

What's going on?

Unemployment and Income Support – before and after COVID-19

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Outline

- Benefit and labour market trends: some puzzles
- Data sources
- Trends before Covid (annual, 1978-2019) and after (monthly, February 2019 – August 2021)
- What explains the differences? – definitions and concepts
 - Policy changes – long-term, temporary in 2020 and after
- What the Income Surveys show
- Who was most affected? Descriptive trends since COVID.
- Going forward – will the past relationship re-emerge?.

Benefit and labour market trends – some puzzles

- Between 1994 and 2019 there were on average 10% more people receiving unemployment payments than ABS unemployed (except 2009).
- Studies using the SIH (ABS, 2014a; Vandebroek, 2019) show, however, that a large majority of the unemployed (around 70%) did not receive the major unemployment-related payments in 2011-12 and 2017-18..
- In brief, more people received unemployment payments than the ABS measured as unemployed, but most of the unemployed did not receive these benefits.

ABS unemployment figures and Government job seeker income support figures

- “Comparisons are often made between the official unemployment estimates published by the ABS and figures produced by the Department of Social Services on the number of people receiving government job seeker income support. These two sets of information actually tell us different but related things about people who aren’t currently working. ...
- **Analysis generally shows that changes in persons on unemployment benefits and changes in the unemployment rate track reasonably consistently over time.”**
 - ABS (2014), Labour Force Explained,
<https://www.abs.gov.au/websitedbs/d3310114.nsf/home/labour+force+explained>

Benefit and labour market trends – Post-Covid puzzles

- In February 2020, there were around 50,000 more people receiving “unemployment payments” than ABS unemployed, but in May 2020 this difference was around 730,000.
- Both numbers have since fallen significantly, but in August 2021 the difference was more than 460,000 people, a difference three times greater than in any year before COVID (and nearly six times the average difference in the preceding 12 months).
- The long-run average (1994 to 2019) was that there were 10% more people on payments than ABS unemployed (up to 23% and increasing after 2012), but in June 2020 and still in June 2021, the difference was 67%.

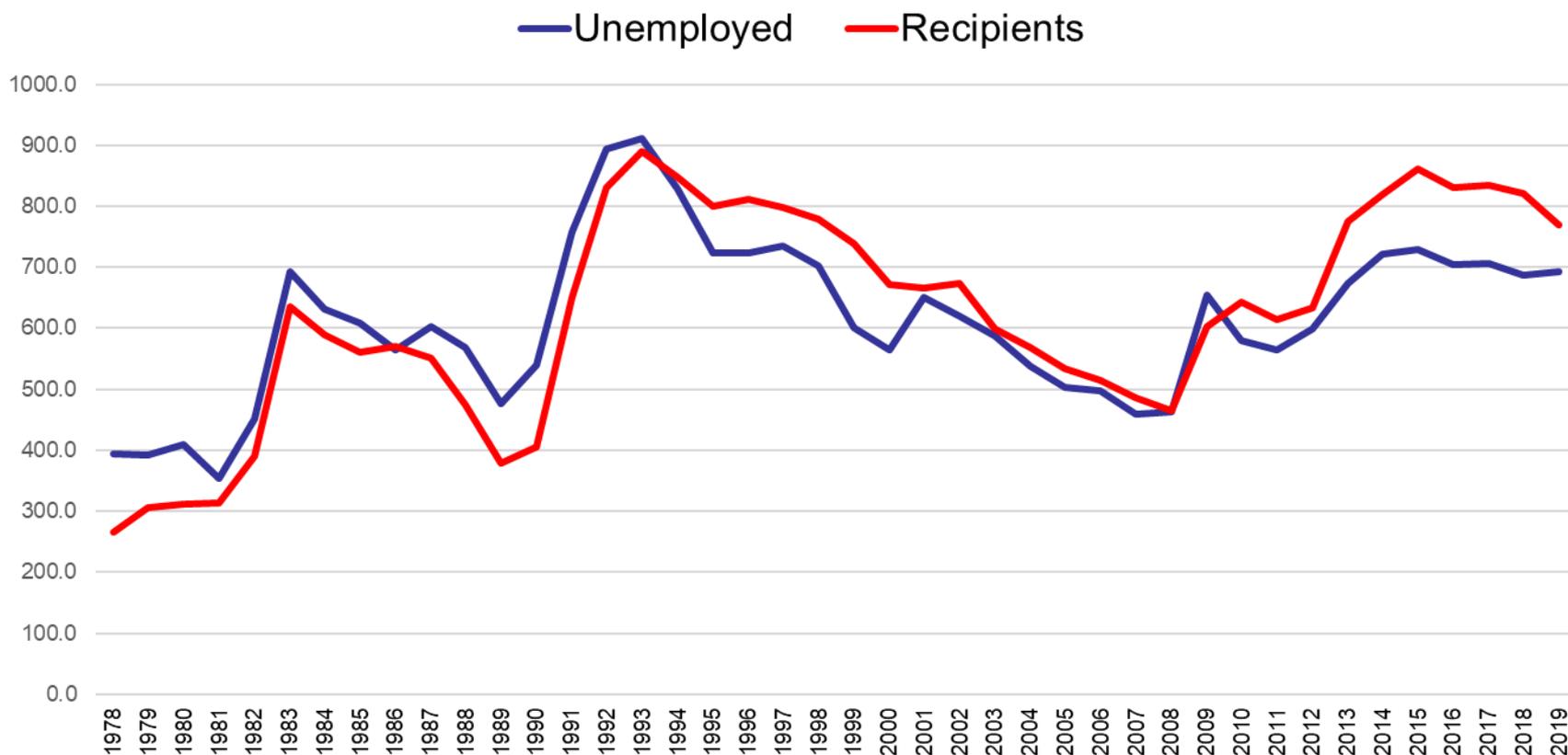
Sources of data: ABS

- Australian Bureau of Statistics, Labour Force Survey, September 2021, <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release>. **Original series**.
- ABS Income Surveys (SIH) identify both labour market status and receipt of income support in same survey. **Every two years**.

