payments (previously Newstart Allowance and Youth Allowance (other)) contributed 39% to this decline, parenting payments 26%, student payments 27%, and the Disability Support Pension and Carer Payment 18%. Further details on these long-term trends are available in 'Income and income support' at [www.aihw.gov.au/reports/australias-welfare/income-support](http://www.aihw.gov.au/reports/australias-welfare/income-support).

## Reliance on income support increased during 2020

In the 12 months to March 2021 (latest available data at the time of drafting), the number of people receiving income support payments (such as unemployment, disability and age-related payments, and parenting payments) rose sharply. The rise in recipient numbers was steepest between March and June 2020, with 861,000 additional recipients (from 5.0 million to 5.8 million, or a 17% increase), reflecting the introduction of social distancing and business-related restrictions. Since June 2020, the number of income support recipients has been steadily declining, with 305,800 fewer recipients between June 2020 and March 2021. This downward trend reflects the easing of restrictions imposed to counter the COVID-19 pandemic. However, recipient numbers in March 2021 were still 11% higher (an additional 555,200 recipients or 5.5 million recipients in total) than in March 2020, before the impact of the COVID-19 pandemic on business in Australia.

The proportion of the population aged 16 and over receiving income support payments increased from 24% to 28% between March 2020 and June 2020; it then fell slightly to 27% in March 2021 but remained above the pre-pandemic levels in March 2020. The proportion in June 2020 was similar to the high levels observed in the early 2000s before the above mentioned overall decline – 28% compared with 28–29% in 2001–2005.

The rate of increase in income support receipt varied by payment type (Figure 4.12). Most (85% or 728,200) of this overall increase in recipient numbers between March and June 2020 was due to an increase in those receiving unemployment payments (defined as those receiving Newstart Allowance before 20 March 2020, JobSeeker Payment from 20 March, and Youth Allowance (other)).

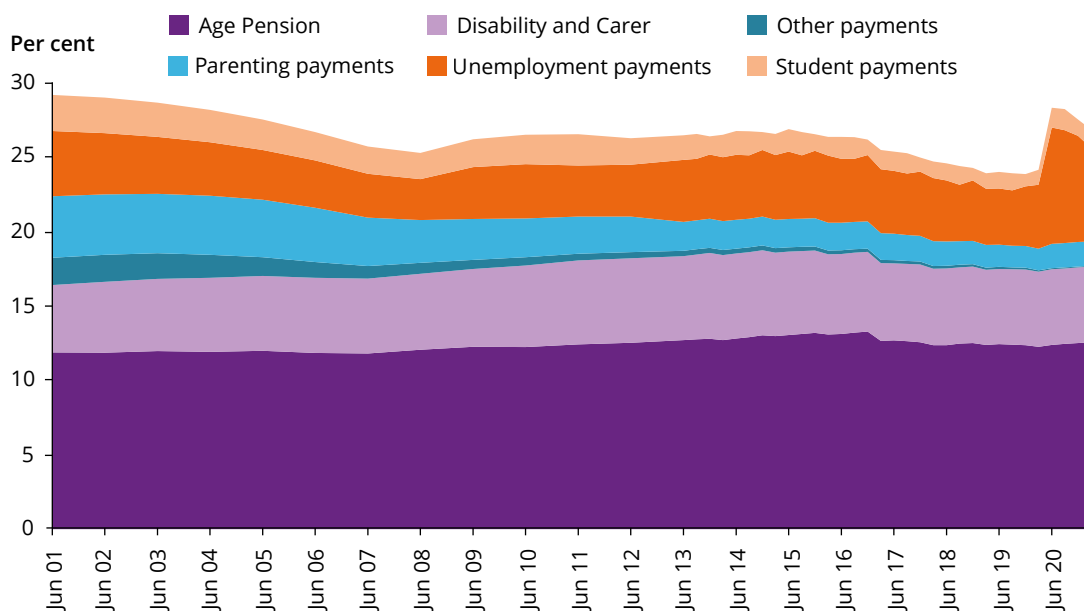
Over this 3-month period, the number of recipients of:

- unemployment payments rose by 82% (from 886,200 to 1.6 million, or from 4.3% to 7.8% of the population aged 16 and over)
- student payments rose by 32% (from 210,200 to 276,700, or from 1.0% to 1.3% of the population aged 16 and over)
- parenting payments rose by 12% (from 298,300 to 335,500, or from 1.4% to 1.6% of the population aged 16 and over), with this increase largely driven by a 36% increase in the receipt of Parenting Payment Partnered, from 67,600 to 92,000.

By March 2021, the proportion of people aged 16 and over receiving unemployment payments was 6.3%, student payments 1.2% and parenting payments 1.6%.

The number of recipients of Age Pension and disability-related payments (Disability Support Pension or Carer Payment) remained relatively stable over 2020, while recipients of other payments declined due to the closure of some small payments. The remainder of this section is focused on those receiving unemployment payments and student payments, given the large increases in these payments during 2020.

**Figure 4.12: Proportion of people aged 16 and over receiving income support payments, by type of payment, June 2001 to March 2021**



*Notes*

1. Data are as at the end of each corresponding month.
2. Data before 2013 may differ from data from official sources ([www.data.gov.au](http://www.data.gov.au)) due to differences in methodology.
3. Before August 2020, unemployment payments included Newstart Allowance (before March 2020), JobSeeker Payment (from March 2020) and Youth Allowance (other). From August 2020, Sickness and Bereavement Allowance are also included in the JobSeeker counts.

*Sources:* AIHW analysis of Department of Social Services payment demographic data on [www.data.gov.au](http://www.data.gov.au) (2014–2021); unpublished data constructed from Services Australia administrative data (2001–2013).

## Steep rise in unemployment payment recipients, remaining above pre-pandemic levels to May 2021

Data on recipients of unemployment payments – the JobSeeker Payment (from 20 March 2020) for people aged from 22 to the Age Pension qualifying age and the Youth Allowance (other) for young people aged 16–21 – are available monthly over the period from 2019 to 2021 (as opposed to quarterly data for other income support payments).

The number of recipients of unemployment payments rose by 454,800 in April 2020 and by 289,900 in May 2020, reaching 1.6 million in May 2020. The numbers fell in most months since then to May 2021 but is still higher than it was before the COVID-19 pandemic. In May 2021, there were 1.1 million recipients of unemployment payments, 241,100 more or 27% higher than in March 2020 (891,300).

The proportion of the population aged 16 and over receiving unemployment payments almost doubled between March and May 2020 (from 4.3% to 7.9%); it remained relatively stable between May and August 2020, before steadily declining to 5.5% in May 2021. Receipt of unemployment payments in May 2021 is still higher than pre-pandemic levels (4.3% of the population aged 16 and over in March 2020). This is despite the number of people employed returning to above pre-pandemic levels by May 2021 (see previous section of this article).

