From: LA CAVA, Giancarlo
Sent: Thursday, 19 March 2020 12:38 PM
To: DAY, Iris
Cc: BISHOP, James
Subject: RE: Casual workers and Newstart using HILDA [SEC=UNCLASSIFIED]

Thanks Iris. That is interesting. I'll see if I can work it into the FSR text, although I note that the decline in employment seems to already be extending beyond casual workers…

Gianni La Cava | Senior Manager and Senior Research Manager | Financial Stability and Economic Research Departments
RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000
| w: www.rba.gov.au

From: DAY, Iris
Sent: Wednesday, 18 March 2020 6:19 PM
To: LA CAVA, Giancarlo
Cc: BISHOP, James
Subject: Casual workers and Newstart using HILDA [SEC=UNCLASSIFIED]

Hi Gianni – here is where I got with this question today.

Overall, my preliminary assessment is that the buffer provided by Newstart is limited by the fact that it is:
i) equivalent to around 55 per cent of the size of the median casual workers wage
ii) the income test means that many casual workers may not be eligible (e.g. based on other earners in the household)

Details

- Around 20 per cent of employed persons worked on a casual basis in HILDA in 2018
- Among casual employees, around 60 per cent live with at least one other person employed on a non-casual basis
- The median fortnightly wage of a casual employee ($1,049) is lower than the median non-casual employee ($2532). This is (at least in part) because usual hours of casual employees is lower that non-casual employees.
- The maximum rate of newstart allowance varies slightly by household type, and is just above the 25th percentile of casual employees usual wages & salaries.

If you're	Your maximum fortnightly Newstart payment is
Single, no children	$559.00
Single, with a dependent child or children	$604.70
Partnered	$504.70 each

- There are also income and assets test associated with Newstart payments
  - Payments reduce to zero once income is generally $1,100-$1,700 per fortnight (depending on family circumstances).
  - Payments reduce to zero one assets are is over ~$200,000 per person for home-owners and more for non-home-owners. The assets test does not include super for those below retirement age or the primary residence.
- Some very rough estimates:

- Assuming non-casual employment is unchanged, around half of casuals would not be eligible for newstart payments based on the income test (because others earnings in the household).
- A further 5 per cent would not be eligible based on the assets test.

From: CRIPPS, Michelle
Sent: Monday, 23 March 2020 6:45 PM
To: GROZINGER, Philipp
Subject: Estimates of second round stimulus impacts [SEC=UNCLASSIFIED]

Follow Up Flag: Follow up
Flag Status: Completed

Hi Phil,

I've written some rough initial notes on the possible impact of the second round of stimulus (they get lot rougher as they go on). I'll keep working on this tomorrow, just wanted to show you where I am and see if you had any feedback at this stage.

Thanks,
Michelle

======================

The second stimulus package includes a range of measures targeted towards businesses. These include:

- The wage subsidy for apprentices that appeared in the previous package. The Government will now also support employment services to help apprentices find work.

support for apprentices and trainees will be worth $1,265 million.

From: CRIPPS, Michelle
Sent: Tuesday, 24 March 2020 11:21 AM
To: GROZINGER, Philipp
Subject: RE: Note EA: Briefing on Second Government Stimulus Package [SEC=UNCLASSIFIED]

Follow Up Flag: Follow up
Flag Status: Completed

Thanks Phil! I'd actually forgotten to incorporate the $10,000 minimum into my previous estimates, so I'll do that now.

Michelle

From: GROZINGER, Philipp
Sent: Tuesday, 24 March 2020 10:47 AM
To: CRIPPS, Michelle
Subject: RE: Note EA: Briefing on Second Government Stimulus Package [SEC=UNCLASSIFIED]

Hi Michelle,

Just spoke to Taylor on the phone. He will have some sort of opinion on how much of the income will flow to COE this afternoon. The rest of which we will be able to apportion to GOS and GMI using your work. There's also some interesting stuff below for timing of the payments.

Thanks,
Phil

From: NUGENT, Taylor
Sent: Monday, 23 March 2020 3:48 PM
To: EA - Prices, Wages & Labour
Subject: FW: Note EA: Briefing on Second Government Stimulus Package [SEC=UNCLASSIFIED]

Hi team,

Some extra detail to help think about the impact on employment from the 'employment subsidies' based on my reading is below. It will very much depend on the amount of employment concentrated in 'small but not too small' businesses. Additionally, the amount of additional income from keeping someone employed will not cover much of their wage.

Much of the payment is not tied to continuing to employ people.

There are 2 types of payments:

- *Boosting Cash Flow for Employees* (or monthly equivalents*)

  - March quarter (paid late April): The greater of 100% of tax withheld and $10,000, up to a maximum of $50,000
  - June quarter (paid late July): 100% of tax withheld (after cumulative tax withheld is greater than $10,000) up to a combined max of $50,000 for March and June quarters
- *Additional Payment*
  - June quarter (paid late July): 50% of total *Boosting Cash Flow for Employees* payments
  - September quarter (paid late October): 50% of total *Boosting Cash Flow for Employees* payments

The size of the payment does not depend on keeping employees on if:
- A business withholds less than $10,000 a half
- Reducing staff heads or hours does not put a business below withholding $50,000 since the start of the year

For many (most?) firms, the majority of the payment will likely be determined according to their March quarter withholdings only. As Tomas notes, there is no additional support provided for continuing to employ people after the sooner of:
- The end of the June quarter
- $50,000 withheld since the start of the year

Excerpt from note below:
Measures supporting business cash flow
The previously announced tax-free payment to business based on their employment has been increased in value, now ranging from a total of $20,000 to $100,000 over 2020 (previously $2,000 to $25,000). Half of this payment is to be delivered in the September quarter, although because it is calculated on activity in the months before July, firms may be able to shed workers and still receive the second half of the payment, provided the business is still operating. Further, alongside businesses with turnover less than $50 million, not-for-profits are now also eligible under the same criteria.

*if submitting monthly, the first payment is assessed as 300% of March statement withholdings to be equivalent with quarterly filing

Taylor Nugent |

From: COKIS, Tomas
Sent: Monday, 23 March 2020 2:50 PM
To: Notes policy groups
Subject: Note EA: Briefing on Second Government Stimulus Package [SEC=UNCLASSIFIED]

The federal government announced further policies to support the economy. Together with the first package, the stimulus is now worth around $70 billion (3½ per cent of annual GDP) and is largely concentrated over the June and September quarters. Key measures are: expanding the previously announced employment subsidies (now $32 billion across the two packages) and additional targeted transfers to households (now $23 billion), including the creation of a new 'coronavirus supplement' to recipients of unemployment benefits.

For more information, please see: D20/87846

Tomas Cokis | Economist | Household and National Accounts | Economic Group
RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000
| w: www.rba.gov.au

BRIEFING ON SECOND GOVERNMENT STIMULUS PACKAGE – 22 MARCH 2020

The federal government announced further policies to support the economy. Together with the first package, the stimulus is now worth around $70 billion (3½ per cent of annual GDP) and is largely concentrated over the June and September quarters. Key measures are: expanding the previously announced employment subsidies (now $32 billion across the two packages) and additional targeted transfers to households (now $23 billion), including the creation of a new 'coronavirus supplement' to recipients of unemployment benefits.

Assessment

The second fiscal stimulus package provides larger transfers to households and business and builds on the first stimulus package announced on 12 March and other policy measures designed to increase the availability of funds to both (including from the RBA).[1] The economic impact of the packages is unclear, but the cost to the budget of both packages was estimated to be $26 billion in 2019/20 (1.3 per cent of annual GDP) and $36 billion in 2020/21 (1.8 per cent of annual GDP). The Treasury has advised the government that it expects these cumulative policy measures to boost GDP growth by 2.75 percentage points in the June quarter and 3.25 percentage points in the September quarter.

The transfers to households, small to medium businesses and not-for-profits should help households to maintain spending on basic necessities, cushion the labour market adjustment and reduce the financial stress of some households. However, these policies seem unlikely to provide a strong boost to spending in the near term due to social distancing practices, the broadening shut-down of non-essential services and the isolation of other households. If these transfers are mostly saved now, they should make the recovery in spending stronger after restrictions on households and businesses are lifted, unless a protracted downturn emerges.

The announced transfers to households include a new 'coronavirus supplement' to persons on unemployment benefits worth $550 per fortnight starting at the end of April, in addition to the standard unemployment benefit. There will also be a second payment of $750 to persons on social assistance income in July; this is in addition to the previously announced $750 payment at the end of March. The subsidy for small and medium businesses based on their payment of salaries and wages has been increased in value, expanded to the September quarter and extended to not-for-profits.

In addition to the measures above, the government has also announced measures to support credit to businesses. These measures include: 1) a small to medium enterprise loan guarantee scheme where the government will guarantee 50 per cent in new short-tern unsecured loans, up to $40 billion; 2) $15 billion in direct investment by the AOFM in structured finance markets used by small lenders; 3) a suspension of the responsible lending obligations for loans to small businesses. The government has also announced some temporary relief measures that allow some flexibility under the *Corporations Act* to support businesses' management of creditor/insolvency risks, with the aim of reducing some of the financial stress faced by the business sector.

Update for 23 March: The government has extended the coronavirus supplement to students who receive Youth Allowance, Austudy and Abstudy payments, after amending legislation in the fiscal package to allow the minister to change eligibility, value and other parameters of the supplement.

---

1 This package has been quoted in the press as $189 billion of stimulus. However, this figure combines government transfers with credit measures, including credit measures undertaken by the RBA.

