

Non-technical summary for ‘How Many Jobs Did JobKeeper Keep?’

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In response to the sharp fall in economic activity in the early months of the COVID-19 outbreak, the Australian Government announced a series of measures to support incomes and employment. The largest was the JobKeeper Payment, a wage subsidy to help keep employees and firms connected. So we ask what effect JobKeeper actually had on employment during the first four months of the program.

The picture that has since emerged from the data, case studies and the RBA’s business liaison, is that JobKeeper played a crucial role in cushioning the fall in employment over the first half of 2020. But our study is the first to rigorously estimate the contribution of JobKeeper to stemming employment losses during the first few months of the scheme.

We find that one in every five people who received the JobKeeper payment (and, thus, remained employed) would not have stayed employed during this period without JobKeeper. At the national level, JobKeeper prevented at least 700,000 additional employment relationships being lost in the short term. Without JobKeeper, employment would have fallen by twice as much as it did. Our estimates are close to (or, a little larger than) Treasury’s earlier estimates of the number of jobs that this fiscal measure ‘saved’.

We look at this important question using data on individual workers from the monthly Labour Force Survey. These data allow us to track workers who were employed before JobKeeper was announced in late March to see how they fared over the April to July period. Specifically, we track the employment experiences of people who had been employed on a casual basis at the same firm for 6 months to 2 years before JobKeeper. Within this particular group, we can identify some workers who would have received JobKeeper but other, otherwise similar, workers who would not have. The appeal of this approach is that it gives us a way of disentangling the effects of JobKeeper from the effects of everything else that was happening in the labour market during this turbulent period.

It is worth noting, our estimates only capture the effects of JobKeeper on those people who actually received the payment, and not the indirect channels through which the program may have affected employment (e.g. by supporting aggregate demand in the economy). Also, because we concentrate on the first four months of the program, our focus is retrospective and short-term. We do not consider the effects from August onward (including JobKeeper 2.0), or whether the program was successful in reducing the scarring effects from prolonged unemployment. Policymakers should not assume that the short-term effects of the scheme will necessarily persist. The international evidence suggests that wage subsidies, if kept in place for too long, can have adverse effects on incentives and get in the way of necessary labour force reallocation.

In addition to keeping existing employment relationships intact, another key objective of JobKeeper was to provide income support to business owners and their workers. We do not look at this important aspect.

Finally, we have also made several assumptions. Some of these assumptions are fairly innocuous, but others are potentially important and should be kept in mind when interpreting our findings. For example, our conclusions are based on the experiences of a group of casual employees with fairly short job tenures, who may have responded differently to JobKeeper than other groups of workers. We also assume that JobKeeper did not have a material effect on those people who did not receive the payment.