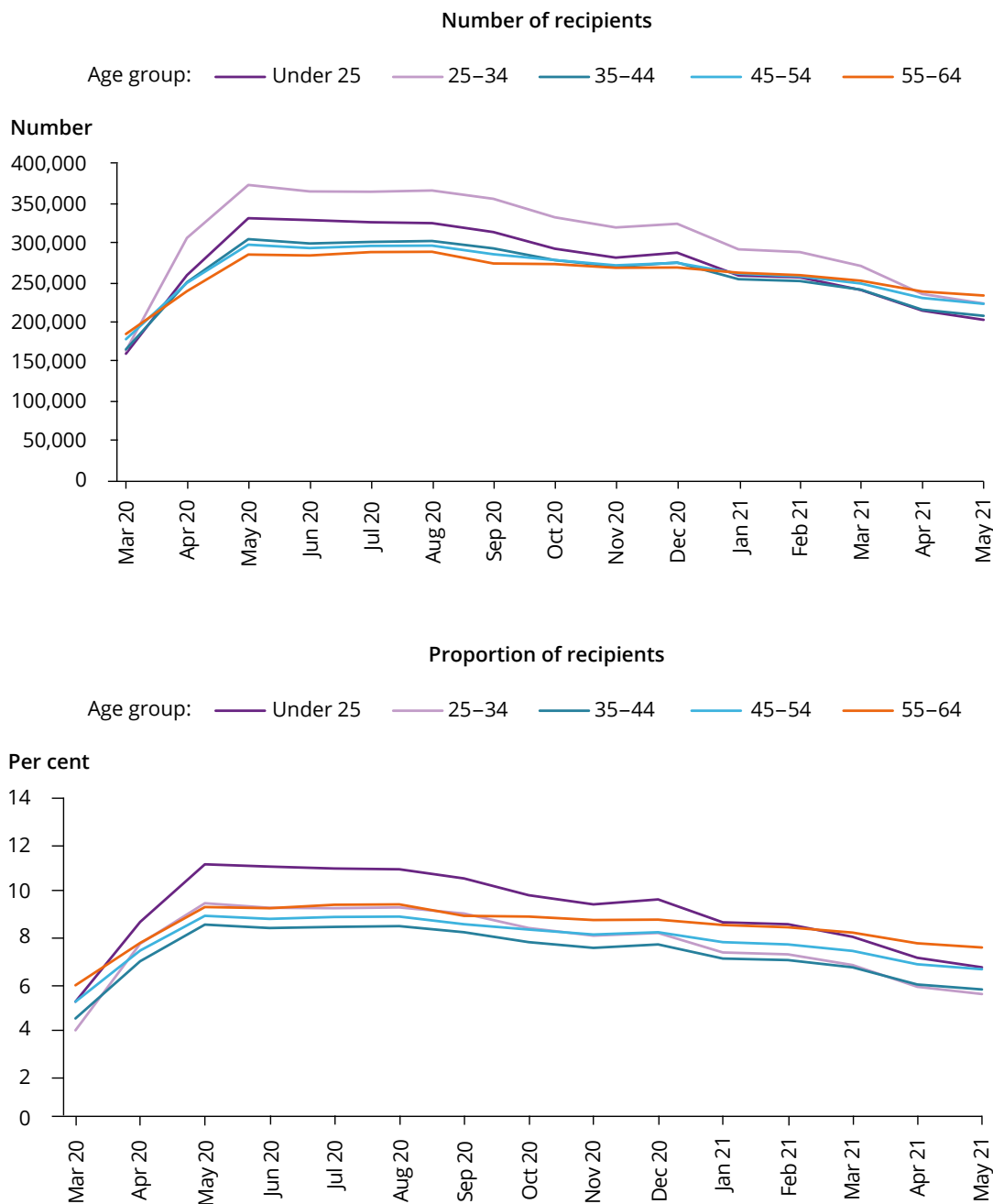
## Young people (aged under 35) account for over half of this increase

Young people were particularly vulnerable to job loss in the wake of COVID-19 business restrictions, as they were more likely to work in industries hardest hit by social distancing measures (retail, hospitality and recreation) and more likely to be employed on a casual basis for under 12 months, making them ineligible for the JobKeeper Payment (Klapdor & Giuliano 2020). Access to government income support payments therefore became increasingly important for young people in 2020.

Young people aged under 35 accounted for half the increase in unemployment payments recipients between March and May 2020, despite accounting for only 37% of recipients in March 2020. Between March and May 2020, recipient numbers rose by 106% for those aged 16–24 (from 162,000 to 333,600) and by 126% (from 166,100 to 375,400) for those aged 25–34 (Figure 4.13). This equates to an increase from 5.6% to 11.5% and from 4.3% to 9.8% of the population aged 16–24 and 25–34, respectively, receiving unemployment payments over the March to May 2020 period. The relative growth in proportions were slower for other age groups, increasing from 4.8% to 8.9% for those aged 35–44 and 5.6% to 9.3% for those aged 45–54.

Between June 2020 and May 2021, the numbers and proportions fell for most months across all age groups, with the decline steeper for young people than other age groups. However, numbers and proportions across all age groups in May 2021 were still higher than pre-pandemic levels in March 2020 – for example, 7.0% compared with 5.6% for those aged 16–24 and 5.9% compared with 4.3% for those aged 25–34 (Figure 4.13).

**Figure 4.13: Number and proportion of people receiving unemployment payments, by age group, March 2020 to May 2021**



*Note:* The data in this figure includes JobSeeker and Youth Allowance (other) recipients only between March and July 2020. From August 2020, Sickness and Bereavement Allowance are included in the JobSeeker counts.

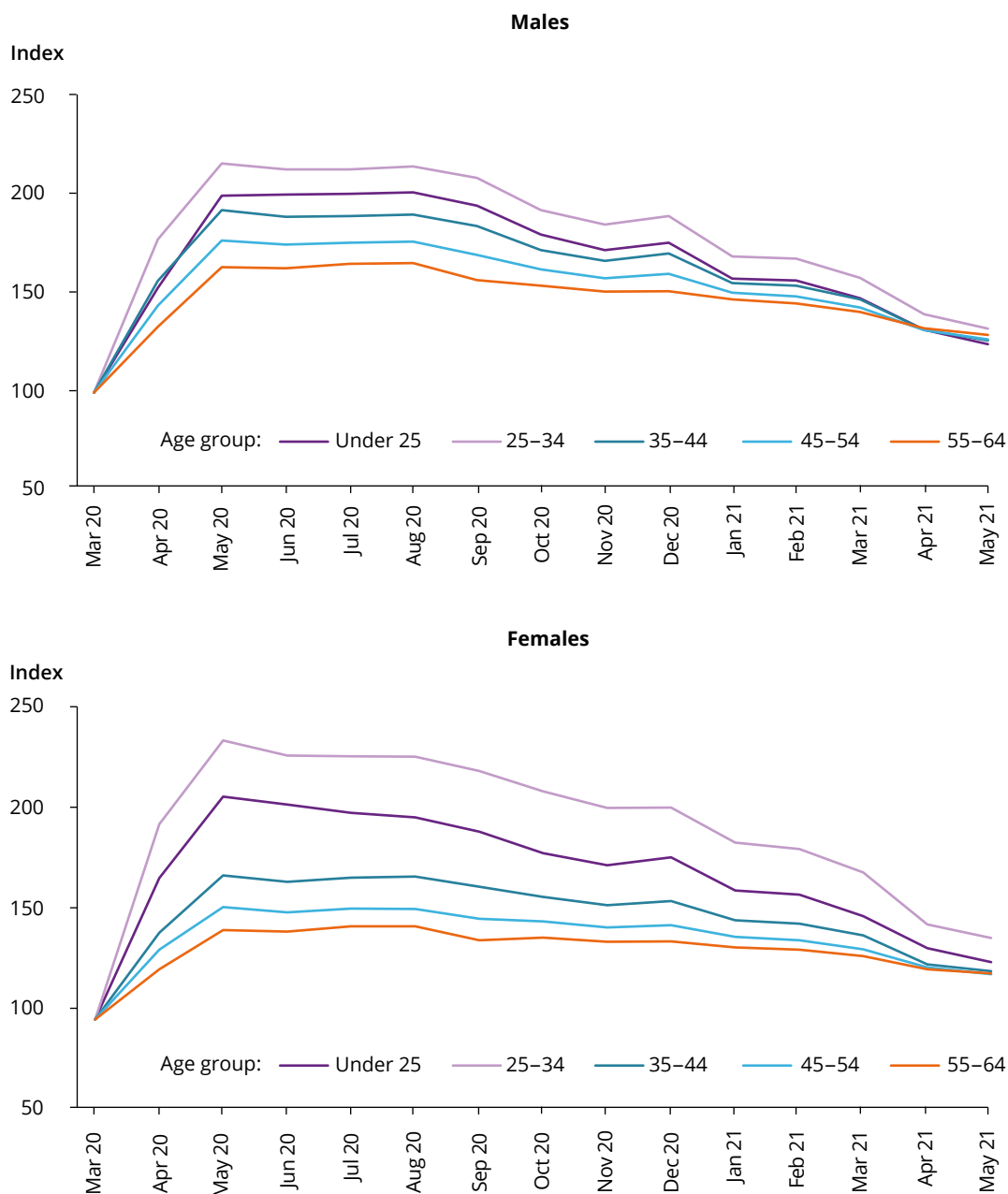
*Source:* AIHW analysis of Department of Social Services JobSeeker Payment and Youth Allowance recipients – monthly profile data.