Table 1: Announced Measures

*Latest policies and changes in **blue** (relative to the first package)*

Recipient	*Measure*	*Timing*	*Near-term benefit ($b)**
Household transfers	***Coronavirus Supplement to recipients of unemployment benefits ($550 per fortnight)***	***From 27 April 2020 for six months***	***14.0***
	Two payments of $750 to persons who receive social assistance income	From 31 March, ***then from 13 July 2020***	~~4.8~~ ***8.8***
Other Household	***Temporary access to superannuation (up to $10,000 per financial year for 2 years)****	***April 2020***	–
	Compulsory minimum drawdowns of superannuation will be reduced	***Immediately***	
	Pension deeming rates lowered further	***Immediately***	-0.2
	Social security deeming rates lowered further	***1 May 2020***	–
Employment subsidies	***Expanded*** payments ***of $10,000 to $100,000*** to small and medium businesses, **and non-for-profits** with employees. **Extra payment for September quarter.**	Jan 2020 to ~~July~~ ***October 2020***	~~6.7~~ ***31.9***
	50 per cent subsidy for apprentices and trainees wages	1 Jan to 30 Sep 2020	1.3
Investment Incentives	Expanded eligibility and increased value of instant asset write-off	Now until 30 June 2020	2.5
	Earlier deduction of depreciation	Now until 30 June 2021	6.7
Other	Fund for affected industries	'as soon as practical'	1.0
	Support for airlines and airports	***1 Feb to 30 Sep 2020***	***0.7***
	Total		67.8

* Not available for measures without an impact on government finances

** For 'persons affected by COVID-19'.

Further detail on new measures

Measures supporting households

- The temporary Coronavirus Supplement of $550 per fortnight will be paid to new and existing recipients of the Youth Allowance and Jobseeker payments, Parenting Payment, Farm Household Allowance, Special Benefit, Austudy and Abstudy. This payment is in addition to the unemployment benefit itself. It will begin in the last week of April and will last for six months.
- Eligibility for the Jobseeker payment and Youth Allowance Jobseeker payment has been expanded and will also be available to a broad range of persons who meet the income test due to coronavirus,

whether they have lost their employment, been stood down, are a contract or casual worker or a sole trader. This includes persons who meet eligibility because they are required to care for someone affected by COVID-19.

- Temporarily, the administrative requirements to gain access to unemployment benefits will be reduced. Waiting periods and requirements for supporting evidence will be waived or reduced and the asset testing for these payments will be suspended. The typical 'mutual obligation' requirements (e.g. minimum number of job applications) will be reduced in frequency, and waived for persons in self-isolation or with caring responsibilities.
- A second tax-free payment of $750 will be made to eligible social assistance recipients from mid-July, in addition to the previously announced payment of $750 in March. These payments are available only to persons who receive social assistance income from the government, including the disability pension and age pension, but excludes anyone who claims the new Coronavirus Supplement.

Measures supporting business cash flow

- The previously announced tax-free payment to business based on their employment has been increased in value, now ranging from a total of $20,000 to $100,000 over 2020 (previously $2,000 to $25,000). Half of this payment is to be delivered in the September quarter, although because it is calculated on activity in the months before July, firms may be able to shed workers and still receive the second half of the payment, provided the business is still operating. Further, alongside businesses with turnover less than $50 million, not-for-profits are now also eligible under the same criteria.

State based measures[2]

The states and territories have also committed to a number of spending packages, totally over $5 billion. Larger items include:

- In NSW, $2.2bn to be spent on: medical costs; maintenance and cleaning of public facilities; and on waiving fees and charges and payroll tax for smaller businesses.
- In Victoria, $2.1bn to be spent on medical costs, payroll tax refunds and deferments for small to medium businesses, payment of all outstanding supplier invoices, waiving of some fees and charges, establishment of a Business Support Fund and Working for Victoria Fund.
- In Western Australia, $600m on: deferring increases in household fees and charges; doubling Energy Assistance Payments; changes to payroll taxes; and a one-off grant of $17,500 for small to medium businesses.
- In South Australia, $350m on: road and hospital upgrades; 'tourism infrastructure'; and increased funding for the state's Economic and Business growth fund.
- In Queensland, $500m on the creation of an interest free loan facility to support businesses.

Tomas Cokis
Household and National Accounts, Economic Analysis Department
23 March 2020

---

2 RIA is tracking state based spending and containment measures, which the above summary draws on. For specific questions please contact Paula Gadsby who is taking the lead on this.

From: ROSEWALL, Tom
Sent: Monday, 30 March 2020 10:52 PM
To: BISHOP, James; MCLOUGHLIN, Kate; CASSIDY, Natasha
Subject: RE: Want to comment: Briefing on the latest policy - wage subsidies [SEC=UNCLASSIFIED]

We will be revising, I'm sure, but there seems no obvious place to kick things off from the activity side. I'm not buck-passing here… but my initial thought was PWL come up with a view of how much employment this sustains as a first-round effect, given the set of activity forecasts we have. We'll take this additional COE and then distribute in consumption. Presumably there is a boost to investment too through additional profits. We'll give you back boosted activity which will provide second and third round effects on the labour market.

But, to shorten this iterative process, I think we come up with a view on step one (employment offset) and then give this COE and profits boost to MARTIN along with EA's June and September quarters for the E side.

Maybe we should gather a few people for a quick conceptual chat tomorrow?

From: BISHOP, James
Sent: Monday, 30 March 2020 10:22 PM
To: MCLOUGHLIN, Kate ; ROSEWALL, Tom
Subject: Fwd: Want to comment: Briefing on the latest policy - wage subsidies [SEC=UNCLASSIFIED]

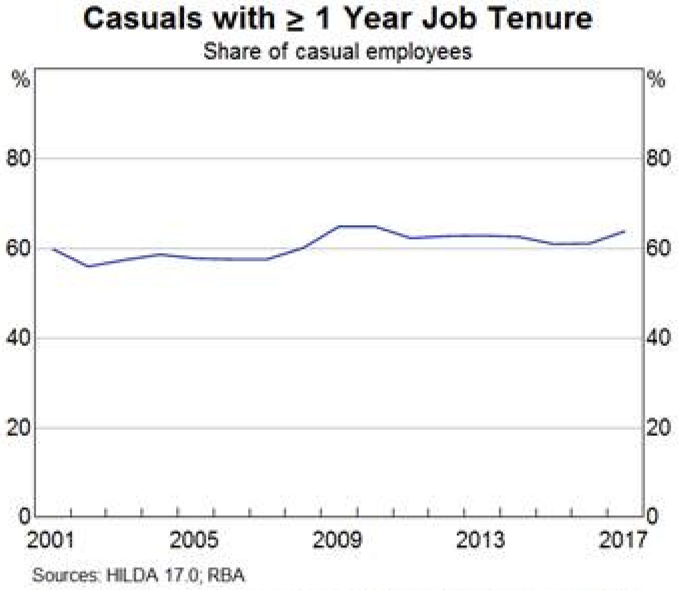
Hi - are you planning to revise the activity forecasts to incorporate the wage subsidies?

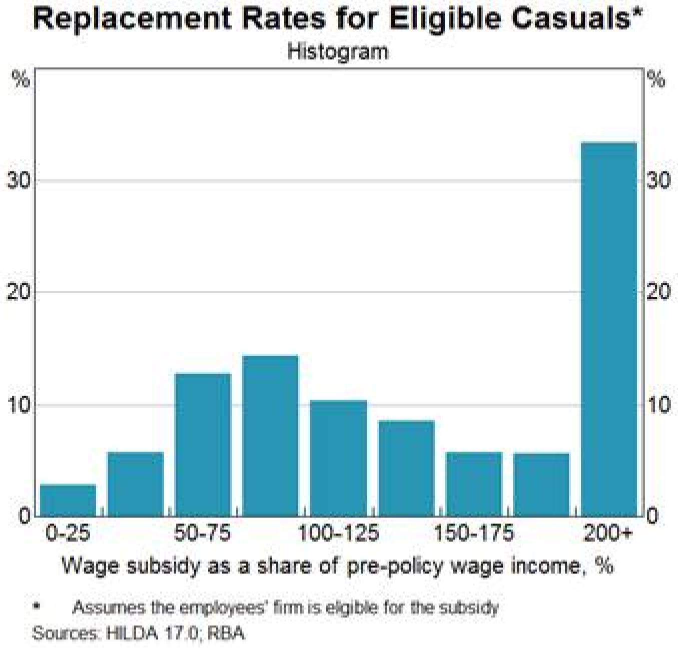
From: BISHOP, James
Sent: Monday, 30 March 2020 8:03 PM
To: MCLOUGHLIN, Kate ; CASSIDY, Natasha

Cc: COKIS, Tomas ; ROSEWALL, Tom
Subject: RE: Want to comment: Briefing on the latest policy - wage subsidies [SEC=UNCLASSIFIED]

Thanks Kate, the 16+ restriction doesn't change the picture much.

The replacement rates for eligible casuals are also quite generous, around 1/3 get >twice their 'pre-policy' income. Here, eligibility is based on tenure and age but not whether the firm itself is eligible





HILDA Survey Disclaimer Notice

https://www.rba.gov.au/disclaimer/hilda-disclaimer.html

The following Disclaimer Notice applies to content that uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey.

This document uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The unit record data from the HILDA Survey was obtained from the Australian Data Archive, which is hosted by The Australian National University. The HILDA Survey was initiated and is funded by the Australian Government Department of Social Services (DSS) and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute). The findings and views based on the data, however, are those of the authors and should not be attributed to the Australian Government, DSS, the Melbourne Institute, the Australian Data Archive or The Australian National University and none of those entities bear any responsibility for the analysis or interpretation of the unit record data from the HILDA Survey provided by the authors.

From: MCLOUGHLIN, Kate
Sent: Monday, 30 March 2020 7:42 PM
To: BISHOP, James ; CASSIDY, Natasha
Cc: COKIS, Tomas ; ROSEWALL, Tom
Subject: RE: Want to comment: Briefing on the latest policy - wage subsidies [SEC=UNCLASSIFIED]

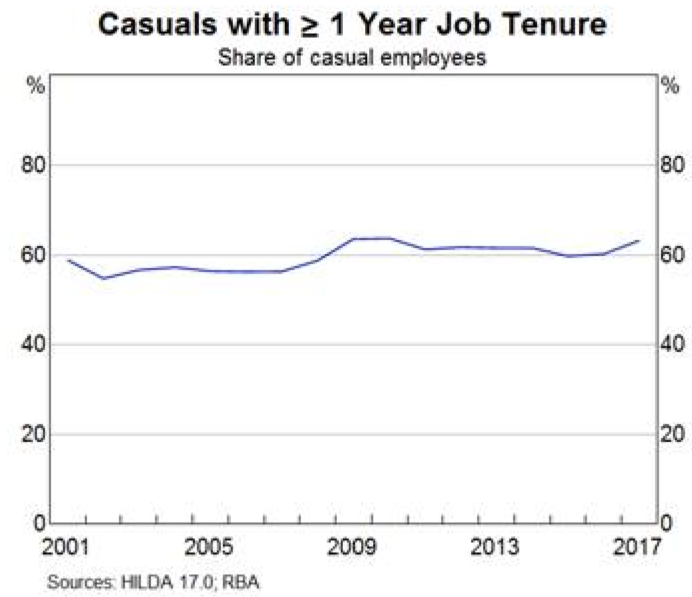
Thanks – BTW they have to be 16years+ presumably that's the majority of those below

---

From: BISHOP, James
Sent: Monday, 30 March 2020 7:29 PM
To: CASSIDY, Natasha ; MCLOUGHLIN, Kate

Cc: COKIS, Tomas ; ROSEWALL, Tom
Subject: RE: Want to comment: Briefing on the latest policy - wage subsidies [SEC=UNCLASSIFIED]

Just pulled this out of HILDA. A little more than 60% of casuals meet the criteria of being employed at the same firm for at least 1 year



From: CASSIDY, Natasha
Sent: Monday, 30 March 2020 7:19 PM
To: BISHOP, James ; MCLOUGHLIN, Kate
Cc: COKIS, Tomas ; ROSEWALL, Tom
Subject: RE: Want to comment: Briefing on the latest policy - wage subsidies [SEC=UNCLASSIFIED]

If it's going out tonight, happy for it to go out without PWL comment.