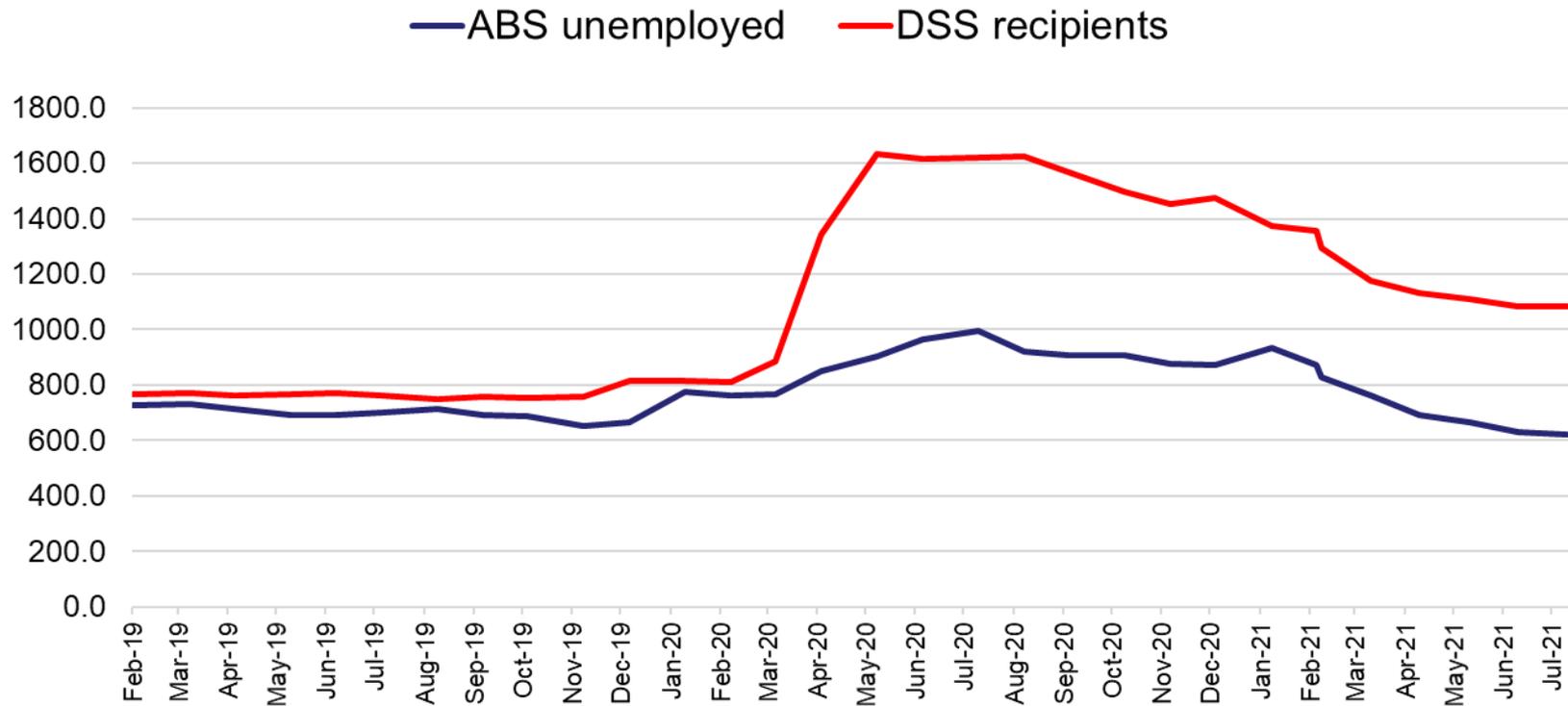
Sources of data: DSS

- Current data on number of people receiving Jobseeker Payments at <https://data.gov.au/data/dataset/jobseeker-payment-and-youth-allowance-recipients-monthly-profile> **Monthly** since March 2020.
- More detailed statistics on people receiving labour market related payments were published **monthly** between January 2012 and February 2020, until the series was superseded. The earlier data can be found at <https://www.dss.gov.au/about-the-department/labour-market-and-related-payments-monthly-profile-publications>.
- **Quarterly** more detailed data available from <https://data.gov.au/data/dataset/dss-payment-demographic-data> . Each March, June. September and December since September 2013. Include all government pensions and allowances, as well as supplementary payments. **Most recent data are for June 2021.**

Number (000s) of ABS unemployed and number of people receiving unemployment payments, 1978 to 2019

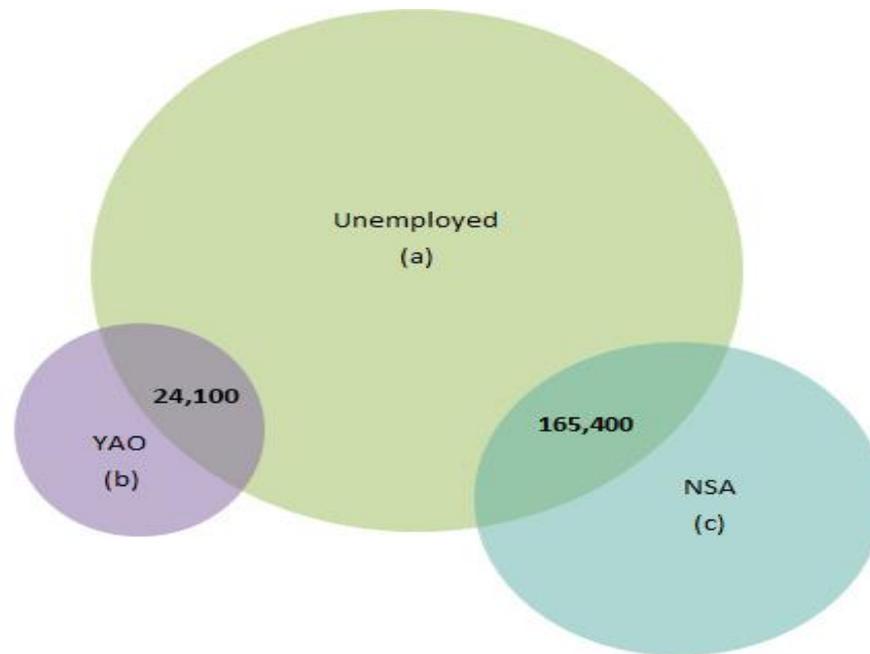


Number (000s) of ABS unemployed and number of people receiving unemployment payments, February 2019 to August 2021



Venn diagram showing recipients of job seeker payments and the unemployed (aged 15 to 64 years), 2017–18