## Receipt higher for males, but young females with largest increases

Females are more likely than males to work as casual employees and in public-facing industries (such as retail, hospitality and recreation) that were hardest hit by social distancing measures during the COVID-19 pandemic. As a result, in the early months of the pandemic, females experienced large job losses and were less likely to receive the JobKeeper Payment (as discussed in previous sections), leading to an increased need for income support payments.

Overall, male recipients accounted for over half (55%) of the growth in recipients of unemployment payments between March and May 2020 (413,400 of 749,100 additional recipients). While more males received unemployment payments than females across most age groups in 2020, recipient numbers increased faster for young females than young males during 2020, as shown in Figure 4.14. Among young females aged 25–34, recipient numbers were 2.4 times as high in May 2020 as in March 2020, compared with a corresponding rise of just over twice as high among males of the same age. This higher rate of increase among females aged 25–34 was observed every month during 2020. This pattern was also observed for the 16–24 age group, although to a lesser extent. For all other age groups, the increase in recipient numbers from March 2020 to May 2021 was higher for males than females.

**Figure 4.14: Recipients of unemployment payments index, by sex and age group, March 2020 to May 2021 (March 2020=100)**



*Note:* The data in this figure are presented in the form of an index, representing the number of male and female unemployment payment recipients between March 2020 and May 2021 as a proportion of male and female unemployment payment recipients in March 2020.

*Source:* AIHW analysis of Department of Social Services JobSeeker Payment and Youth Allowance recipients – monthly profile data.

## Majority of growth in recipients occurred in major cities

Publicly available income support data are available at the Statistical Area Level 2 which, when combined with the ABS geographical concordance files, can be used to assign remoteness categories.

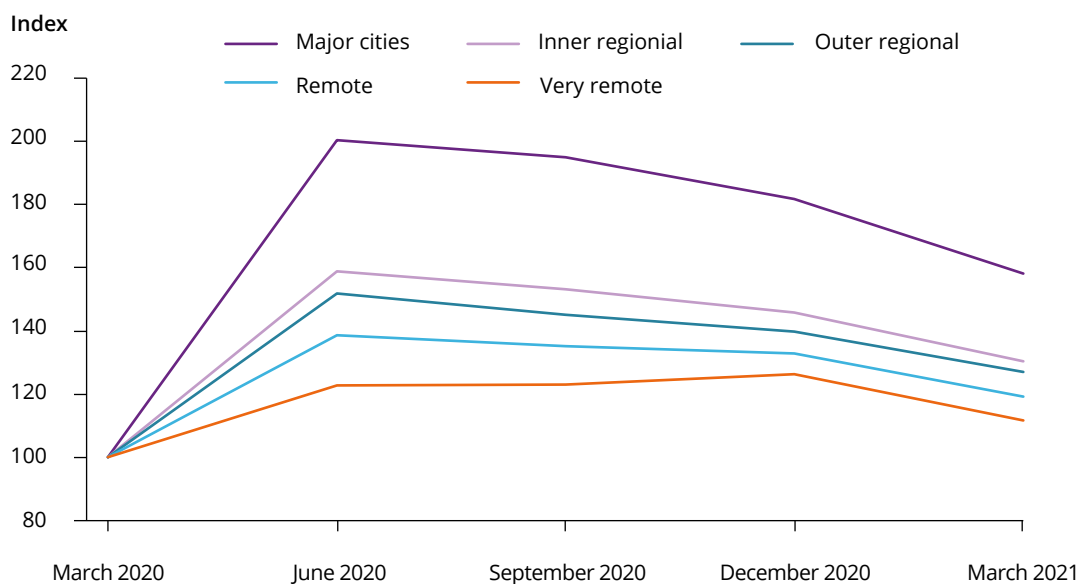
As shown in Figure 4.15, between March 2020 and June 2020, the number of unemployment payment recipients increased across all areas, with the fastest rate of increase observed in *Major cities* – recipient numbers doubled compared with smaller increases in other areas (30% increase in *Remote and very remote* areas and 56% in *Inner and outer regional* areas). Recipient numbers then gradually declined across all areas between June 2020 and March 2021, but were still higher in March 2021 than pre-pandemic levels in March 2020 – 58% higher in *Major cities*, 29% higher in *Inner and outer regional* areas, and 15% higher in *Remote and very remote* areas.

These large increases in unemployment payment recipients led to the proportion of the population aged 16 and over receiving unemployment payments in *Major cities* doubling – from 3.7% to 7.4% between March and June 2020; it then fell to 5.9% by March 2021. Smaller increases in the proportion of recipients were observed in the other areas (from 5.8% to 9.0% to 7.4% in *Inner and outer regional* areas, and from 10.3% to 13.4% to 11.9% in *Remote and very remote* areas).

The steep initial rise in income support recipients living in urban centres is consistent with the large falls in employment occurring in these areas (see previous section). These patterns are likely driven by several factors, including the type of industries most affected by restrictions (in particular, hospitality, arts and recreation services) that are more likely to be located in major centres, as well as there being a larger number of days in lockdown in the major centres.



**Figure 4.15: Recipients of unemployment payments index, by remoteness, March 2020 to March 2021 (March 2020=100)**



*Note:* The data in this figure are presented in the form of an index, representing the number of unemployment payment recipients, by remoteness, between March 2020 and March 2021 as a proportion of unemployment payment recipients in March 2020.

*Source:* AIHW analysis of Department of Social Services payment demographic data.