Luci wants the PDG forecasts to include the wage subsidies – so quick turnaround for us!

From: BISHOP, James
Sent: Monday, 30 March 2020 7:11 PM
To: MCLOUGHLIN, Kate
Cc: CASSIDY, Natasha ; COKIS, Tomas ; ROSEWALL, Tom
Subject: Re: Want to comment: Briefing on the latest policy - wage subsidies [SEC=UNCLASSIFIED]

Thanks Kate. If just a briefing on the policy details (and not the implications for the labour market) I don't think we need to comment. Though Tash may have a different view

> On 30 Mar 2020, at 6:47 pm, MCLOUGHLIN, Kate wrote:
>
> Tomas is whipping up a short briefing now – do you want comment tonight?
> Should be ready in an hour…
>
> **Kate McLoughlin**| Senior Economist | Households and National Accounts Section
> RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000
> | w: www.rba.gov.au

BRIEFING ON SECOND GOVERNMENT STIMULUS PACKAGE – 22 MARCH 2020

The federal government announced further policies to support the economy. Together with the first package, the stimulus is now worth around $70 billion (3½ per cent of annual GDP) and is largely concentrated over the June and September quarters. Key measures are: expanding the previously announced employment subsidies (now $32 billion across the two packages) and additional targeted transfers to households (now $23 billion), including the creation of a new 'coronavirus supplement' to recipients of unemployment benefits.

Assessment

The second fiscal stimulus package provides larger transfers to households and business and builds on the first stimulus package announced on 12 March and other policy measures designed to increase the availability of funds to both (including from the RBA).[1] The economic impact of the packages is unclear, but the cost to the budget of both packages was estimated to be $26 billion in 2019/20 (1.3 per cent of annual GDP) and $36 billion in 2020/21 (1.8 per cent of annual GDP). The Treasury has advised the government that it expects these cumulative policy measures to boost GDP growth by 2.75 percentage points in the June quarter and 3.25 percentage points in the September quarter.

The transfers to households, small to medium businesses and not-for-profits should help households to maintain spending on basic necessities, cushion the labour market adjustment and reduce the financial stress of some households. However, these policies seem unlikely to provide a strong boost to spending in the near term due to social distancing practices, the broadening shut-down of non-essential services and the isolation of other households. If these transfers are mostly saved now, they should make the recovery in spending stronger after restrictions on households and businesses are lifted, unless a protracted downturn emerges.

The announced transfers to households include a new 'coronavirus supplement' to persons on unemployment benefits worth $550 per fortnight starting at the end of April, in addition to the standard unemployment benefit. There will also be a second payment of $750 to persons on social assistance income in July; this is in addition to the previously announced $750 payment at the end of March. The subsidy for small and medium businesses based on their payment of salaries and wages has been increased in value, expanded to the September quarter and extended to not-for-profits.

In addition to the measures above, the government has also announced measures to support credit to businesses. These measures include: 1) a small to medium enterprise loan guarantee scheme where the government will guarantee 50 per cent in new short-tern unsecured loans, up to $40 billion; 2) $15 billion in direct investment by the AOFM in structured finance markets used by small lenders; 3) a suspension of the responsible lending obligations for loans to small businesses. The government has also announced some temporary relief measures that allow some flexibility under the *Corporations Act* to support businesses' management of creditor/insolvency risks, with the aim of reducing some of the financial stress faced by the business sector.

Update for 23 March: The government has extended the coronavirus supplement to students who receive Youth Allowance, Austudy and Abstudy payments, after amending legislation in the fiscal package to allow the minister to change eligibility, value and other parameters of the supplement.

---

1 This package has been quoted in the press as $189 billion of stimulus. However, this figure combines government transfers with credit measures, including credit measures undertaken by the RBA.

Table 1: Announced Measures

Latest policies and changes in ***blue*** *(relative to the first package)*

Recipient	*Measure*	*Timing*	*Near-term benefit ($b)**
Household transfers	***Coronavirus Supplement to recipients of unemployment benefits ($550 per fortnight)***	***From 27 April 2020 for six months***	***14.0***
	Two payments of $750 to persons who receive social assistance income	From 31 March, ***then from 13 July 2020***	~~4.8~~ ***8.8***
Other Household	***Temporary access to superannuation (up to $10,000 per financial year for 2 years)****	***April 2020***	–
	Compulsory minimum drawdowns of superannuation will be reduced	***Immediately***	
	Pension deeming rates lowered further	***Immediately***	-0.2
	Social security deeming rates lowered further	***1 May 2020***	–
Employment subsidies	***Expanded*** payments ***of $10,000 to $100,000*** to small and medium businesses, **and non-for-profits** with employees. **Extra payment for September quarter.**	Jan 2020 to ~~July~~ ***October 2020***	~~6.7~~ ***31.9***
	50 per cent subsidy for apprentices and trainees wages	1 Jan to 30 Sep 2020	1.3
Investment Incentives	Expanded eligibility and increased value of instant asset write-off	Now until 30 June 2020	2.5
	Earlier deduction of depreciation	Now until 30 June 2021	6.7
Other	Fund for affected industries	'as soon as practical'	1.0
	Support for airlines and airports	***1 Feb to 30 Sep 2020***	***0.7***
	Total		67.8

* Not available for measures without an impact on government finances

** For 'persons affected by COVID-19'.

Further detail on new measures

Measures supporting households

- The temporary Coronavirus Supplement of $550 per fortnight will be paid to new and existing recipients of the Youth Allowance and Jobseeker payments, Parenting Payment, Farm Household Allowance, Special Benefit, Austudy and Abstudy. This payment is in addition to the unemployment benefit itself. It will begin in the last week of April and will last for six months.
- Eligibility for the Jobseeker payment and Youth Allowance Jobseeker payment has been expanded and will also be available to a broad range of persons who meet the income test due to coronavirus,

whether they have lost their employment, been stood down, are a contract or casual worker or a sole trader. This includes persons who meet eligibility because they are required to care for someone affected by COVID-19.

- Temporarily, the administrative requirements to gain access to unemployment benefits will be reduced. Waiting periods and requirements for supporting evidence will be waived or reduced and the asset testing for these payments will be suspended. The typical 'mutual obligation' requirements (e.g. minimum number of job applications) will be reduced in frequency, and waived for persons in self-isolation or with caring responsibilities.
- A second tax-free payment of $750 will be made to eligible social assistance recipients from mid-July, in addition to the previously announced payment of $750 in March. These payments are available only to persons who receive social assistance income from the government, including the disability pension and age pension, but excludes anyone who claims the new Coronavirus Supplement.

Measures supporting business cash flow

- The previously announced tax-free payment to business based on their employment has been increased in value, now ranging from a total of $20,000 to $100,000 over 2020 (previously $2,000 to $25,000). Half of this payment is to be delivered in the September quarter, although because it is calculated on activity in the months before July, firms may be able to shed workers and still receive the second half of the payment, provided the business is still operating. Further, alongside businesses with turnover less than $50 million, not-for-profits are now also eligible under the same criteria.

State based measures[2]

The states and territories have also committed to a number of spending packages, totally over $5 billion. Larger items include:

- In NSW, $2.2bn to be spent on: medical costs; maintenance and cleaning of public facilities; and on waiving fees and charges and payroll tax for smaller businesses.
- In Victoria, $2.1bn to be spent on medical costs, payroll tax refunds and deferments for small to medium businesses, payment of all outstanding supplier invoices, waiving of some fees and charges, establishment of a Business Support Fund and Working for Victoria Fund.
- In Western Australia, $600m on: deferring increases in household fees and charges; doubling Energy Assistance Payments; changes to payroll taxes; and a one-off grant of $17,500 for small to medium businesses.
- In South Australia, $350m on: road and hospital upgrades; 'tourism infrastructure'; and increased funding for the state's Economic and Business growth fund.
- In Queensland, $500m on the creation of an interest free loan facility to support businesses.

Tomas Cokis
Household and National Accounts, Economic Analysis Department
23 March 2020

2 RIA is tracking state based spending and containment measures, which the above summary draws on. For specific questions please contact Paula Gadsby who is taking the lead on this.

From: CASSIDY, Natasha
Sent: Tuesday, 31 March 2020 10:42 AM
To: MCLOUGHLIN, Kate; BISHOP, James; ROSEWALL, Tom; COKIS, Tomas
Subject: RE: Want to comment: Briefing on the latest policy - wage subsidies [SEC=UNCLASSIFIED]

From ScoMo – perhaps Treasury have access to this data (if you think it is worth getting)?

As of 8am today, over 113,000 Australian businesses have registered their interest in the new #JobKeeper wage subsidy of $1500 per fortnight for each employee. Our $130 billion plan is all about keeping Australians in jobs while we deal with this #coronavirus crisis.

From: MCLOUGHLIN, Kate
Sent: Tuesday, 31 March 2020 8:57 AM
To: CASSIDY, Natasha ; COKIS, Tomas ; BISHOP, James

Cc: ROSEWALL, Tom
Subject: RE: Want to comment: Briefing on the latest policy - wage subsidies [SEC=UNCLASSIFIED]

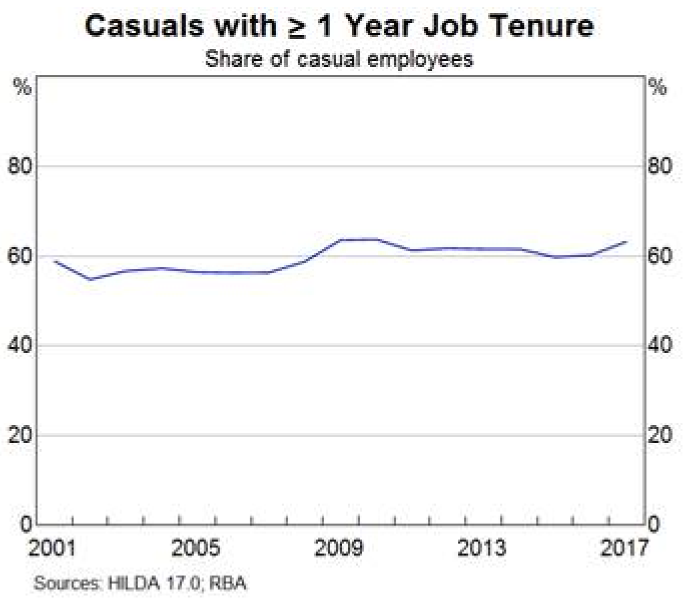
Why don't I check in with FS and DM on this today?