Source: Vandebroek, 2019



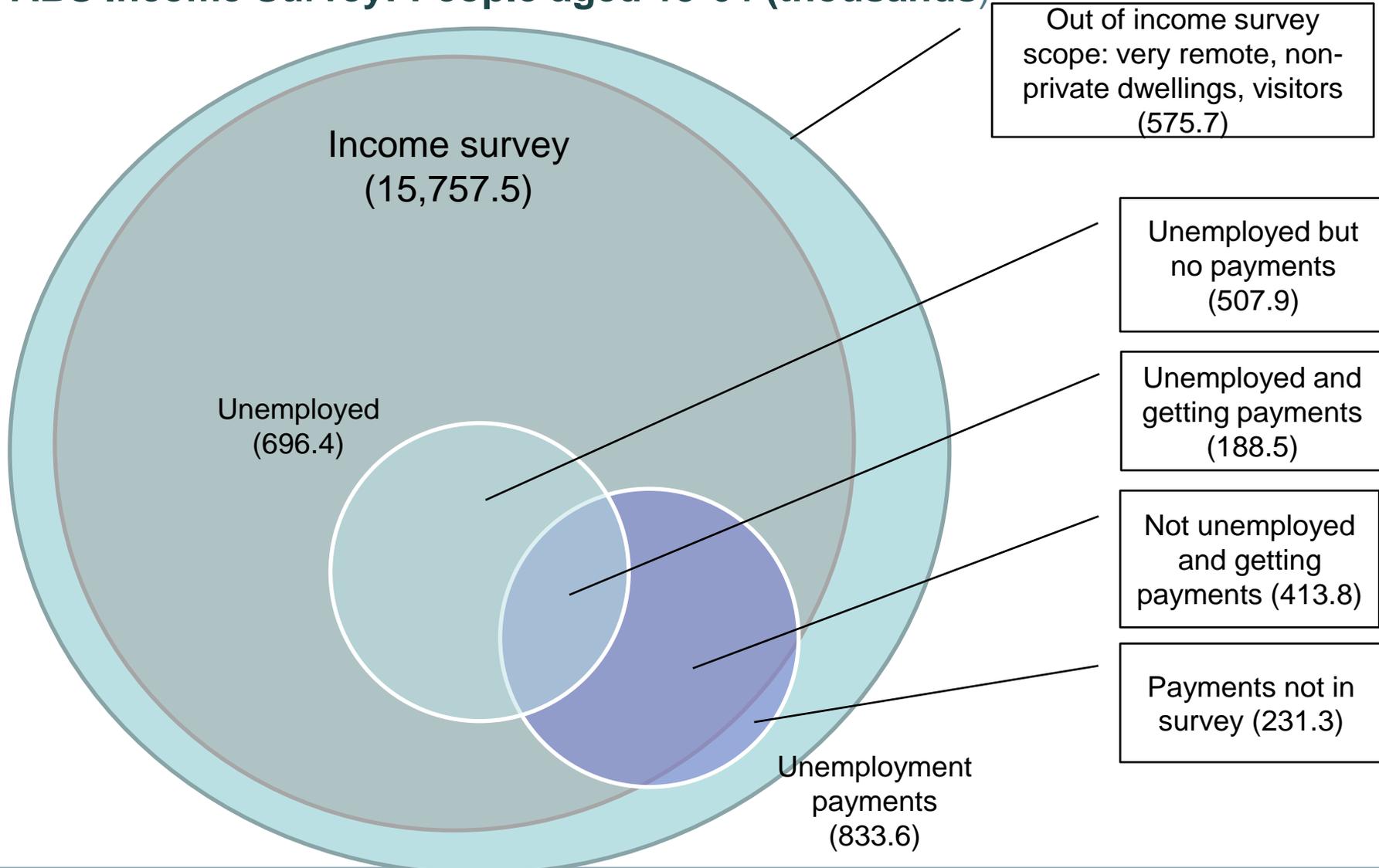
a. Unemployed = 676,700

b. Youth Allowance (excl full-time students) = 53,700

c. Newstart Allowance = 557,300

Source: ABS, *Survey of Income and Housing 2017–18*, customised data

Unemployed and unemployment payment recipients in the 2017-18 ABS Income Survey: People aged 15-64 (thousands)



Note: 'Payments' only include Newstart and Youth Allowance (other)

What explains the differences?

- ABS is a sample survey; recipients are an administrative count
- Benefit recipients, but not ABS unemployed (increases difference)
- ABS unemployed, but not benefit recipients (reduces difference)
- Data “fuzziness”

Benefit recipients, but not ABS unemployed

- “People are defined as unemployed if they were aged 15 years and over and were not employed during the reference week, and had actively looked for full time or part time work at any time in the four weeks up to the end of the reference week and were available for work in the reference week ...”
 - In August 2021, there were 212,000 Jobseeker/YA other recipients with earnings – likely underemployed, but not unemployed
 - In June 2021, there were 379,000 Jobseeker/YA (34%) with “partial capacity to work”. Earlier data count those in voluntary part-time work, other activities without job search, incapacitated and other/temporary exemptions as “non-jobseekers” – 47% of recipients in February 2020. May be not in the labour force.
 - Both these groups reflect long-term policy changes from 1990s to liberalise income tests and from 2000s to “activate” recipients

ABS unemployed, but not benefit recipients

- *Excluded by partner income test*
- *Excluded by general assets test*
- *Excluded by liquid assets test*
- *Excluded by preclusion periods for (highly paid) seasonal workers*
- Not residentially qualified for payments
 - *Newly arrived resident's waiting period (NARWP)*
 - Temporary workers
- Categories in italics suspended/changed for periods in 2020
- Non-take-up of payments
- (Receiving other payments – PPS, pension)

Differences

- Difference 1: Numbers on Newstart/Jobseeker/ YA (Other) minus ABS unemployed
- Difference 2: Difference 1 minus Income support with earnings
- *Difference 3: Difference 2 minus “non-jobseekers”*
- Difference 4: Difference 2 minus partial capacity