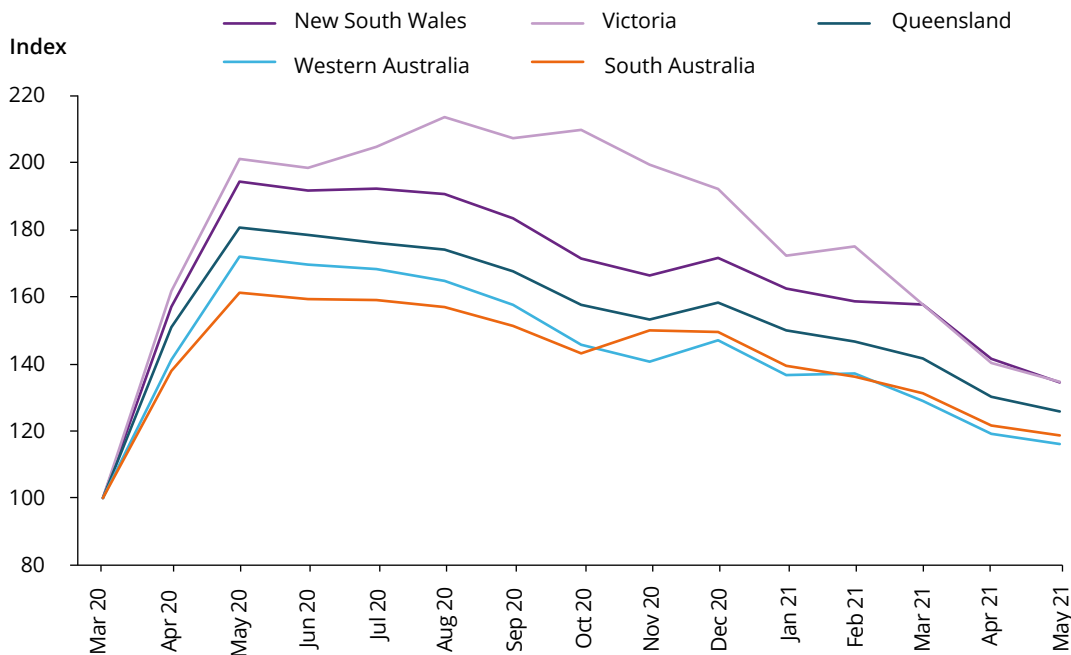
## Victoria had the largest growth in recipient numbers

In the 14 months to May 2021, all states and territories had an increase in recipients of unemployment payments. The analysis in this section focuses on the larger states.

The steepest increases in recipient numbers between March and May 2020 were in Victoria (twice as high as the March 2020 level) and New South Wales (1.9 times as high) (Figure 4.16). Since May 2020, the number of recipients has declined each month, except in Victoria, where recipient numbers started to rise again in July 2020 and remained over twice as high as the March 2020 levels until October 2020 before declining each month to May 2021. The tightening of restrictions in Victoria in August 2020 to slow the spread of COVID-19 is likely to be the key driver for the different pattern observed in that state compared with the rest of Australia, consistent with the employment patterns presented in the previous section.

By May 2021, recipient numbers had fallen across all states and territories from their peak in May 2020 and August 2020 (for Victoria); however, they were still higher than pre-pandemic levels, with the largest differences in Victoria and New South Wales (34–35% higher than the levels in March 2020).

**Figure 4.16: Unemployment payments index, for selected states, March 2020 to May 2021 (March 2020=100)**



*Note:* The data in this figure are presented in the form of an index, representing the number of unemployment payment recipients, by state, between March 2020 and May 2021 as a proportion of unemployment payment recipients in March 2020.

*Source:* AIHW analysis of Department of Social Services JobSeeker Payment and Youth Allowance recipients – monthly profile data.

## Student payment recipients also increased by a third

Individuals in receipt of student payments – Youth Allowance (students and apprentice), ABSTUDY (Living Allowance) and Austudy – are most commonly young people aged 16–24, with 78% of recipients of all student payments in this age range as at March 2021. This section focuses on this age group. The latest available data on student payments for inclusion in this article was from March 2021.

In March 2021, 200,700 people aged 16–24 received one of these student payments – 194,300 received Youth Allowance (student and apprentice combined), and 6,400 received ABSTUDY (Living Allowance). This equates to 6.9% of the Australian population aged 16–24.

In March 2021, receipt of student payments among young people was 22% higher than in March 2020 (164,500) and 19% higher than in March 2019 (168,400). Following the business restrictions associated with the COVID-19 pandemic in March 2020, the number of student payment recipients increased by 34% in June 2020 (an additional 56,200 recipients or 220,700 recipients in total) and then remained relatively steady to March 2021 (except for a fall in December 2020 reflecting semester terms and completion dates).

The proportion of the population aged 16–24 receiving student payments increased from 5.7% in March 2020 to 7.6% in June 2020 and then fell slightly to 6.9% by March 2021. This increase between May and June 2020 may have been influenced by the COVID-19 pandemic and by young people continuing to study and delaying entry into the labour market due to unfavourable job market conditions.

## How did COVID-19 affect incomes in Australia?

A person's wellbeing is influenced by many factors, but having an adequate income remains an essential component in measuring individual and household wellbeing. For most people, income can be an indicator of their ability to, week by week, access food, clothing, education, housing or leisure activities.

A person's income is influenced by their economic circumstances – in particular, employment and type of employment, hours worked, occupation, and government support through Australia's social security system. In late March 2020, a range of measures were introduced to slow the spread of COVID-19. While these were successful in controlling the spread of COVID-19, they did result in substantial adverse effects on the economic circumstances of many Australians. They resulted in considerable job losses, and reduction in hours worked; they also disproportionately affected some population groups more than others, as discussed in previous sections. The Australian Government's economic support packages – in particular, the JobKeeper Payment and the Coronavirus Supplement for working-age income support recipients – were introduced to reduce the impact of these labour market changes.

This section explores how household and personal incomes changed over 2020, using a range of publicly available income-based measures, such as household income, weekly payroll, wages growth and spending habits. It also presents information on income inequality and changes in poverty levels during 2020.

## Household income initially fell, recovered, and declined again by April 2021

Between February 2020 and August 2020, average weekly (after-tax) household income fell by 8.9%, or by \$157 per week, from \$1,761 to \$1,604, according to the Australian National University (ANU) COVID-19 Monitoring Survey Program (see Box 4.5). Following this decline, there was a large increase in average household income, by 7.5% or \$121 per week, between August and November 2020 (from \$1,604 to \$1,725), bringing it close to February 2020 levels. However, this increase did not continue, and a fall from November 2020 was observed in both January 2021 (\$1,598) and April 2021 (\$1,635) – still below the pre-pandemic level of average household income in February 2020 of \$1,761 per week. This decline in average household income may reflect the adjustments to, and the removal of, the economic support packages, in particular the JobKeeper Payment and the Coronavirus Supplement that ended in March 2021.

While the base rate of the JobSeeker Payment was at a higher level in March 2021 than it was before COVID-19 (due to indexation), the new base rate of payment after the \$50 per fortnight increase on 1 April 2021 is lower than the amount received by JobSeeker recipients who also received the Coronavirus Supplement (see previous section headed 'Policy responses to COVID-19').

### Box 4.5: ANU COVID-19 Monitoring Survey Program

The ANU COVID-19 Impact Monitoring Survey Program conducted surveys in February, April, May, August and November 2020 and in January and April 2021. It collected information on attitudes to COVID-19, labour market outcomes, household income, financial hardship, life satisfaction and mental health during the COVID-19 pandemic period.