From: CASSIDY, Natasha
Sent: Monday, 30 March 2020 7:35 PM
To: BISHOP, James ; MCLOUGHLIN, Kate
Cc: COKIS, Tomas ; ROSEWALL, Tom
Subject: RE: Want to comment: Briefing on the latest policy - wage subsidies [SEC=UNCLASSIFIED]

Thanks – this is helpful. Apart from this, the key question is how many businesses in the worst hit industries can survive until payments begin in May (even with government support)?

From: BISHOP, James
Sent: Monday, 30 March 2020 7:29 PM
To: CASSIDY, Natasha ; MCLOUGHLIN, Kate
Cc: COKIS, Tomas ; ROSEWALL, Tom
Subject: RE: Want to comment: Briefing on the latest policy - wage subsidies [SEC=UNCLASSIFIED]

Just pulled this out of HILDA. A little more than 60% of casuals meet the criteria of being employed at the same firm for at least 1 year



HILDA Survey Disclaimer Notice

https://www.rba.gov.au/disclaimer/hilda-disclaimer.html

The following Disclaimer Notice applies to content that uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey.

This document uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The unit record data from the HILDA Survey was obtained from the Australian Data Archive, which is hosted by The Australian National University. The HILDA Survey was initiated and is funded by the Australian Government Department of Social Services (DSS) and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute). The findings and views based on the data, however, are those of the authors and should not be attributed to the Australian Government, DSS, the Melbourne Institute, the Australian Data Archive or The Australian National University and none of those entities bear any responsibility for the analysis or interpretation of the unit record data from the HILDA Survey provided by the authors.

From: CASSIDY, Natasha
Sent: Monday, 30 March 2020 7:19 PM
To: BISHOP, James ; MCLOUGHLIN, Kate
Cc: COKIS, Tomas ; ROSEWALL, Tom
Subject: RE: Want to comment: Briefing on the latest policy - wage subsidies [SEC=UNCLASSIFIED]

If it's going out tonight, happy for it to go out without PWL comment.

Luci wants the PDG forecasts to include the wage subsidies – so quick turnaround for us!

From: BISHOP, James
Sent: Monday, 30 March 2020 7:11 PM
To: MCLOUGHLIN, Kate
Cc: CASSIDY, Natasha ; COKIS, Tomas ; ROSEWALL, Tom

Subject: Re: Want to comment: Briefing on the latest policy - wage subsidies [SEC=UNCLASSIFIED]

Thanks Kate. If just a briefing on the policy details (and not the implications for the labour market) I don't think we need to comment. Though Tash may have a different view

> On 30 Mar 2020, at 6:47 pm, MCLOUGHLIN, Kate wrote:
>
> Tomas is whipping up a short briefing now – do you want comment tonight?
> Should be ready in an hour…

Kate McLoughlin| Senior Economist | Households and National Accounts Section
RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000
| w: www.rba.gov.au

From: GAO, Amelia
Sent: Tuesday, 31 March 2020 1:21 PM
To: NUGENT, Taylor; CHAPMAN, Blair; BISHOP, James
Cc: ROGERSON, Eleanor; CASSIDY, Natasha
Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

Hi James,

A quick look into the HILDA suggests:

- around 50 per cent of workers in the most adversely affected household services and retail industries (accom & food, arts & rec, other, retail (excluding food and fuel retailing)) were paid less than $1500 per fortnight
- the share is around 25 per cent for all industries.

The highlighted number seems correct to me.
'The subsidy excludes casuals that have been employed less than one year (around 45 per cent of employment in the most adversely affected industries)'

From: NUGENT, Taylor
Sent: Tuesday, 31 March 2020 12:49 PM
To: CHAPMAN, Blair ; BISHOP, James ; CASSIDY, Natasha

Cc: GAO, Amelia ; ROGERSON, Eleanor
Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

My understanding is the same as Blair's. Stood down is in the fair work act so is broader than just EBAs

Another important detail is employees who are stood down are eligible for the wage subsidy, even without being 'recalled', but since they are being paid would be classified as employed.

Taylor Nugent |

From: CHAPMAN, Blair
Sent: Tuesday, 31 March 2020 12:42 PM
To: BISHOP, James ; CASSIDY, Natasha ; NUGENT, Taylor

Cc: GAO, Amelia ; ROGERSON, Eleanor
Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

I think *stood down* has a specific meaning under EBA's etc. I think you are recalled after being *stood down*. I think dismissed is the correct term when talking about rehiring.

I have filled the forecast numbers in below in red.

From: BISHOP, James
Sent: Tuesday, 31 March 2020 12:21 PM
To: CHAPMAN, Blair ; CASSIDY, Natasha ; NUGENT, Taylor

Cc: GAO, Amelia ; ROGERSON, Eleanor
Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

Thanks Blair.

I’m just looking at CEC now. Can you please check/fill in the numbers in yellow below. Also, in terms of rehiring, is ‘stood down’ the correct term here (maybe ‘dismissed’)?
Taylor, can you please track down the final statistic on the share of workers paid <$1.5k per fortnight in the EEH? I’ll do the same for HILDA and we can compare estimates.
Thanks,
James

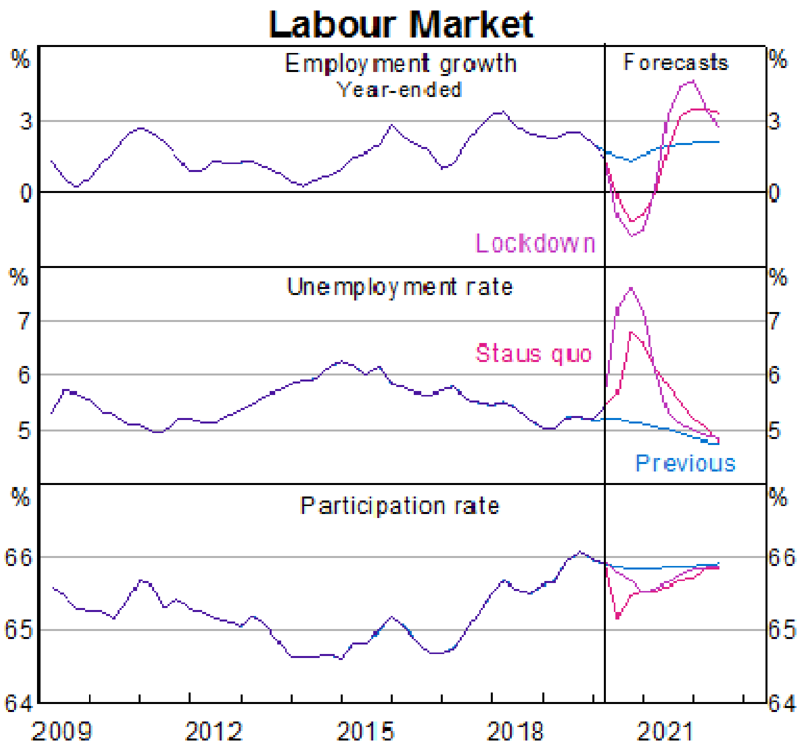
Prior to the announcement of the wage subsidy it was expected that under the status quo scenario, total hours worked would decline sharply as a result of both a fall in employment and a sharp decline in the average hours worked by those that remain employed. Employment was expected to contract over the next six months and the participation rate was also expected to decline. The unemployment rate was expected to peak at around 9 per cent. In the lockdown scenario, the unemployment rate was expected to peak at 10 per cent.

However, large-scale government wage subsidies are expected to reduce the number of people becoming unemployed over the next six months significantly. The subsidy will mean that businesses that have been most adversely affected by the containment measures to date have a much greater incentive to retain existing employees or rehire those workers they have dismissed over the past month. This will see a much smaller decline in employment and a lower rise in the unemployment rate than previously forecast. The unemployment is now expected to peak at around 7 per cent, or 7½ per cent under the lockdown scenario. The subsidy excludes casuals that have been employed less than one year (around 45 per cent of employment in the most adversely affected industries), while the subsidy may not offset the decline in revenue for worst-affected businesses.

Around x per cent of workers in the most adversely affected household services and retail industries were paid less than $1500 per fortnight in the lead up to the current situation. If their employer is eligible, this means these workers would receive higher wages income in the June quarter. In contrast, it is likely that a significant share of workers elsewhere in the economy will have their wages frozen or paid hours reduced at the same time; the net of these two effects is not clear.

From: CHAPMAN, Blair
Sent: Tuesday, 31 March 2020 11:56 AM
To: BISHOP, James ; NUGENT, Taylor ; CASSIDY, Natasha
Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