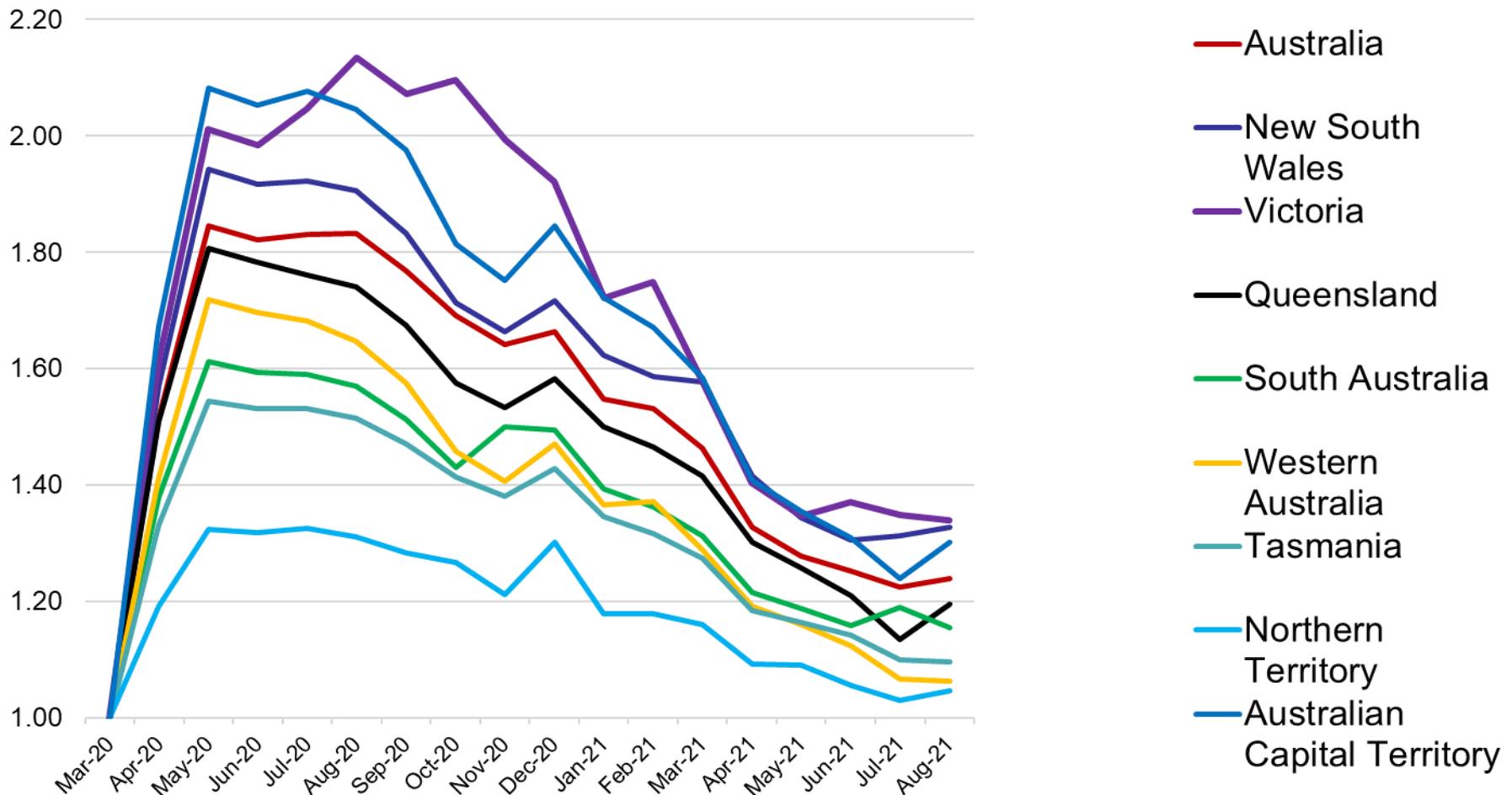
Change in differences, June 2018 to June 2021

	2018	2019	2020	2021
Difference 1	148.3	77.6	647.9	441.8
Difference 2	-17.6	-68.4	395.7	190.3
Difference 3	-370.7	-427.9	na	na
Difference 4	-299.9	-370.6	13.0	-188.8