The longitudinal study includes a sample of over 3,000 respondents.

This representative panel survey of adults living in Australia uses random probability-based sampling methods and covers both online and offline populations (that is, people who do and do not have access to the internet).

A panel survey allows longitudinal data to be obtained from the same respondents before the spread of COVID-19, enabling changes for individuals to be tracked over time; that is not possible using a series of cross-sectional snapshot surveys.

The survey has been weighted to have a similar distribution to the Australian population across key demographic and geographic variables.

Survey data in this section are sourced from published papers (Biddle et al. 2020a, 2020b and 2020c; Biddle & Gray 2021) and previously unpublished data.

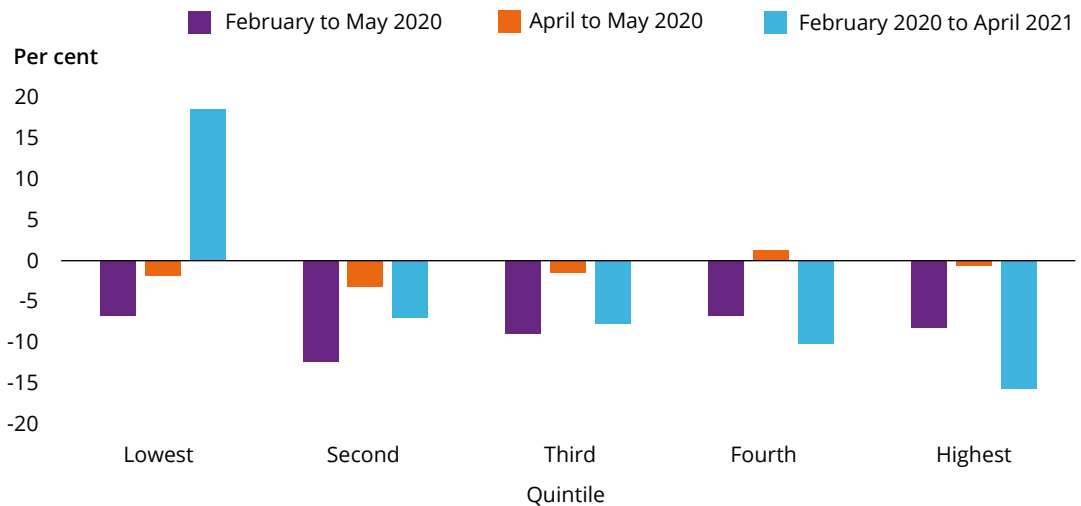
Biddle and colleagues (2020c) estimated that the average household lost \$4,726 in income between the start of March 2020 and the end of November 2020, due to the labour market impacts of the COVID-19 pandemic. This equates to an average of \$118 of lost income per week for the 40-week period, compared with the February 2020 baseline.

In the context of longer term trends, median weekly household income increased by 4.5% (or \$39 per week) over the decade to 2017–18, based on the ABS Survey of Income and Housing (SIH) (ABS 2019). Note that SIH income data are not directly comparable with the ANU data (see Box 4.5), due to differences in sample methodology and the income measure reported (that is, the SIH measure of income is adjusted, or 'equivalised', according to household size, composition and age profile).

Reductions in average household income were not distributed evenly across all Australians, according to the ANU COVID-19 Monitoring Survey Program. Over the February to May 2020 period, reductions in average household income were smallest for the lowest and the fourth quintile (a reduction of 6.7% each), and largest for the second quintile (a reduction of 12%; Figure 4.17). By April 2021, the lowest quintile was the only quintile to have an increase in average household income from February 2020 levels (an increase of 19%). These patterns reflect, among other things, the recovery in employment and the impact of increasing government payments (such as Coronavirus Supplement and JobKeeper Payment) for the working-age population. In comparison, the highest quintile experienced the greatest drop in average household income between February 2020 and April 2021 (a decrease of 16% compared with 8–10% decline for the third and fourth quintiles).

This is further highlighted when looking at income deciles. Between February 2020 and April 2021, the lowest income decile experienced the highest increase in household income, while the 2 highest income deciles had the largest fall in income (an increase of 27% for the lowest decile and a decrease of 15–17% for the ninth and tenth decile over this period).

**Figure 4.17: Percentage change in average weekly (after-tax) household income, by income quintile, people aged 18 and over, selected time periods from February 2020 to April 2021**



Source: AIHW analysis of unpublished data from the ANU COVID-19 Monitoring Survey Program.

Income inequality can be measured using the Atkinson index. A higher number indicates higher levels of income inequality. Using this index, income inequality increased considerably between February and August 2020 and then slightly converged between August and November 2020, before increasing again in April 2021 (Table 4.1). These patterns were driven by the average incomes in the low and middle parts of the income distribution that may have been influenced by the initial increase in the Australian Government's economic support package and then reductions to these payments in late 2020.

**Table 4.1: Atkinson index, February 2020 to April 2021**

Month and year	Atkinson index
February 2020	0.22067
April 2020	0.22046
August 2020	0.23989
November 2020	0.22542
January 2021	0.22475
April 2021	0.23145

Source: Previously unpublished data from the ANU COVID-19 Monitoring Survey Program.

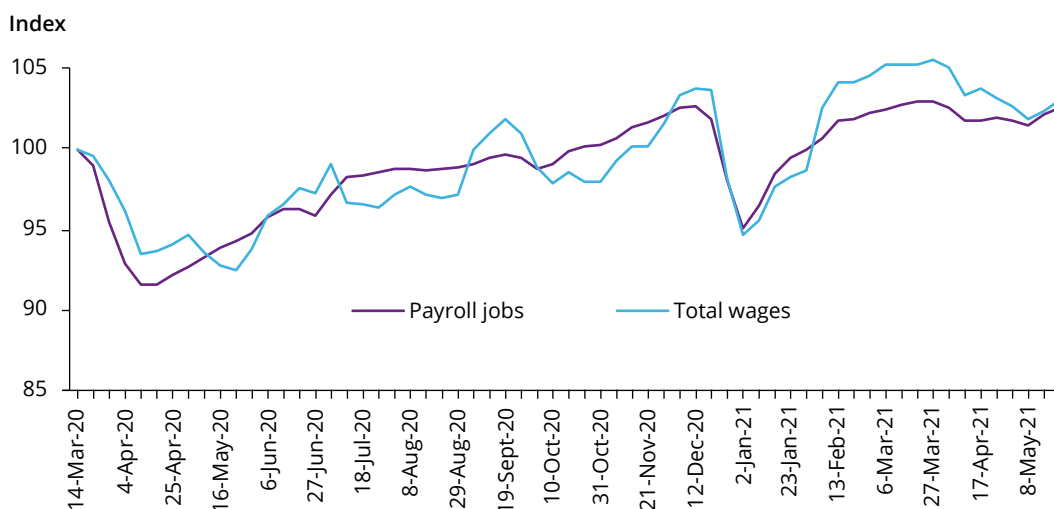
Phillips and colleagues (2020) found that, in the early months of the pandemic (until August 2020), the number of people in poverty reduced by around 32%, despite the economic challenges caused by the pandemic. Further, they found that the increase in government payments, including the introduction of the Coronavirus Supplement and the JobKeeper Payment, was the key reason for this reduction, and that poverty levels would have likely increased dramatically without these additional payments.