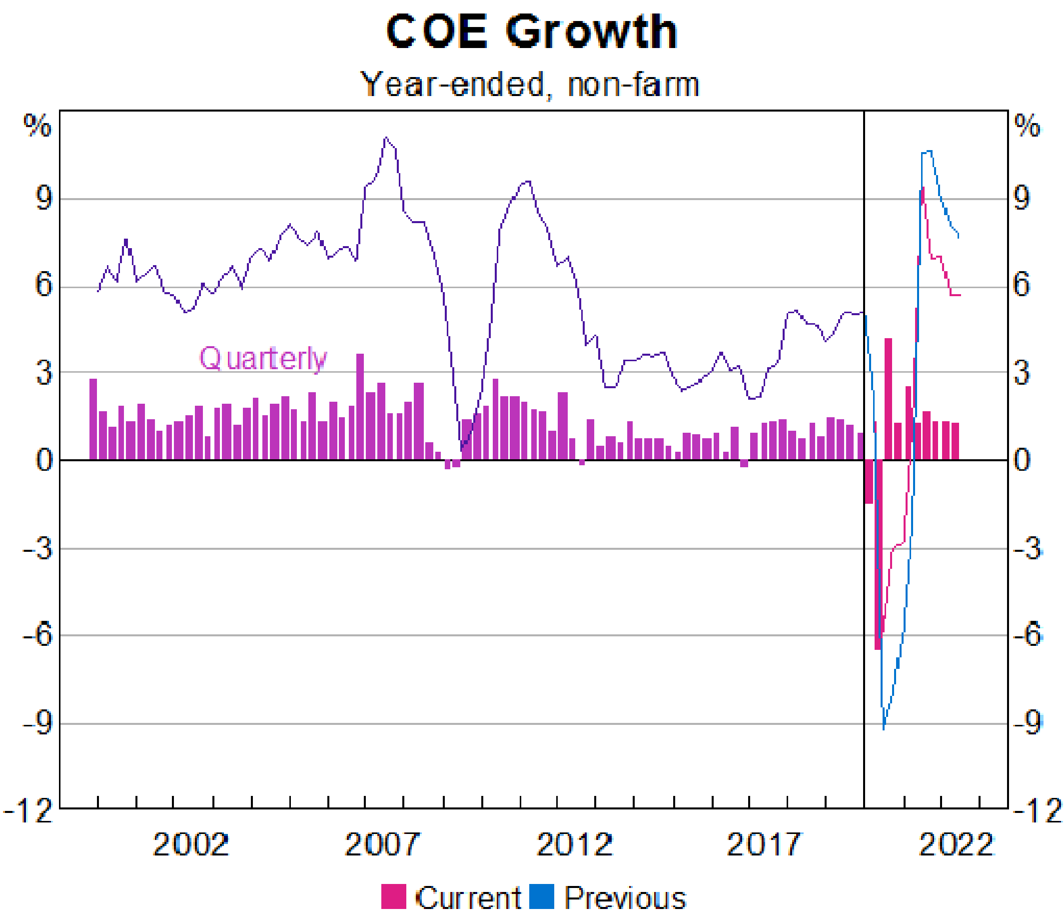
Here are both scenarios after the wage subsidy:



From: BISHOP, James
Sent: Tuesday, 31 March 2020 11:43 AM
To: NUGENT, Taylor ; CHAPMAN, Blair ; CASSIDY, Natasha
Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

Ok, great. Looks good. I will let MM/HANA know that the forecasts have been updated

From: NUGENT, Taylor
Sent: Tuesday, 31 March 2020 11:42 AM
To: BISHOP, James ; CHAPMAN, Blair ; CASSIDY, Natasha
Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]



Sources: ABS; RBA

Taylor Nugent |

From: BISHOP, James
Sent: Tuesday, 31 March 2020 11:35 AM
To: NUGENT, Taylor ; CHAPMAN, Blair ; CASSIDY, Natasha

Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

Thanks Taylor – do you have a version of the first graph that compares to the pre-subsidy profile?

From: NUGENT, Taylor
Sent: Tuesday, 31 March 2020 11:33 AM
To: BISHOP, James ; CHAPMAN, Blair ; CASSIDY, Natasha

Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

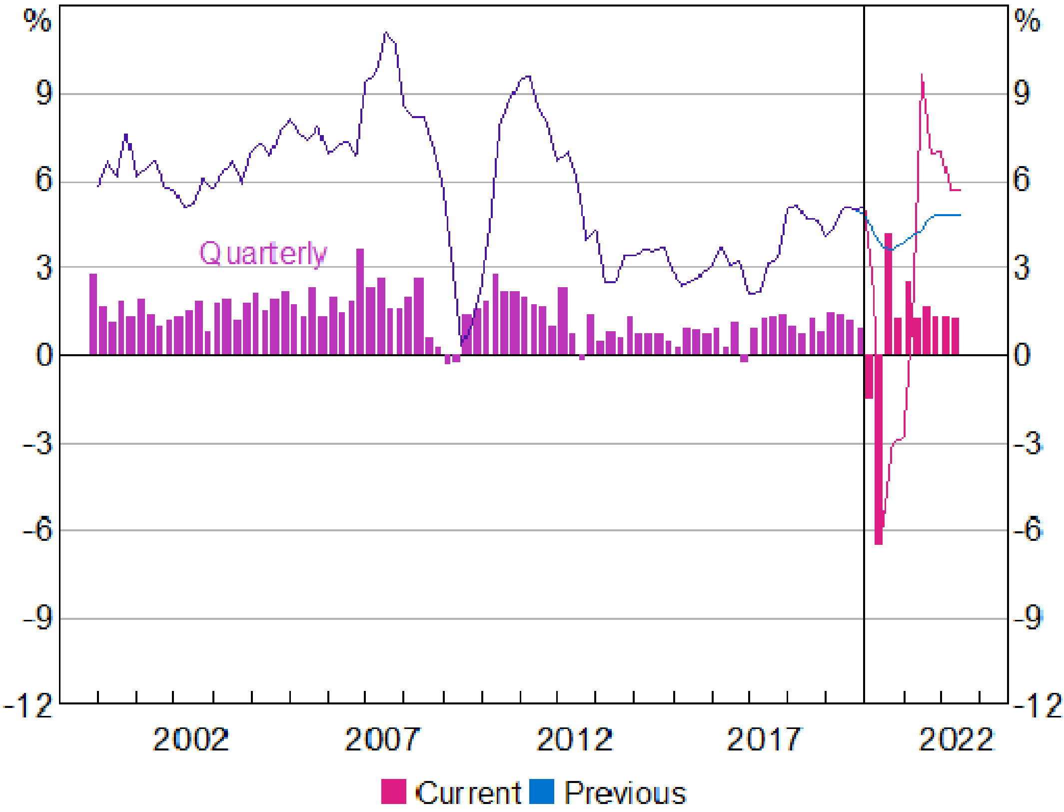
Hi team,

COE profile updated below.

I have assumed 40% uptake of the wage subsidy (apparently this is consistent with the treatment in L)