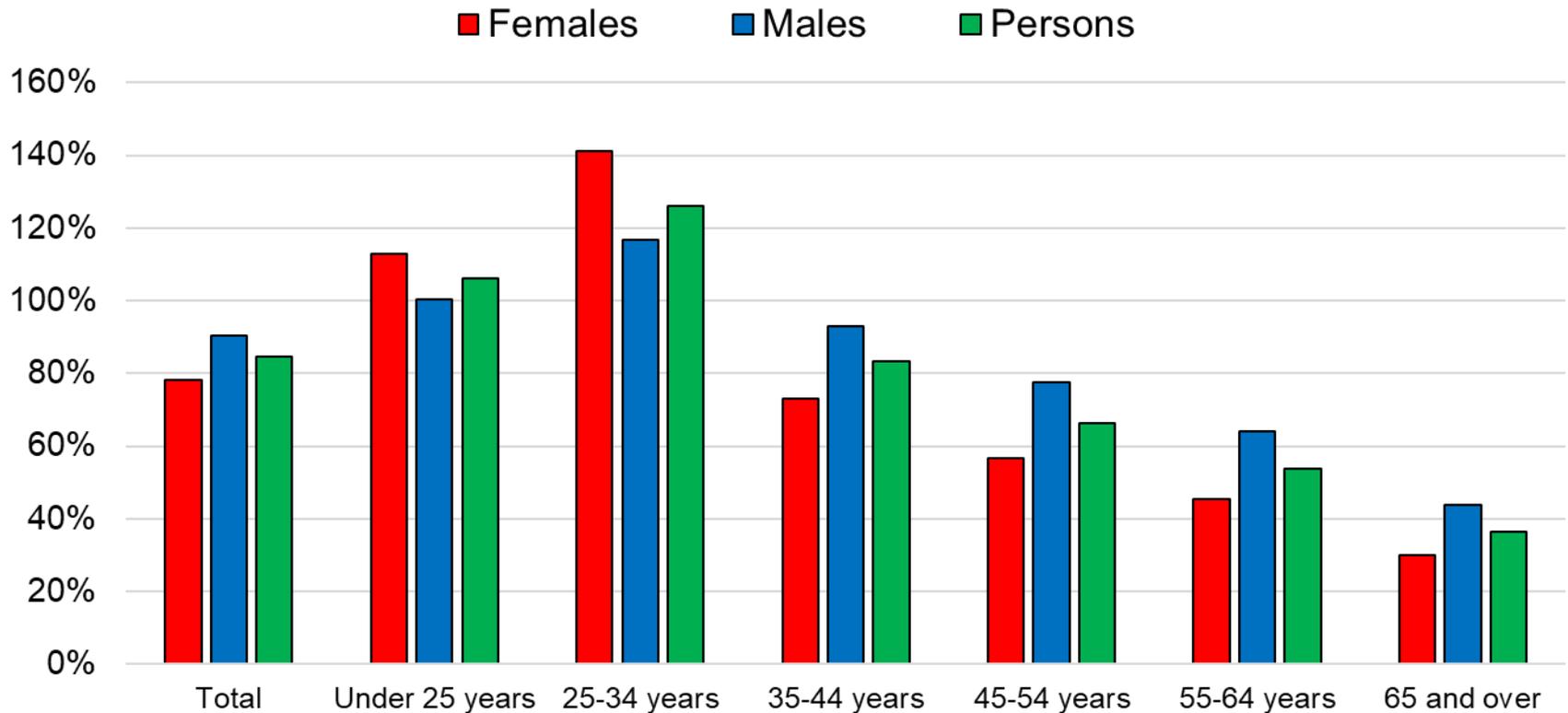


Trends since March 2020

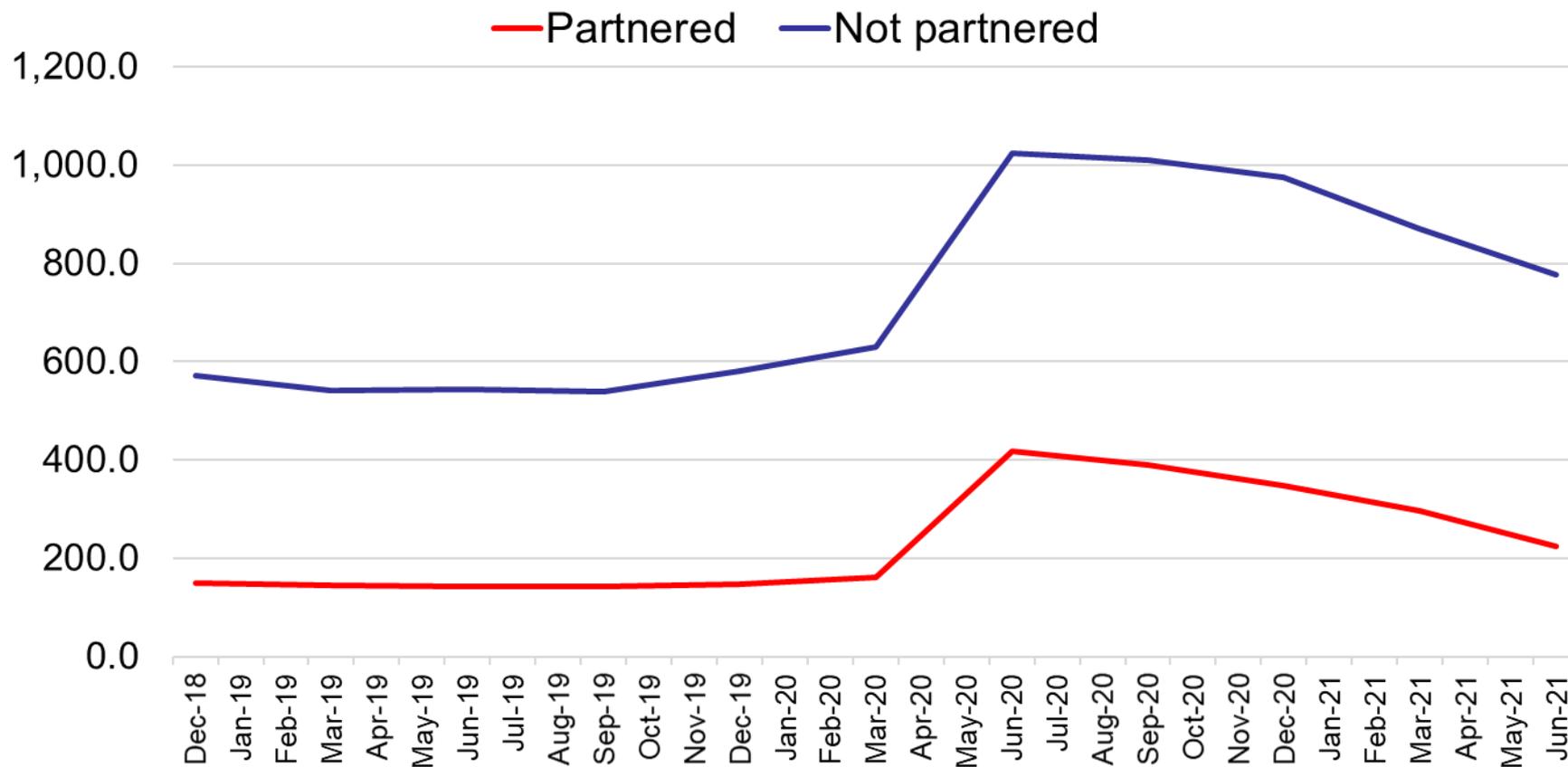
Index of number of Jobseeker/ YA recipients, March 2020 to August 2021



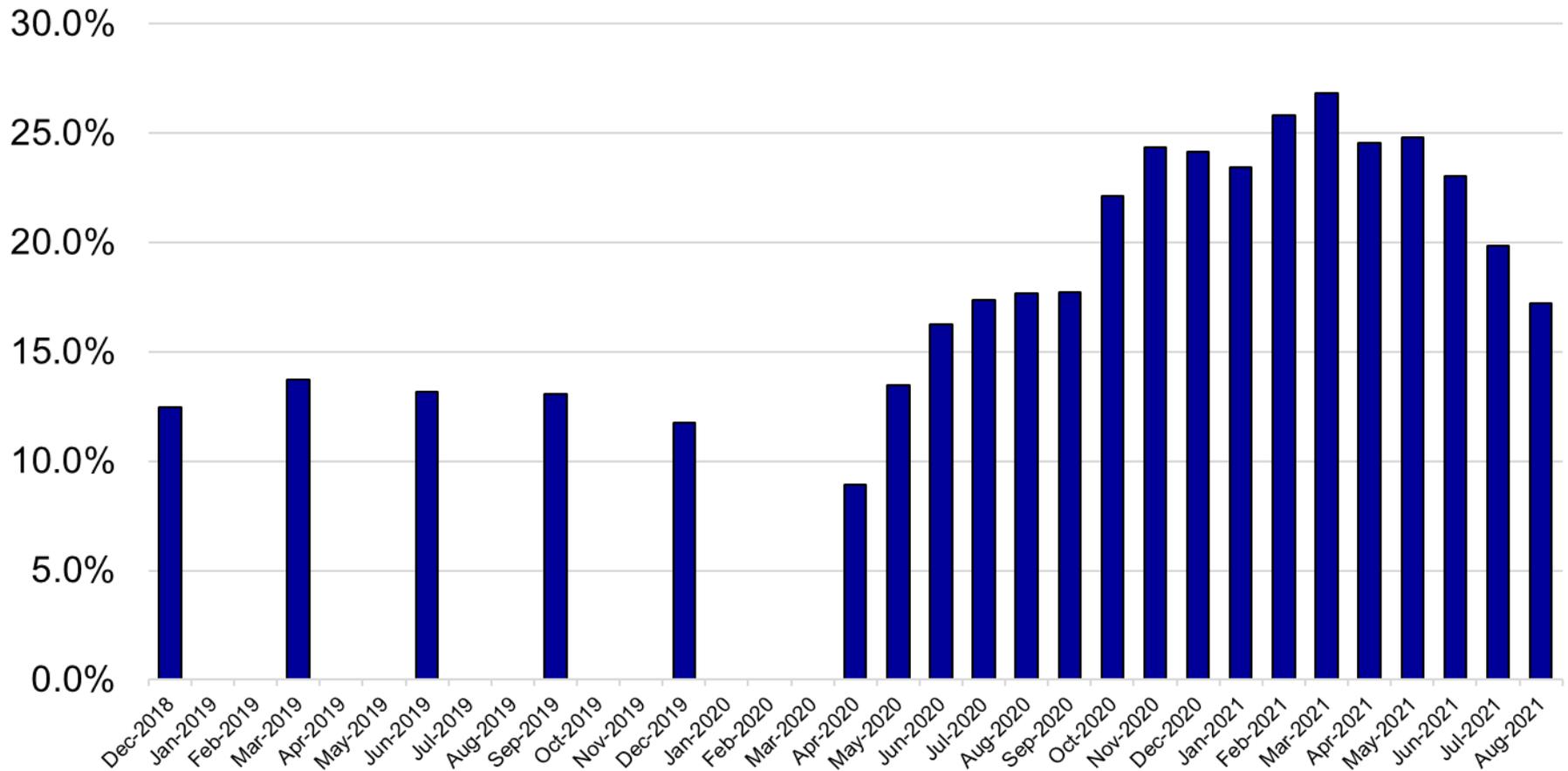
Percentage change in number of Jobseeker/YA recipients by age and sex, March to May 2020