## Payroll wages fell but recovered by September 2020

One of the key sources of income for individuals is payroll wages data. This information is calculated from data collected from the Australian Taxation Office's single touch payroll system, which, by September 2020, covered 99% of employers with more than 20 employees and 77% of small employers (ABS 2021I).

By 22 May 2021, total wages were 3.1% higher than they were in March 2020 (Figure 4.18). However, between 14 March and 23 May 2020, following the COVID-19-related business restrictions, total wages fell by 7.5% but they had increased by September 2020 to levels previously seen in March 2020. This reflects the economy starting to recover as business related restrictions started to ease and the number of people in employment increased.

**Figure 4.18: Payroll jobs and payroll wages index, March 2020 to May 2021 (March 2020=100)**



### Notes

1. The data in this figure are presented in the form of an index, representing total payroll wages or jobs as a proportion of the level seen in the week ending 14 March 2020.
2. Payroll jobs data covered 99% of large employers and 77% of small employers by September 2020.

Source: ABS payroll wages (ABS 2021I: Graph 1).

Payroll wages for males declined faster and did not recover as quickly as for females – 9.2% lower than March 2020 levels by 23 May 2020 compared with 5.0% lower for females. By 22 May 2021, payroll wages for males were 0.7% higher than March 2020 levels compared with 5.7% higher for females (ABS 2021l: Table 4).

## Large initial increase in average weekly earnings but fell slightly by November 2020

Between November 2019 and May 2020, there was a large rise in average weekly ordinary time cash earnings for full-time adult employees in Australia – a 3.3% increase from \$1,658 to \$1,714 (seasonally adjusted), followed by a slight drop in November 2020 to \$1,712 (ABS 2021a: Table 2).

In the 5 years before the COVID-19 pandemic, 6-monthly increases in average weekly earnings were between 0.6–1.8%. The large increase in May 2020 reflects job losses at the height of the COVID-19 pandemic that tended to be in relatively low paid jobs and industries. This is likely due to those on low earnings losing their job, meaning that those who were left had higher average earnings.

Over the 12 months to November 2020, average weekly earnings were 3.2% higher (a similar level to the November 2019 annual growth of 3.3%), indicating a more usual earning distribution by the end of the year (ABS 2021b).

## Wages growth stalled after already slow growth

Another way to look at changes in income is to examine how average wages have changed over time, using the Wage Price Index, which is not affected by compositional changes in employment (see Box 4.6).

Over the last decade, there has been a slow growth in hourly rates of pay in Australia – the last time annual growth for all industries was over 4% was in the March quarter of 2009 (at 4.2%). Since then, the annual rate of growth has been considerably lower, with a pre-COVID-19 low of 1.9% between the September quarter of 2016 to the June quarter of 2017. However, annual wages growth slowed down even further in June 2020 – to 1.8% – before dipping again to 1.4% in September and December 2020. This is the lowest annual growth rate experienced in Australia since the Wage Price Index began in 1997. In March 2021, the annual growth rate sat at 1.5% (ABS 2021k: Table1).



**Box 4.6: Wage Price Index**

The Wage Price Index (calculated by the ABS) measures changes in the price of labour, unaffected by compositional shifts in the labour force, hours worked, employee characteristics or the introduction of the JobKeeper Payment. It can reveal how Australian average wages are changing over time. Wage Price Index survey respondents were asked to include JobKeeper Payments in their wage and salary data. However, as this payment falls outside the conceptual framework for the Wage Price Index, any effect from the JobKeeper Payment was excluded from the index during the data validation process (ABS 2021k).

**People could access superannuation in 2020 before retirement**

Another economic support program offered by the Australian Government in response to the economic downturn associated with the COVID-19 pandemic was to allow early access to superannuation (see Box 4.7).

**Box 4.7: Early Release Scheme**

From 20 April 2020 to 31 December 2020, Australian and New Zealand citizens or permanent residents were able to apply to release up to \$20,000 (\$10,000 in 2019–20 and \$10,000 in 2020–21 financial years) of their superannuation under the Australian Government's temporary COVID-19 Early Release measure. Eligible temporary visa holders could also apply for up to \$10,000 between 20 April to 1 July 2020.

Individuals were required to meet the following eligibility criteria before making an application to the Australian Tax Office:

- they were unemployed, or
- they were eligible to receive an income support payment such as the JobSeeker Payment, Youth Allowance (other), Parenting Payment or Special Benefit, or Farm Household Allowance, or
- on or after 1 January 2020, they were made redundant, their working hours were reduced by 20% or more or, as a sole trader, their business was suspended or there was a reduction in turnover of 20% or more.

Initial applications are the first applications made since the Early Release Scheme began and repeat applications are additional applications made for those same accounts.

Since the Early Release Scheme began, 4.8 million applications were received, of which, 4.6 million were approved by the Australian Taxation Office from 3.05 million individuals, including 1.5 million repeat applications (ATO 2021a). In total, \$37.8 billion worth of applications were approved by the Australian Taxation Office.

Males were more likely to make withdrawals than females – of the approved Early Release applications, 56% were males and 44% were females. Those aged 26–35 were the most likely to make withdrawals, making up 1 in 3 (34%) of approved applications; this percentage compares with 28% for those aged 36–45, 20% for those aged 46–55 and 10% for those aged 25 and under (ATO 2021b).

## **Average weekly household spending initially dropped, then increased and remained above pre-pandemic levels through to May 2021**

In the early months of the pandemic, there were large job losses and reductions in hours worked; as well, unemployment increased substantially, reflecting the introduction of measures to slow the spread of the virus. These measures, together with other business and international restrictions, had an impact on Gross Domestic Product (GDP), which declined by 7.0% in the June quarter in 2020 after falling by 0.3% in the March quarter. However, GDP grew in the September and December quarter in 2020 and in the March quarter of 2021. By the March quarter of 2021 GDP was 1.1% higher than in March 2020. Household spending (household consumption expenditure) fell in both the March (1.4%) and June quarter 2020 (12.3%) but grew in the September and December quarter of 2020 and the March quarter of 2021. Household spending remained 1.5% below December 2019 pre-pandemic levels in March 2021 (ABS 2021g).

One of the things that became apparent early in the pandemic was a need for very rapid data on the broader impact of COVID-19, including broader impacts on mental health and employment. The various policy measures introduced to ameliorate any adverse economic impact of the COVID-19 pandemic were designed, among other things, to maintain consumer spending. If spending fell rapidly, any adverse economic impact would have been magnified.

The weekly consumer spending tracker developed by Accenture and the credit bureau illion allows for weekly spending to be tracked. This, in turn, indicates the immediate impact of policy measures on consumer spending (Box 4.8). These data are not directly comparable with ABS data on household spending but they do provide important insights on how spending patterns have changed since the onset of the pandemic.