COE Growth

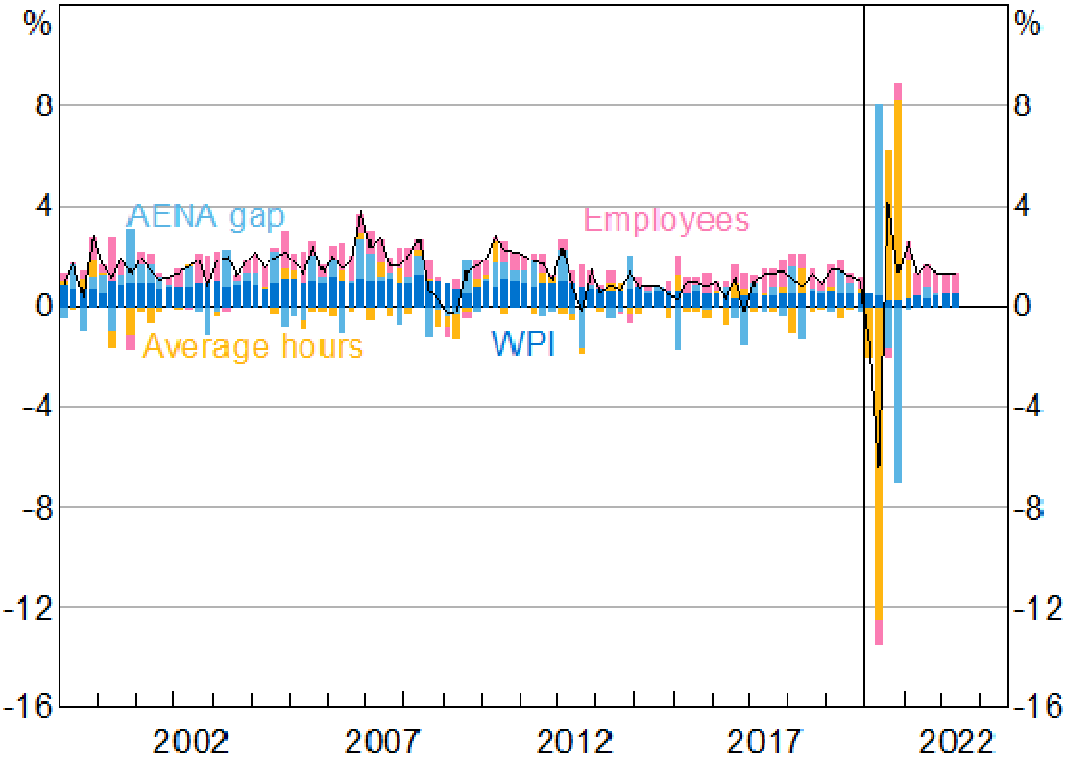
Year-ended, non-farm



Sources: ABS; RBA

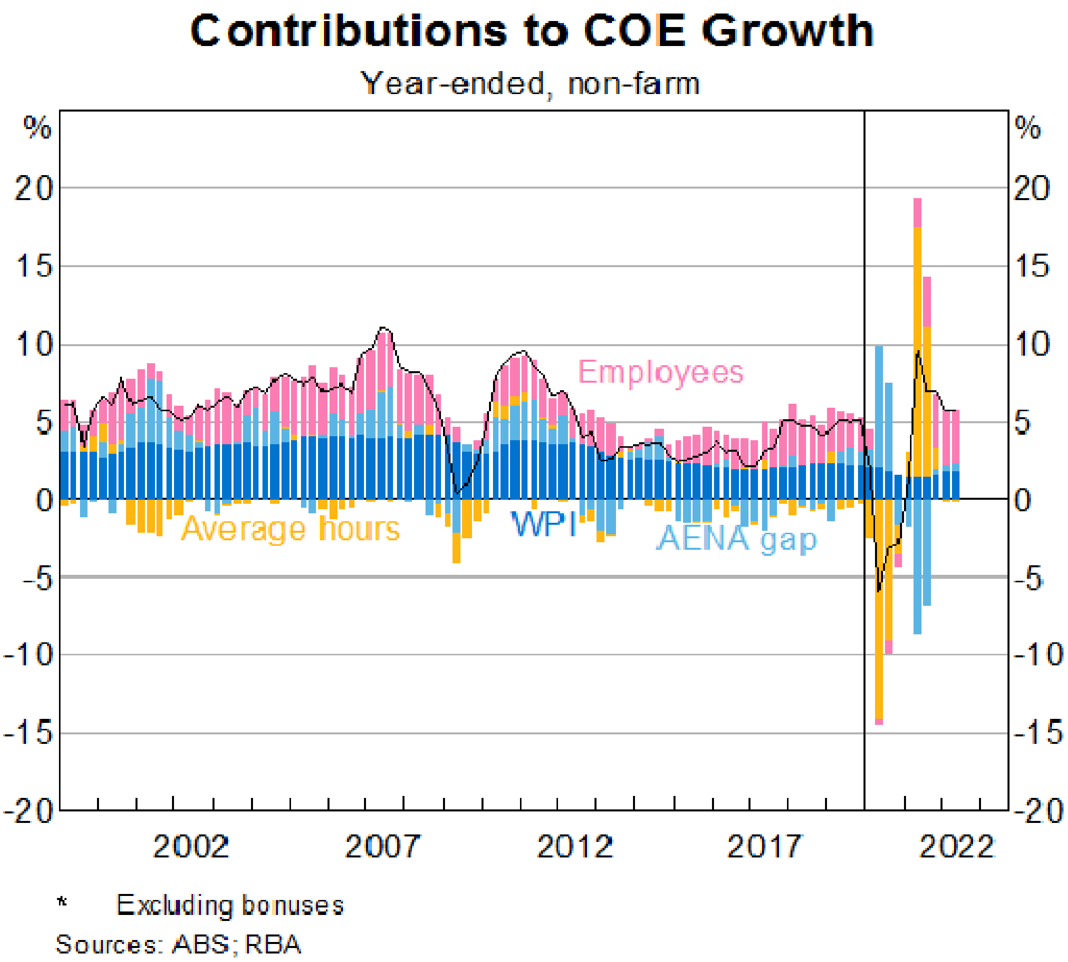
Contributions to COE Growth

Quarterly, non-farm



* Excluding bonuses

Sources: ABS; RBA



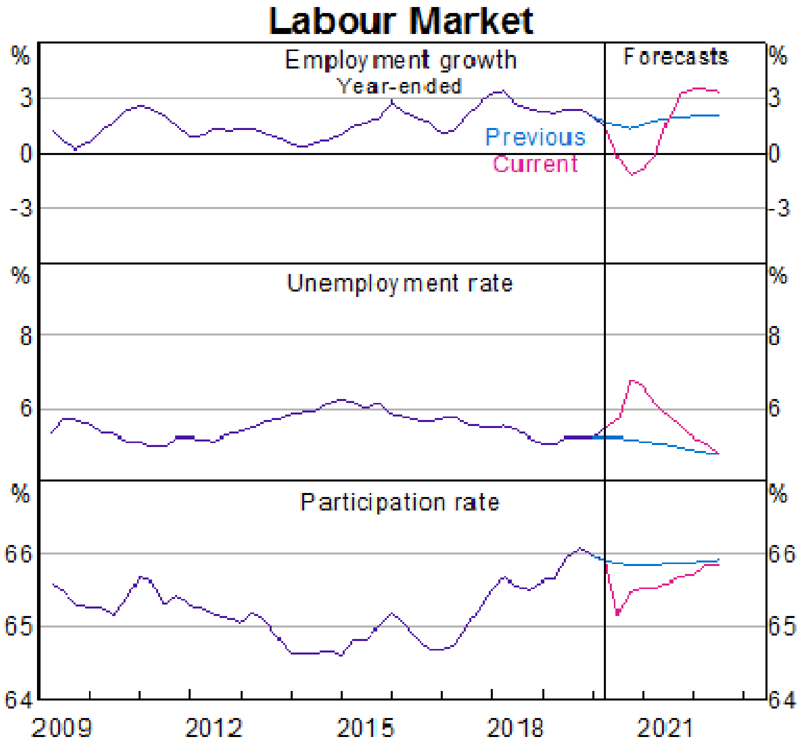
Taylor Nugent |

From: BISHOP, James
Sent: Tuesday, 31 March 2020 11:06 AM
To: CHAPMAN, Blair ; CASSIDY, Natasha
Cc: NUGENT, Taylor
Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

Yes, thanks Blair. Taylor, your turn!

From: CHAPMAN, Blair
Sent: Tuesday, 31 March 2020 11:03 AM
To: BISHOP, James ; CASSIDY, Natasha
Cc: NUGENT, Taylor
Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

Are we happy with these for status quo?



From: BISHOP, James
Sent: Tuesday, 31 March 2020 10:32 AM
To: CASSIDY, Natasha
Cc: CHAPMAN, Blair ; NUGENT, Taylor
Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

I should also say that while it's conservative for E, it's less conservative for total hours (given that many of the additional E will be sidelined in the ST).

From: CASSIDY, Natasha
Sent: Tuesday, 31 March 2020 10:30 AM
To: BISHOP, James
Cc: CHAPMAN, Blair
Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

Thanks for this – this looks sensible to me.

From: BISHOP, James
Sent: Tuesday, 31 March 2020 10:19 AM
To: CHAPMAN, Blai ; CASSIDY, Natasha ; NUGENT, Taylor

Cc: ROSEWALL, Tom ; GAO, Amelia ; ROGERSON, Eleanor

Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

In the interest of time, let's shave 2ppts off the forecast rise in u/e, with an equivalent adjustment to E growth (holding the part rate unchanged). Based on the figures below, that's a conservative adjustment

Blair, can you please knock out a sensible profile for U and E and send to Taylor ASAP. Taylor, can you then update the COE forecast and get them to HANA (running by me first)

From: BISHOP, James
Sent: Tuesday, 31 March 2020 10:04 AM

To: CHAPMAN, Blair ; CASSIDY, Natasha
Cc: ROSEWALL, Tom ; GAO, Amelia ; ROGERSON, Eleanor

Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

Some rough figures:

As at Feb 2020:
E – 13m
E (casuals in 4 most affected industries) – 1.36m
U – 0.7m
LF – 13.7m

Relative to baseline (Feb SMP), yesterday we were forecasting a cumulative employment loss of 17% (status quo, pre subsidy) and 20% (shutdown, pre subsidy). That's ≈2.2m and 2.6m in terms of heads.

Last nights' policy targets ≈ 6 million workers (source)

The effect on 'jobs saved' is not 1-for-1, because some people would have stayed employed regardless.

If we assume that policy 'preserves' 10 per cent of all eligible jobs (by limiting E-U and increasing U-E flows), that translates to 0.6m, or 4½ppts of employment growth (and a similar ppt reduction in u/e).

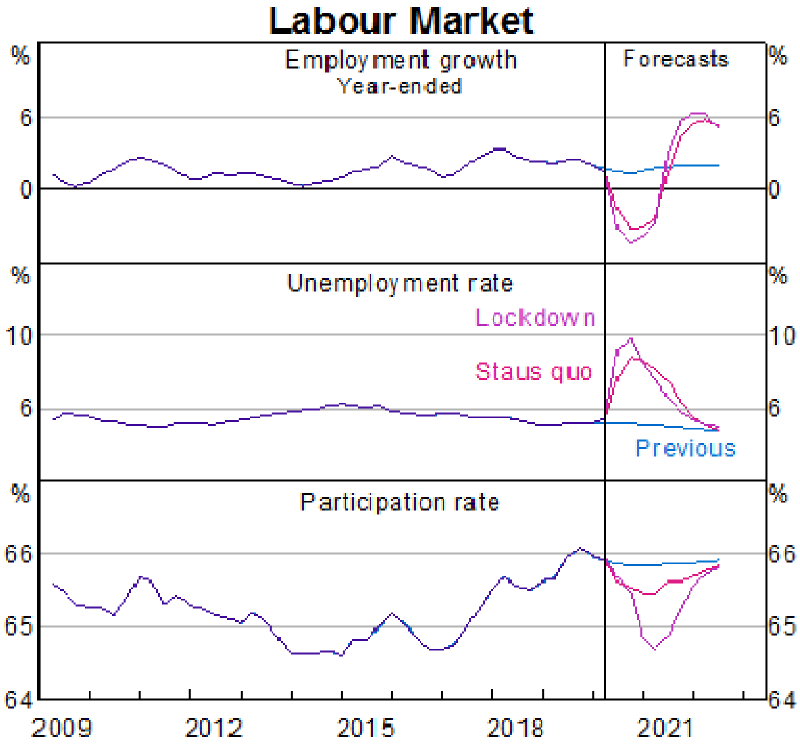
The key question for the near-term outlook is what fraction of eligible individuals will have their E status preserved by the policy. It could be a lot higher than 10%!

There are 1m casuals working in the 4 most affected industries, of which 0.4m are not covered by the scheme. So we can assume that all of those move to U. Aside from that, we'll need to make an educated guess.

From: CHAPMAN, Blair
Sent: Tuesday, 31 March 2020 9:30 AM
To: BISHOP, James ; CASSIDY, Natasha ; EA - Prices, Wages & Labour

Cc: ROSEWALL, Tom
Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

As an indicator of where I got to yesterday before incorporating wage subsidies, the new GDP profiles made the two scenarios much closer together for the labour market (the lockdown was still 1.2 percentage points higher in the peak unemployment rate and decline in employment growth):



James, the directions are the easy part. Any thoughts on magnitudes?

Blair

Blair Chapman | Economist | Prices, Wages and Labour Markets
RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000
| w: www.rba.gov.au

The Reserve Bank of Australia acknowledges the Traditional Custodians of Australia and we pay our respects to their past, present, and emerging Elders.

From: BISHOP, James
Sent: Tuesday, 31 March 2020 8:42 AM
To: CASSIDY, Natasha ; EA - Prices, Wages & Labour
Cc: ROSEWALL, Tom
Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

Morning all!

In addition to the email chain below, some additional things to think about:

Blair:

- I imagine we will get a fairly large decline in the unemployment rate, reflecting many firms re-hiring previously released workers (U-E) and other firms retaining staff they otherwise would have let go (less E-U). In most cases, the additional E will be made up by people working 0 hours (i.e. stood down), particularly in industries that have been shut down by containment measures. This will exert downward pressure on average hours. However, in some industries ST labour demand is still sensitive to labour costs, so the policy will have a positive effect on total hours. For many types of labour, labour costs (after the subsidy) are basically zero, so there is an incentive to utilise labour, even in work that has a relatively low value added and would not ordinarily be done in normal times.
- What are the longer run effects of this policy on the labour market i.e. post containment? An explicit goal of the policy is to keep as many employment relationship intact as possible, so this will offset the hysteresis effects we've built into the profile (if any).

Eleanor/Blair/Amelia:

- Is there an incentive to retain lower wage workers at the expense of higher wage ones?

Amelia:

- Can you please think through any relevant implications for multiple job holders. Are there any summary stats on multiple job holders you can send me? For example, X% of people who work in manufacturing also have a second job in retail

Taylor:

- To what extent does this policy nullify the effect of the FWC decision? What share of award wage employees are 'bound' by the $1,500 flat rate? What industries do they work in?
- How are wage subsidies treated in the WPI? Can you please look at WPI CSM, and then call Luci Burrage to confirm (I believe Darryl might still be on leave). Also, how are they treated from a National Accounts perspective? Are they even in CoE? Tomas might have an answer…
- What capacity do firms have to temporarily reduce wages of the higher paid workers to $1,500?
- Are wages sufficiently high in the 'booming sectors' (e.g. Coles and Woolworths) to attract subsidised idle labour in other sectors? I guess the 40% of non-eligible casuals are at their disposal.