Marital status of selected income support groups, December 2018 to June 2021 (000s)



Recipients with earnings as % of underemployed, 2018 to 2021



What appears to have changed for those receiving income support? June 2019 to June 2021

Group	Change (000s)	Change (%)
Total	339.5	44.1
Women	154.5	40.5
Men	185.0	47.7
Partnered	81.1	55.4
Working	105.5	72.2
Reduced work capacity	76.8	25.4
<25	79.0	65.7
65+	20.2	193.3
Indigenous	30.1	32.3
Victoria	95.8	56.5
NSW	108.4	51.2
NT	4.1	24.5

Data “fuzziness”

- Temporary foreign workers – students, non-protected SCV holders (New Zealanders), working holiday and skilled temporary workers not eligible for payments – but may be included in LFS.
- Working-age population increasing at slower rate, because of much lower migration intake.
- Numbers on Jobseeker include transfers from Youth Allowance, and PPS when youngest child is 8. Are flows the same as in past?
- Increase in age pension age leading to relatively large increase in older unemployed – but “independent” of Covid effects?.

Questions/Explanations?

- Is the problem with the (current) ABS unemployment numbers? i.e. Are we back to “normal”?
- Which numbers should we be concerned about?
 - Now 440,000 more on payments than ABS unemployed or taking out working and potential NILF there are 190,000 unemployed not getting payments? Or, pre-Covid there were close to 400,000 unemployed not getting these payments?
- Increase in take-up among those previously eligible but not claiming (part-time workers/underemployed, partners)?
- Would there be more unemployed not getting payments if we were in the old normal? Is this good or bad?

Concluding observations

- The long-standing relationship between the number of ABS unemployed and the number of people receiving unemployment payments seems to have significantly changed
 - Is this a permanent break, or will it revert over time to previous relationship?
 - *What was* the previous long-standing relationship?
 - Implications for Budget – planning and spending
 - What does it mean for wellbeing of much greater number on payments?
 - Significant groups of the unemployed included in income support in 2020 – should they be covered now?
 - Is the drive to move people to Jobseeker the right direction?



Additional material

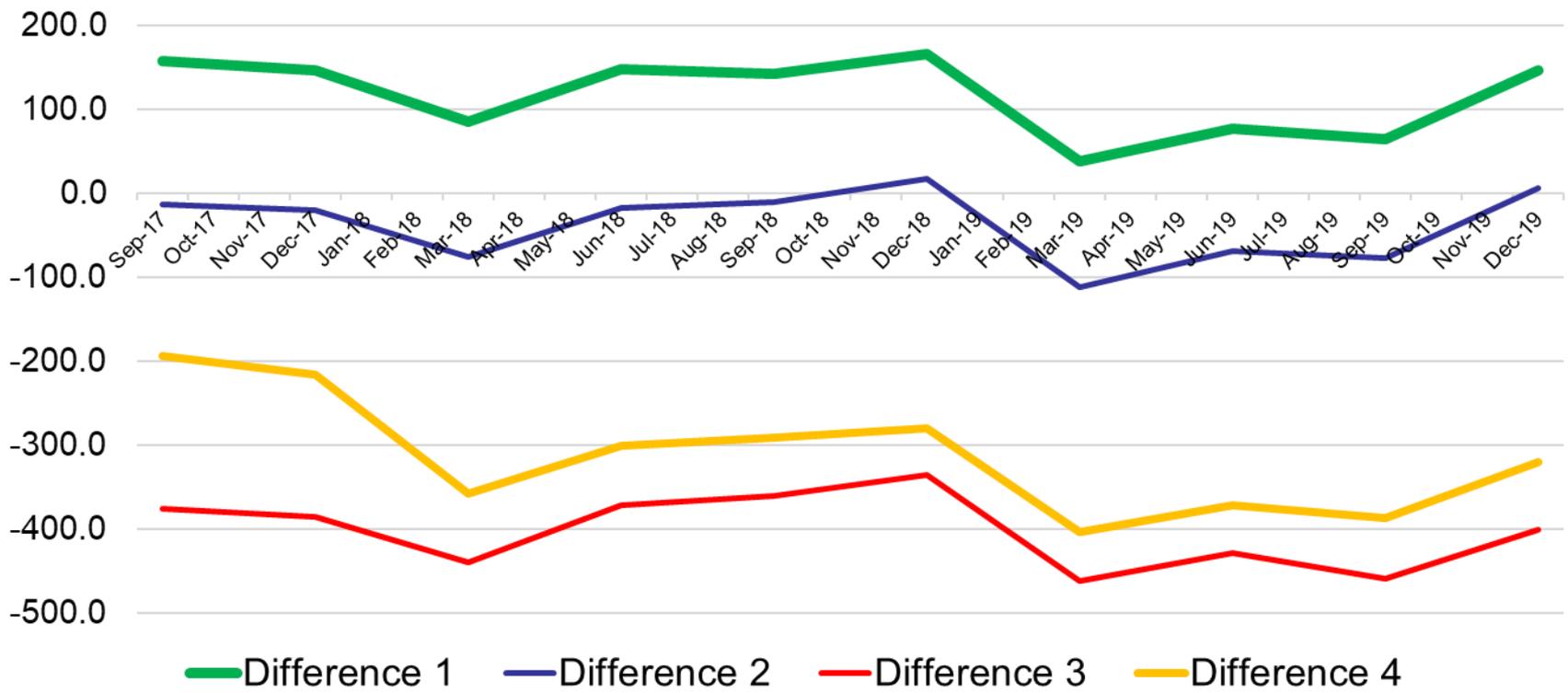
Benefits for the unemployed (and the underemployed and those outside the labour force)

- Australia has a range of income support payments for people of working age who are unemployed, as well as for those with a disability or caring for those with a disability, for parents of young children, and other groups with low incomes including students and apprentices.
- In March 2020 seven payments were replaced by a new income support benefit, the JobSeeker Payment, for those of working age “with capacity to work now or in the near future”.
- Youth Allowance (Other) is available for younger jobseekers – those 21 years or younger. These two payments provide income support for the unemployed, and the number of recipients is therefore an additional measure of labour market trends.