### Box 4.8: Weekly consumer spending tracker developed by Accenture and illion

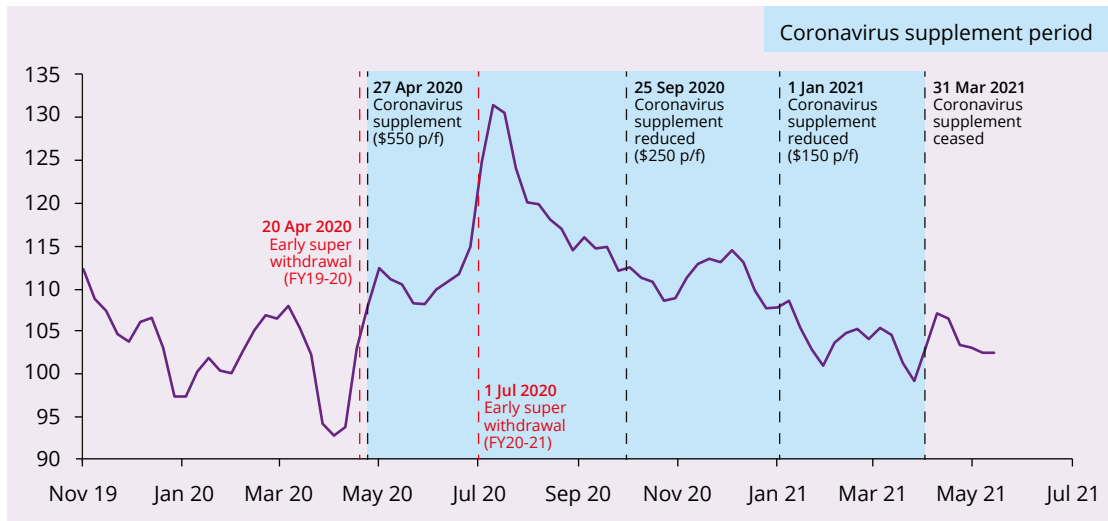
The weekly consumer spending tracker is based on customer-consented anonymised bank transaction data from consumers who apply for a credit check through illion. The spend tracker measures weekly average spending, relative to average weekly spending in January 2020. The data are sample weighted to match the distribution of income, gender, state and receipt of Centrelink payments (based on data from a 2% sample tax file provided by the Australian Taxation Office). While every effort is made to ensure that the data are representative, the spending tracker may not be perfectly representative of Australian consumers on all dimensions, as data are sourced only from consumers applying for credit checks.

Centrelink recipients are defined in this section as those who have received at least one Centrelink payment of \$200 or more in the reference period. Note that these data will not be representative of all Centrelink recipients.

According to the spending tracker for all consumers, while average weekly household spending fell sharply in early April 2020, it then rose rapidly as the Coronavirus Supplement was introduced; it has remained higher than levels observed before the COVID-related business restrictions in January 2020.

Overall, average weekly household spending was initially 7.2% lower than January 2020 levels by early April 2020 (Figure 4.19). However, it increased quickly thereafter, exceeding January 2020 levels (by 3.0%) by 19 April 2020 and reaching a peak in spending by 12 July 2020 (32% higher than January 2020 levels). These increases coincided with the Early Release Scheme on 20 April 2020 and the introduction of the Coronavirus Supplement on 27 April 2020. Between mid-July and end of October 2020 spending levels dropped (from 32% to 8.6% above January 2020 levels), coinciding with reductions in the Coronavirus Supplement. Since then, spending levels have generally declined and have remained around 3% above January 2020 levels during May 2021.

**Figure 4.19: Average weekly household spending index, November 2019 to May 2021 (January 2020=100)**



*Notes*

1. The data in this figure are presented in the form of an index, representing average weekly household spending as a proportion of the level seen in January 2020.
2. FY financial year; p/f per fortnight.

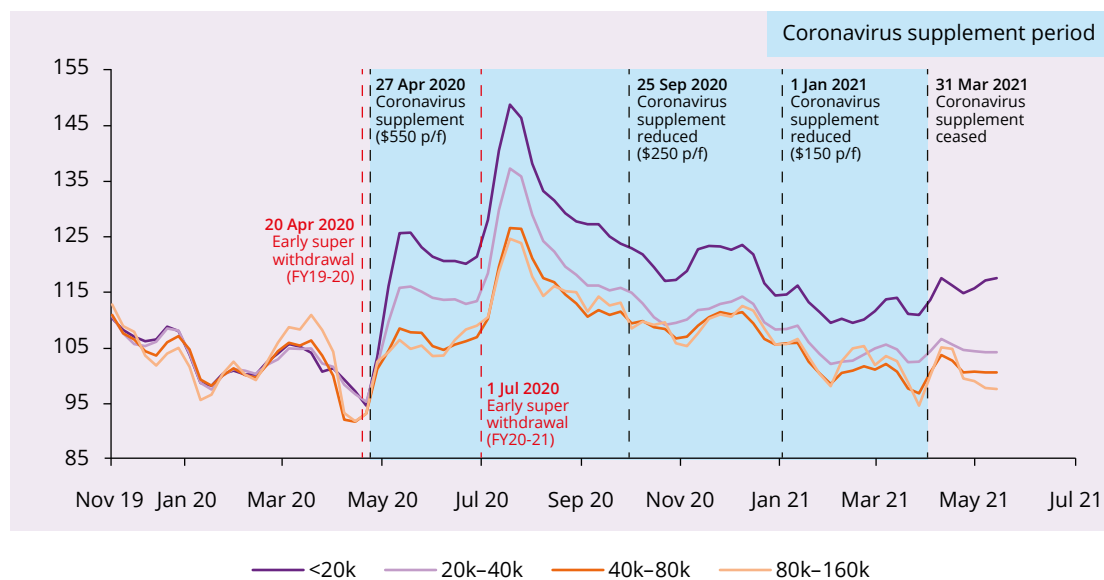
*Source:* Accenture analysis of illion, Australian Taxation Office data (unpublished data).

## Lowest income band had largest increases in household spending

Research has consistently suggested that when people on low incomes have a rise in their income they spend a higher proportion of this increase than those on higher incomes (people on low incomes have a higher marginal propensity to consume than people on higher incomes; Berger-Thomson et al. 2009).

This pattern is observed in these data on average weekly household spending, with the lowest income bands having substantially larger rises in spending after the introduction of the Coronavirus Supplement and the Early Release Scheme than those on higher incomes (Figure 4.20). For example, in mid-July 2020, those in the lowest income band reached a peak in spending that was 49% above January 2020 levels. This reflects the fact that people who receive the Coronavirus Supplement are on relatively low incomes by definition and may have a higher propensity to spend additional income.

**Figure 4.20: Average weekly household spending index, by income band, November 2019 to May 2021 (January 2020=100)**



#### Notes

1. The data in this figure are presented in the form of an index, representing average weekly household spending by income band as a proportion of the level seen in January 2020.
2. FY financial year; k thousand; p/f per fortnight.