Thanks a lot
James

From: CASSIDY, Natasha
Sent: Monday, 30 March 2020 10:54 PM
To: EA - Prices, Wages & Labour
Cc: ROSEWALL, Tom
Subject: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

Hi everyone,

The release of the wage subsidy today has rendered our previous forecasts somewhat obsolete (although Luci did ask for a comparison of the forecasts pre and post announcement, so all is not lost).

Blair and James will need to prepare forecasts tomorrow morning as a matter of urgency. Some preliminary thoughts from James and I in email exchange below. This is because the CEC needs to go to the PDG group in the afternoon. I have written up the text of CEC and 'just' need some numbers to go with it. Tomas will also require some detail for his wage subsidy release note, although getting the numbers underway is probably the priority (as he has briefed senior management already).

Taylor: could you please get the ball rolling on what this means for WPI and CoE (checking with Tom that they need the numbers for their consumption forecasts)?

I have saved a draft of CEC on the PWL sharepoint page, for James to copy over once everyone is happy with it/full fact check has taken place: Economic Conditions Domestic.docx

Thanks all,

Tash

From: BISHOP, James
Sent: Monday, 30 March 2020 8:37 PM
To: CASSIDY, Natasha
Subject: RE: Preliminary thoughts... [SEC=UNCLASSIFIED]

Some thoughts below.

Perhaps the most important thing is what effect this has on total hours. The subsidy means that some firms will keep their employees working even in they would have stood them down in the absence of the policy (given that in many cases it's basically free labour)

It will also redirect many employees from U and NILF to E, somewhat arbitrarily. Many firms will re-hire workers they'd previously released

I'm thinking I should probably cancel the Liaison I was going to sit in on tomorrow morning …

From: CASSIDY, Natasha
Sent: Monday, 30 March 2020 8:16 PM
To: BISHOP, James
Subject: Preliminary thoughts... [SEC=UNCLASSIFIED]

Areas of uncertainty this I see in this:

- How many business have folded or can't hang in until (is it) May? How many businesses don't qualify because they haven't seen a +30% decline in revenue? Does BLADE or AUS industry release help here?

  The payment is backdated from 30 March, so they can always borrow short term in anticipation of the cash kicker in May. We can make us of the exercise PWL/BAT did for the P-side to make a rough guess of what share of businesses will be affected. We can also back out Treasury's assumptions based on the costings of the policy …
- Are the casuals that you have identified with >1 year tenure in the 'most exposed industries' (or are they more likely to be in health care or supermarkets etc)? I'll look into this.
- Does this give an incentive for a business to fire the more expensive worker (>$1500 per fortnight) and keep the cheaper worker? Possibly, but the incentive effect from the other business payments go in the opposite direction. The incentive might be to reduce the hours of the expensive employee, especially if they want to retain the relationship.
- What does WPI do? What is the overall effect if 1/3rd get more than they currently get compared to wage freezes etc elsewhere? I imagine it will be very hard for the ABS to identify the employer component wage increases from the subsidy component. We can give L Burrage a call tomorrow to discuss.

No doubt you have some answers or more questions?

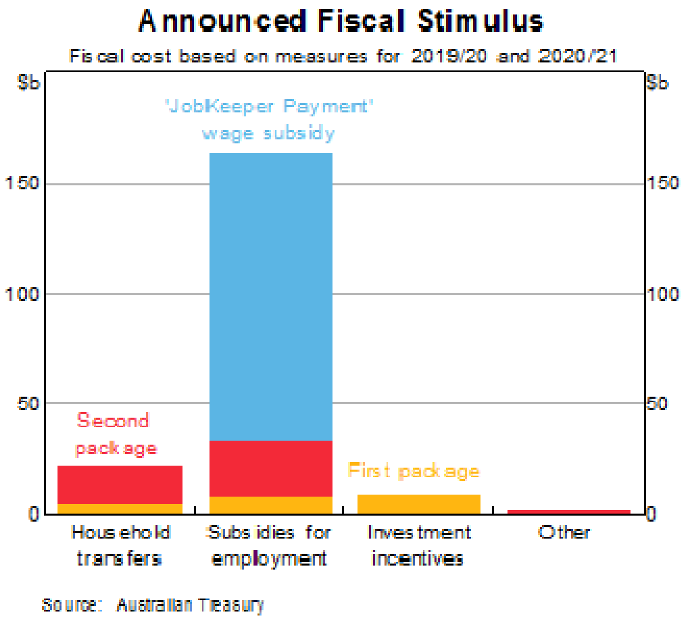
Tash

Natasha Cassidy | Head of Section | Prices, Wages and Labour Market
RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000
| w: www.rba.gov.au

From: COKIS, Tomas
Sent: Tuesday, 31 March 2020 3:39 PM
To: Notes policy groups
Subject: Note EA: Briefing on JobKeeper Wage Subsidy [SEC=UNCLASSIFIED]

The federal government has announced a wage subsidy of $1,500 per fortnight for employers effected by COVID-19, commencing immediately for six months. Businesses and not-for-profits who provide at least $1,500 per fortnight to their employees will be reimbursed by that amount from the federal government. This includes payments extended to part-time employees or those who had been stood down. Eligible firms will be those with revenue that has significantly declined relative to last year, including large corporations (subject to larger declines in revenue). This policy is worth $130 billion or 6.5 per cent of annual GDP, dwarfing the previously announced fiscal stimulus (of $70 billion). The federal government expects around 6 million workers to receive the subsidy.

For more information, please see: D20/96758



This note was written by Households & National Accounts and Prices Wages & Labour teams.

Tomas Cokis | Economist | Household and National Accounts | Economic Group
RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000
| w: www.rba.gov.au

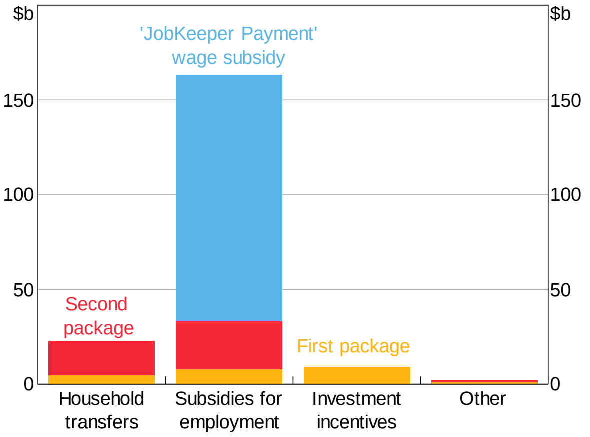
BRIEFING ON JOBKEEPER WAGE SUBSIDY

The federal government has announced a wage subsidy of $1,500 per fortnight for employers effected by COVID-19, commencing immediately for six months. Businesses and not-for-profits who provide at least $1,500 per fortnight to their employees will be reimbursed by that amount from the federal government. This includes payments extended to part-time employees or those who had been stood down. Eligible firms will be those with revenue that has significantly declined relative to last year, including large corporations (subject to larger declines in revenue). This policy is worth $130 billion or 6.5 per cent of annual GDP, dwarfing the previously announced fiscal stimulus (of $70 billion). The federal government expects around 6 million workers to receive the subsidy.

Details

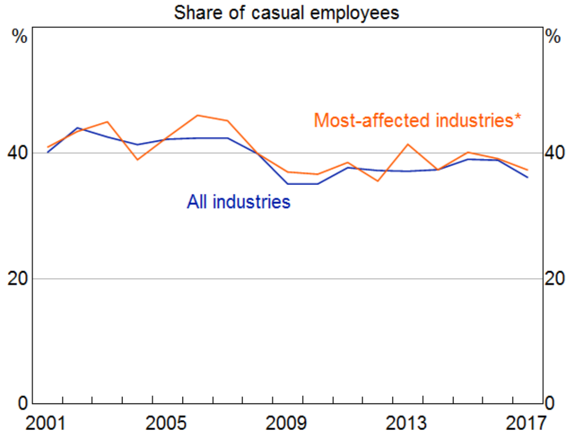
- The $1,500 per fortnight wage subsidy or 'JobKeeper Payment' announced yesterday equates to around 100 per cent of the national full time minimum wage and 70 per cent of the median wage, equivalent to an annual salary of around $39,000. The policy is in effect from 30 March 2020 for six months; employers will receive funding in arrears via the Australian Taxation Office to cover these payments from May.
- To be eligible, the employee must be over 16 years of age and have been engaged with the employer on 1 March. The policy covers full time and part-time employees, long-term casuals, the self-employed, stood down employees and employees who have been let go but are subsequently rehired. Eligible casual employees must have worked with the employer for 12 months (we estimate this covers 60 per cent of casual workers). Australian citizens, permanent residents and some groups who have permanent other visas are eligible (mostly New Zealanders).[1]
- Eligible Businesses are those that have experienced a substantial decline in their revenue compared to a similar period (of at least one month) last year. Specifically, businesses with revenue of more than $1 billion must have seen a 50 per cent reduction in their revenue (over what period is not clear). For all other sized business, a 30 per cent reduction in revenue is a pre-condition. Major banks (as defined by the 'Major Bank Levy') are not eligible.[2] These revenue thresholds appear to be fixed, with no benefit for those firms slightly above these thresholds. This provides a strong incentive for businesses to reduce their revenue below the 30 or 50 per cent threshold if they are approaching it already.
- The policy requires a minimum payment to employees of $1500 (pre-tax), including part-time workers who would ordinarily receive less than this. Individuals can only receive the payment from their nominated primary employer.

Graph 1
Announced Fiscal Stimulus
Fiscal cost based on measures for 2019/20 and 2020/21



Source: Australian Treasury

Graph 2
Casuals with < 1 Year Job Tenure
Share of casual employees



* Store-based retail (ex. food & fuel), arts & recreation, accom & food services and other services

Sources: HILDA 17.0; RBA

Treasury expects this policy to cost $130 billion, much larger than the fiscal stimulus announced in the previous two government packages (Graph 1). This brings the announced fiscal stimulus to around $200 billion or around 10 per cent of 2019 GDP. As this policy should reduce unemployment, it may reduce the

1 Eligible visa holders are those with: a permanent visa, a 'Protected Special Category Visa', a 'Non-protected Special Category Visa' whose holder has resided in Australia for 10 years or more or a Special Category (Subclass 444) Visa.

2 These banks are: Commonwealth Bank, ANZ Bank, Westpac, National Australia Bank and Macquarie Bank.

cost of the previously announced Coronavirus Supplement, which is available to persons who receive unemployment benefits. We are awaiting clarification from Treasury on this.