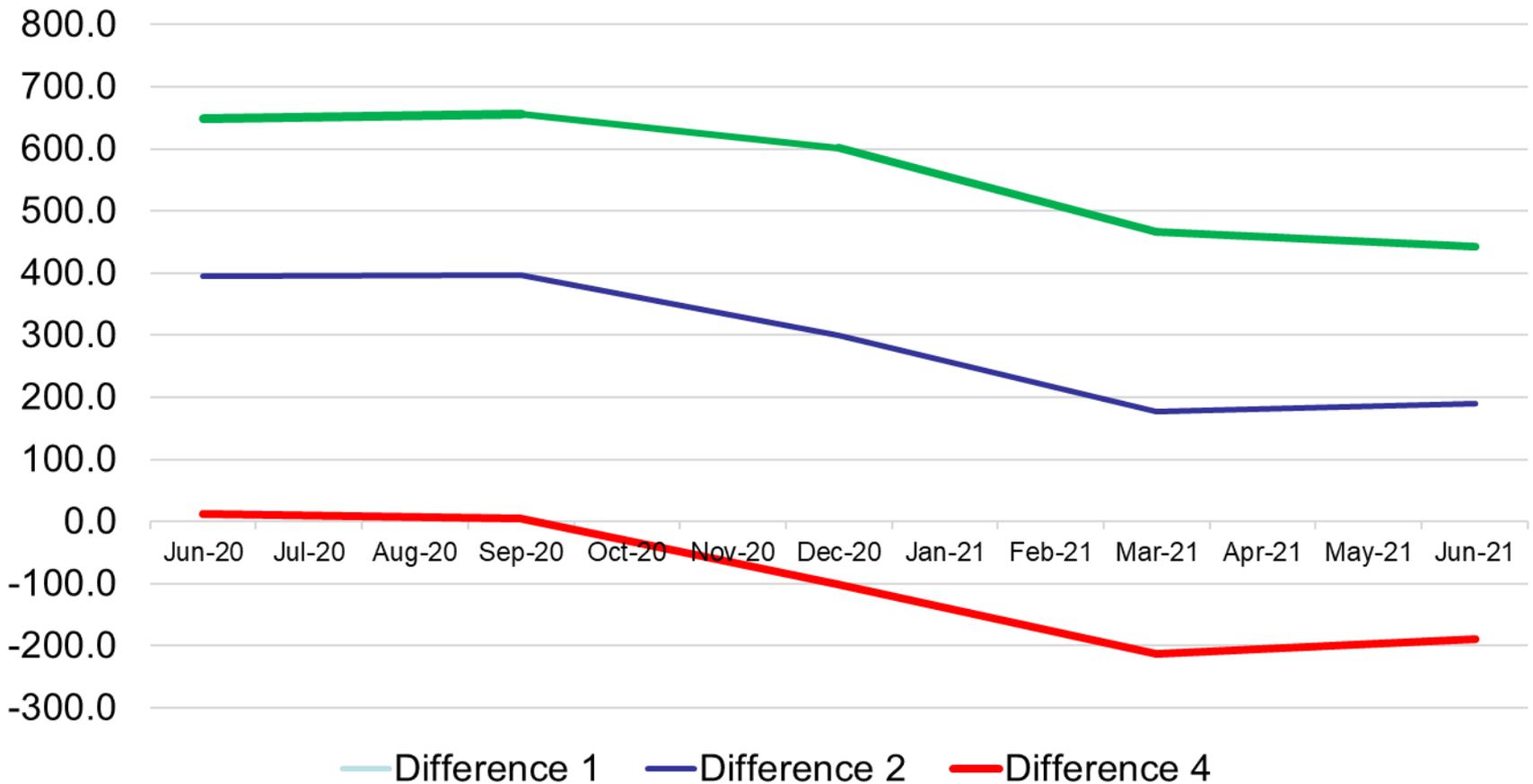
	2017-18 Vandenbroek	2017-18 CURF	Average from ABS/DSS data
ABS Unemployed	676.7	696.4	721.6
Newstart	557.3		758.9
Youth Allowance (Other)	53.7		93.2
Total on Income Support	611.0	602.3	852.1
Newstart and unemployed	165.4		-
Youth Allowance (Other) unemployed	24.1		-
On benefits and unemployed	189.5	188.5	(358.9)
On benefits, employed	174.3	170.9	166.3
On benefits, NILF	249.8	242.9	196.8-357.7
Unemployed but not on benefits	487.2	507.9	329.0 - 493.2
On other benefits	-	75.2	

Note: There are an estimated 575,700 people not in the scope of the survey (3.52% of the ERP), including very remote areas, boarding houses, visitors and homeless.