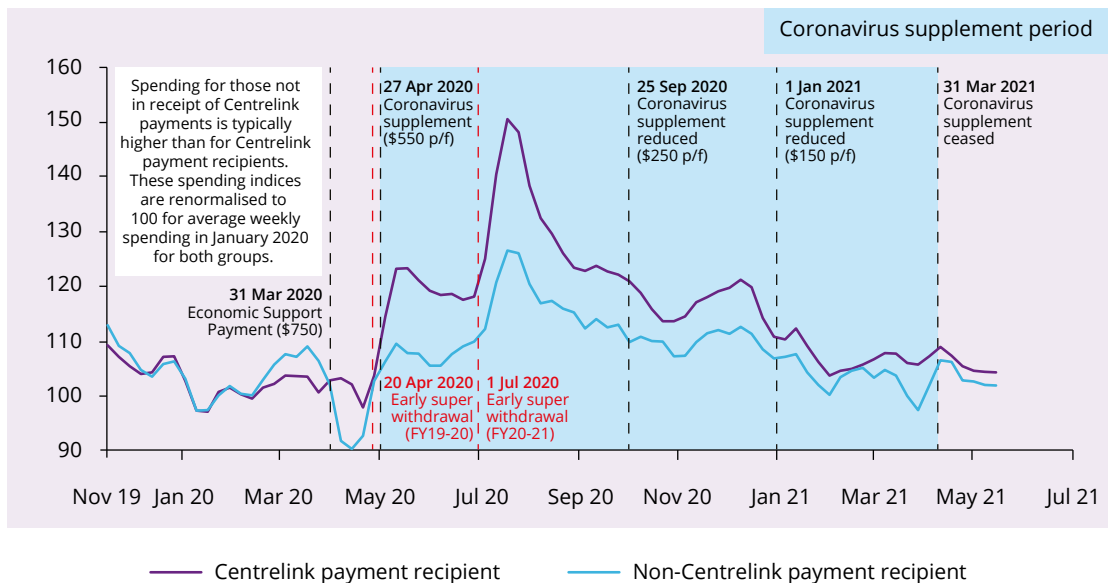
Source: Accenture analysis of illion, Australian Taxation Office data (unpublished data).

## Centrelink recipients had an initial steeper rise in spending

While those not receiving Centrelink payments had higher levels of spending before March 2020 (Figure 4.21), Centrelink recipients included in these data (see Box 4.8) showed a much faster rise in spending thereafter. The sharp decline in spending in early April 2020 was also steeper for those not receiving Centrelink payments (9.6% lower than January 2020 levels compared with 2.2% higher for Centrelink recipients)

From mid-April, weekly household spending for Centrelink recipients was higher than for those not receiving Centrelink payments, relative to January 2020 levels, reaching a peak of 51% above January levels in mid-July 2020 (compared with a corresponding 27% increase for those not in receipt of Centrelink payments). This peak in spending followed the introduction of the Australian Government economic support packages (Economic Support Payment on 31 March 2020, the Coronavirus Supplement and the Early Release Scheme); as these were reduced in late December 2020, the spending levels between those receiving and not receiving Centrelink payments converged, but remained slightly higher for Centrelink recipients to May 2021. Spending at 16 May 2021 remained higher than in January 2020 for both those in receipt of and not in receipt of Centrelink payments (4.4% and 2.0% higher, respectively).

**Figure 4.21: Average weekly household spending index, by Centrelink payment receipt, November 2019 to May 2021 (January 2020=100)**



**Notes**

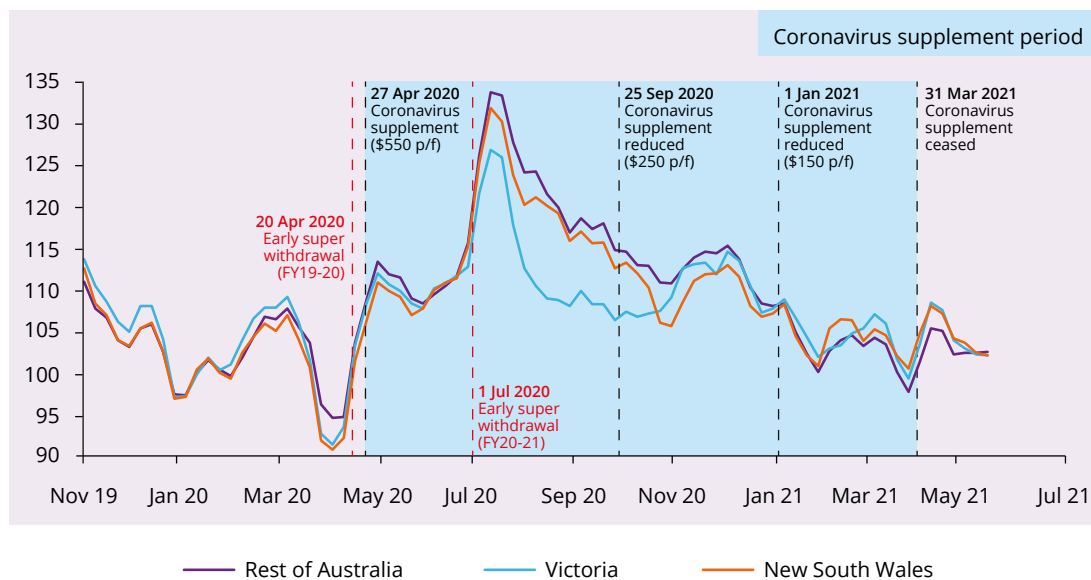
1. The data in this figure are presented in the form of an index, representing average weekly household spending by Centrelink payment receipt as a proportion of the level seen in January 2020.
2. FY financial year; k thousand; p/f per fortnight.

Source: Accenture analysis of illion, Australian Taxation Office data (unpublished data).

## Spending dipped in Victoria during Stage 4 restrictions

The spending tracker also includes average weekly spending in Victoria and New South Wales (the jurisdictions most affected by business closures) and the rest of Australia between November 2019 and May 2021. Average weekly household spending was generally similar across these 3 regions, except for Victoria in mid-July to early October 2020, as shown in Figure 4.22. During August–September 2020, spending in Victoria was 7–13% above January 2020 levels compared with 15–24% above January 2020 levels for the rest of Australia. This lower level of spending in Victoria coincides with the Stage 4 restrictions in Melbourne (and Stage 3 restrictions in regional Victoria) around this time.

**Figure 4.22: Average weekly household spending index, by states, November 2019 to May 2021 (January 2020=100)**



#### Notes

1. The data in this figure are presented in the form of an index, representing average weekly household spending by State as a proportion of the level seen in January 2020.
2. FY financial year; k thousand; p/f per fortnight.

Source: Accenture analysis of million, Australian Taxation Office data (unpublished data).

## Conclusion

The COVID-19 pandemic has substantially changed the lives of Australians. While Australia was very successful in managing the direct health effects of the pandemic in 2020, this did result in very large effects on the labour market. There was an initial sharp decline in employment and income levels and large increases in unemployment and underemployment. The increase in government support packages, such as the introduction of the JobKeeper Payment and increases to existing working-age payments (through the Coronavirus Supplement for working-age income support recipients), cushioned the impact of this initial shock, and resulted in the economy rebounding so that GDP was 1.1% higher in the March quarter of 2021 than in March 2020.

By May 2021, the labour market had rebounded and most employment measures were faring better than they were before the pandemic in March 2020 – the employment rate was at a record high and above the level in March 2020 and unemployment and underemployment were below March 2020 levels. However, the number of people receiving unemployment payments was still considerably higher than it was in March 2020.

As Australia continues to experience COVID-19 outbreaks and associated business-related restrictions across several states (as was the case in July and August 2021) and may continue to do so while the vaccine roll-out is still underway, the future impacts of continued COVID-19-related restrictions on the economic wellbeing of Australians is unclear. It will therefore be important to continue to monitor and report on measures of employment, income support receipt and income in future years to provide insights on the long-term economic impact of the COVID-19 pandemic for Australia.

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