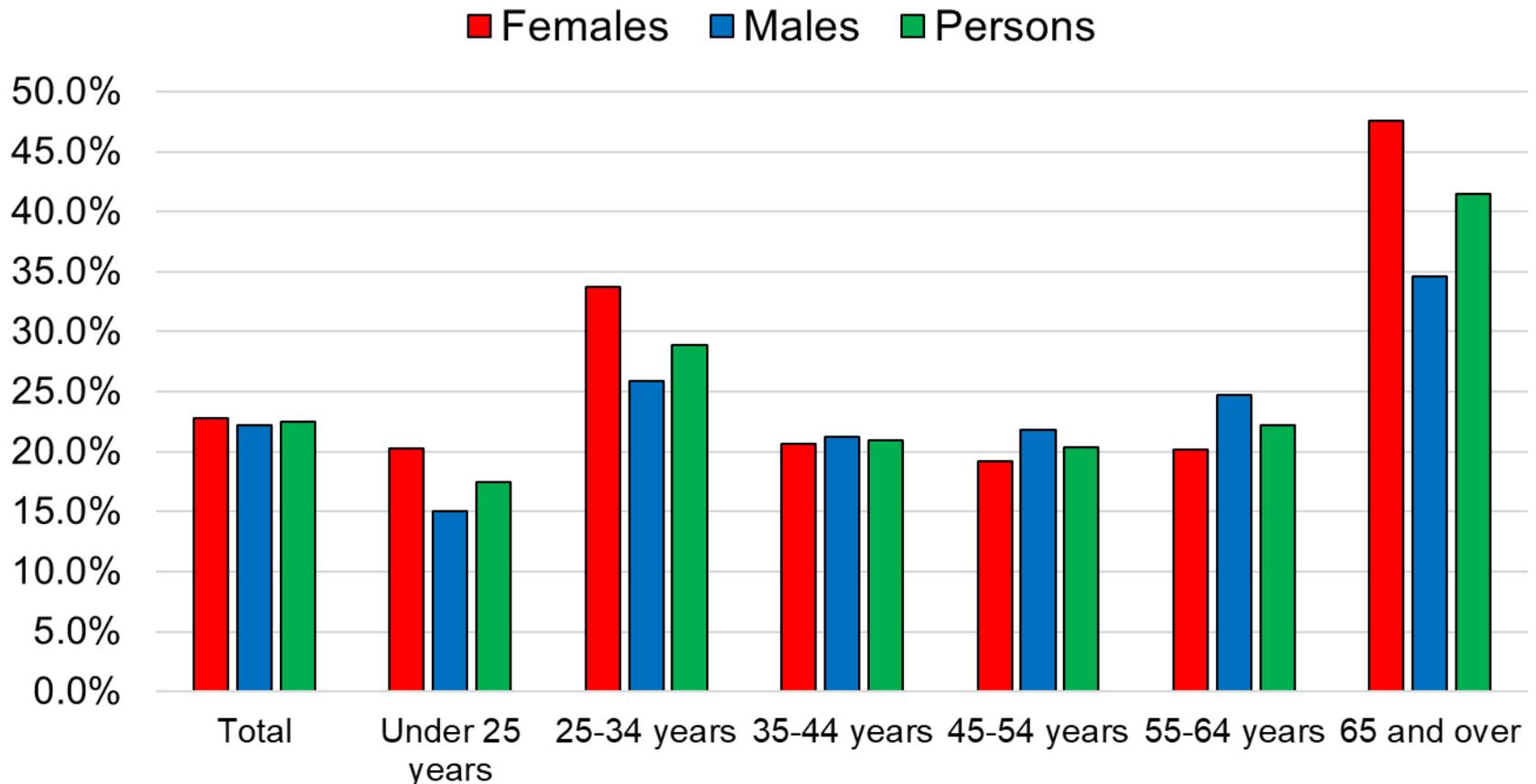
Differences between ABS and DSS numbers by alternative adjustments, September 2017 to December 2019



Differences between ABS and DSS numbers by alternative adjustments, June 2020 to June 2021



Percentage change in number of Jobseeker/YA recipients by age and sex, March 2020 to June 2021



Indigenous and country of birth differences

- In June 2021 the number of identified indigenous people receiving Jobseeker and YA was about 10% higher than in March 2020 compared to 28% higher non-identified Jobseeker and 17% higher YA.
- Between March and June 2020, the total number of Jobseekers increased 96%, and those born in Australia by 72%. Groups with previously very low levels of payment receipt increased strongly – but from very low bases
 - The number of recipients born in India increased 6 fold and in China more than 3 fold, but they were still much lower rates than Australian-born or the other main English-speaking countries.

Marital status of selected income support groups, June 2019 to June 2021 (000s)

	Jobseeker/YA		Total	Parenting Payment Partnered	Parenting Payment Single
	Partnered	Not partnered			
Jun-19	146.4	623.2	769.6	73.1	230.2
Jun-20	425.4	1189.0	1614.4	92.0	243.4
Jun-21	227.5	881.7	1109.1	83.5	237.5

Observations

- In 2019-20 around 10,000 people were employed in Fishing, Hunting and Trapping
<https://www.agriculture.gov.au/abares/research-topics/fisheries/fisheries-and-aquaculture-statistics/employment> (plus 7,000 in aquaculture).
- “The gig economy workforce has grown substantially and may be as large as 250,000 workers.”
<https://actuaries.asn.au/Library/Opinion/2020/GPGIGECONOMYWEBtest.pdf>

Unemployment Benefit pseudo-coverage rates

- “The simple ratio of total benefit recipients and unemployed – based on the definition of the International Labour Organization (ILO) – is commonly referred to as “pseudo-coverage rate”. Depending on the intended scope of unemployment benefits and the benefit entitlement rules that are in force, not all unemployed qualify for unemployment benefits, while some individuals who are not unemployed – e.g. because they are not actively looking for work or are working a few hours per week – may receive them. Pseudo-coverage can therefore vary from very low rates to more than 100%”
- “in most countries, only a minority of jobseekers receive unemployment benefits, fewer than one-in-three on average across countries.” OECD, 2018, https://www.oecd-ilibrary.org/sites/empl_outlook-2018-9-en/index.html?itemId=/content/component/empl_outlook-2018-9-en

Unemployment Benefit pseudo-coverage rates

- “Pseudo-coverage in four out of five countries was below 70% in 2014 and below 20% in Turkey, Slovak Republic, Poland and Hungary. Rates above 100% in Belgium, Austria, Ireland, Finland and Germany indicate that significant shares of benefit payments go to individuals other than active jobseekers, which may be intended or unintended.” https://www.oecd-ilibrary.org/sites/empl_outlook-2018-9-en/index.html?itemId=/content/component/empl_outlook-2018-9-en
- In 2014, the OECD ranked pseudo-coverage in Australia as 7th highest in the OECD
[StatLink http://dx.doi.org/10.1787/888933778459](http://dx.doi.org/10.1787/888933778459)

Number of recipients (000s) with earnings, December 2019 to August 2021

	Newstart/ Jobseeker	YA (Other)	Total
Dec-19	124.8	15.2	140.1
Jun-20	218.0	34.2	252.2
Aug-21	191.3	21.2	212.4

Duration on income support, December 2019 to June 2021 (000s)

	Duration on income support					Average duration on income support (weeks)
	Under 1 year	1-<2 years	2-<5 years	5-<10 years	10 years+	
Dec-19						
Newstart Allowance	171.0	97.2	172.2	153.6	134.4	298
Youth Allowance (other)	37.8	21.8	24.8	1.0	0.0	82
Mar-20						
JobSeeker Payment	204.4	107.3	177.9	160.3	143.0	290
Youth Allowance (other)	41.3	24.3	26.9	1.0	0.0	75
Jun-20						
JobSeeker Payment	828.4	120.1	185.5	162.8	144.5	168
Youth Allowance (other)	115.8	27.5	28.7	1.0	0.0	50
Jun-21						
JobSeeker Payment	174.9	308.2	200.3	165.5	152.4	257
Youth Allowance (other)	37.5	40.9	28.5	0.9	0.0	79

Duration on income support, Newstart/Jobseeker recipients (000s) and estimated exit rate in year after claim

	Duration on income support		Exit rate
	Under 1 year	1-<2 years	
Jun-14	222.0	118.9	
Jun-15	214.6	122.0	45.10%
Jun-16	198.4	107.0	50.10%
Jun-17	189.8	101.8	48.70%
Jun-18	171.0	100.4	47.10%
Jun-19	164.1	87.1	49.10%
Jun-20	828.4	120.1	26.80%
Jun-21	174.9	308.2	62.80%