This policy should allow distressed businesses to substantially reduce their labour costs, while retaining their formal relationship with their employees. One caveat to this is that other associated costs (including leave or superannuation obligations or from administering these transfers for the government) may not be anticipated by the policy and could deter some smaller firms from administering them. On the other hand, small and medium businesses and not-for-profits will also still receive the previously announced $31.9 billion in wage subsidies. In that subsidy, these entities will receive $20,000 to $100,000 based on the tax they withhold on employee wages (including wages which are refunded through the 'JobKeeper' policy).

The 'JobKeeper' policy is also supplemented by the previously announced transfers to households, which support persons who are unemployed or receive other social assistance benefits. Individuals whose incomes are severely threatened by the government shutdown are likely to receive either the new JobKeeper subsidy announced yesterday, or the previously announced Coronavirus Supplement.

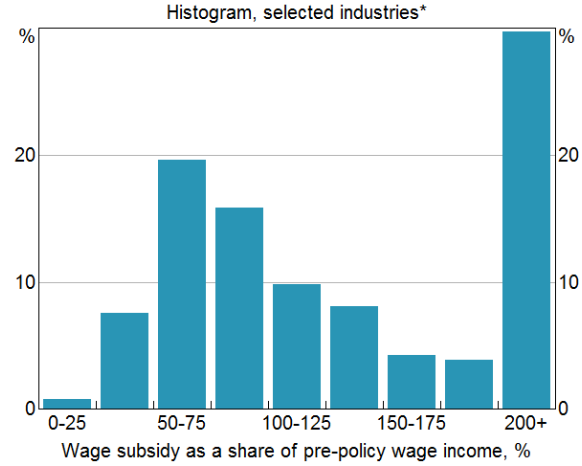
The wage subsidy will go some way to offsetting the effect of declining labour demand on unemployment outcomes. The wage subsidy means that businesses that have been most adversely affected by the containment measures will have a much greater incentive to retain existing employees or rehire those they had dismissed over the past month. This will see a much smaller decline in employment and a lower rise in the unemployment rate than previously expected. The subsidy excludes casuals that have been employed less than one year (around 40 per cent of employment in the most adversely affected industries; Graph 4). Total hours worked will sharply decline as a result of a large decline in average hours worked by those that remain employed. For example, many workers in household services will work very few hours despite being paid the subsidy.

Around 50 per cent of workers in the most adversely affected household services and retail industries were paid less than $1500 per fortnight in the lead up to the current situation (Graph 3). Notably, the vast majority of casuals who are eligible for the scheme will experience an effective wage rise for the duration of the program (Graph 4). If their employer is eligible, these workers will receive higher wages income in the June quarter.

Graph 3

Replacement Rates for Employees*

Histogram, selected industries*



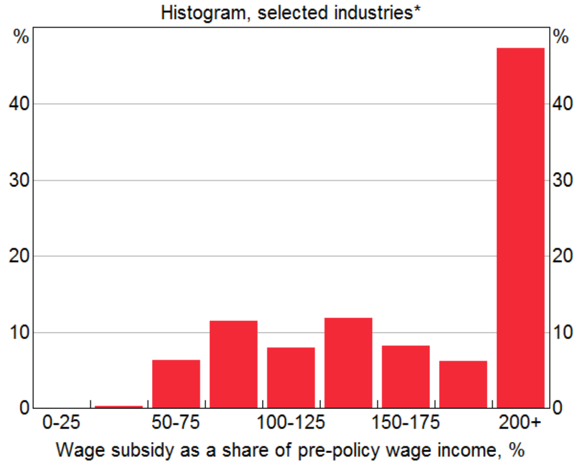
* Store-based retail (ex. food & fuel), arts & recreation, accom & food services and other services

Sources: HILDA 17.0; RBA

Graph 4

Replacement Rates for Eligible Casuals

Histogram, selected industries*



* Employees in store-based retail (ex. food & fuel), arts & recreation, accom & food services and other services

Sources: HILDA 17.0; RBA

HANA and PWL,
Economic Analysis Department,
31 March 2020

From: BISHOP, James
Sent: Tuesday, 31 March 2020 7:19 PM
To: GAO, Amelia
Cc: CASSIDY, Natasha; CHAPMAN, Blair; ROGERSON, Eleanor; NUGENT, Taylor
Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

Thanks Amelia, this is useful.

So, the takeaway is that ≈3 per cent of workers in less-affected industries might still be eligible for the wage subsidy through their second job.

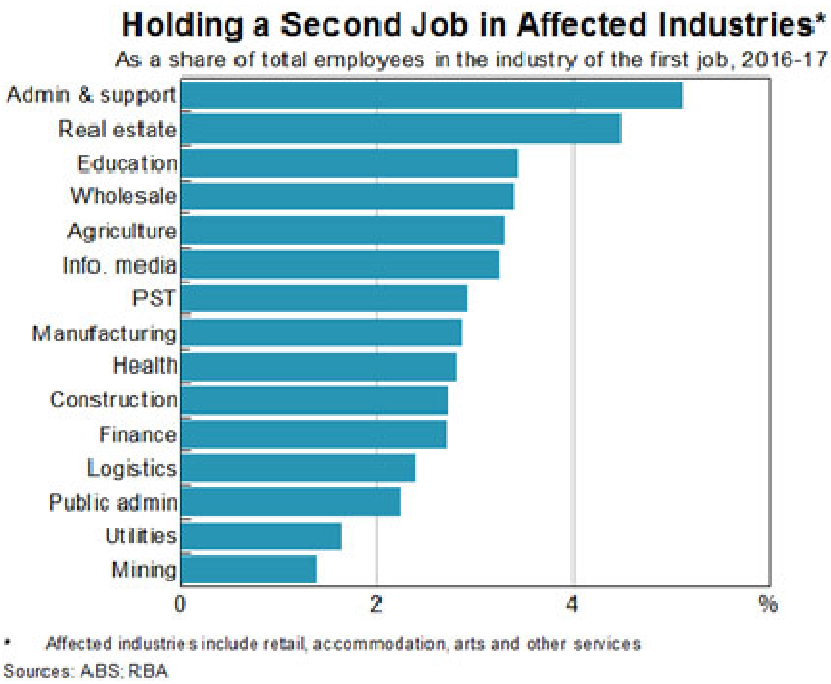
I guess it depends on whether those people can convince the ATO that their second job is actually their 'primary employer'. The policy details are a bit vague, but it seems like it's up to the individual to nominate who their primary employer is (with the default being the job where they claim the tax free threshold, source)

From: GAO, Amelia
Sent: Tuesday, 31 March 2020 4:18 PM
To: BISHOP, James
Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

Hi James,

Unfortunately, it is not possible to exclude food retailing from retail.

The number of employees in 'other industries' that hold a second job in 'affected industries' is 297k during the 2016-17 financial year. This accounts for 3.1 per cent of total employees in 'other industries'. The graph below shows the share for each of the 'other industries'.



From: BISHOP, James
Sent: Tuesday, 31 March 2020 3:21 PM
To: GAO, Amelia
Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

Thanks Amelia, this is great!

In light of the fact that some industries and firms will not meet the revenue loss criteria for eligibility, this helps think about how many employees will be eligible in **at least one** of their jobs.

Can you please calculate for me: the number of employees in ‘other industries’ that hold a second job in ‘affected industries’, as a share of total employees in ‘other industries’. The denominator here is not restricted to those with second jobs.

Can you also please put together a graph that shows the same share as above, but for each of the ‘other industries’ individually.

Also, is it possible to exclude food retailing from retail?

Thanks again!

From: GAO, Amelia
Sent: Tuesday, 31 March 2020 1:41 PM
To: BISHOP, James ; CHAPMAN, Blair
Cc: ROGERSON, Eleanor ; CASSIDY, Natasha
Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

Hi James,

Here is a note we had last year about the multiple job holders.

This table shows the industry of first and second concurrent job using the Jobs in Australia dataset. For example, 9 per cent of people who work in manufacturing have a second job in retail.

(Something to keep in mind: There were around 2 million multiple job holders during the 2016-17 financial year. This number is different from the Labour Account figure (around 1 million secondary jobs). The discrepancy between the numbers is due to the two datasets capturing job figures over different periods of time. The LA shows the number of jobs in the economy at a point in time each quarter (stock measure), and the Jobs in Australia dataset includes anyone who held two or more concurrent jobs at any time during the whole financial year.)

Multiple Job Holders (2016-17)

First job industry	EMPLOYEES HOLDING MULTIPLE JOBS (000's) Total	EMPLOYEES (SHARE OF INDUSTRY) (%) Second job in the same industry as the first job	Second job in most affected industries*	Second job in ret accommodation, other and arts
Agriculture	53	42	16	(5, 8,
Mining	15	9	15	(4, 4,
Manufacturing	92	13	26	(9, 10,
Utilities	10	5	19	(6, 6,
Construction	135	26	19	(6, 6,
Wholesale trade	65	11	29	(14, 9,
Retail trade	210	26	21	(0, 14,
Accommodation & food	213	42	16	(10, 0,
Logistics	62	22	21	(8, 8,
Info. media	27	26	23	(9, 7,
Finance	62	14	24	(10, 8,
Real Estate & hiring	42	18	27	(9, 12,
PST	135	21	22	(8, 8,
Admin & support	227	33	20	(6, 9,

Public admin	100	26	19	(6, 5,
Education & training	228	45	16	(5, 4,
Health	303	47	14	(5, 4,
Arts & rec	44	19	26	(8, 15,
Other services	65	17	21	(9, 9,
Total	2088	31	19	(6, 7,

* Includes accommodation & food, arts & rec, other services, and retail industries
Source: ABS; RBA

From: BISHOP, James
Sent: Tuesday, 31 March 2020 10:04 AM
To: CHAPMAN, Blair ; CASSIDY, Natasha
Cc: ROSEWALL, Tom ; GAO, Amelia ; ROGERSON, Eleanor

Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

Some rough figures:

As at Feb 2020:
E – 13m
E (casuals in 4 most affected industries) – 1.36m
U – 0.7m
LF – 13.7m

Relative to baseline (Feb SMP), yesterday we were forecasting a cumulative employment loss of 17% (status quo, pre subsidy) and 20% (shutdown, pre subsidy). That's ≈2.2m and 2.6m in terms of heads.

Last nights' policy targets ≈ 6 million workers (source)

The effect on 'jobs saved' is not 1-for-1, because some people would have stayed employed regardless.

If we assume that policy 'preserves' 10 per cent of all eligible jobs (by limiting E-U and increasing U-E flows), that translates to 0.6m, or 4½ppts of employment growth (and a similar ppt reduction in u/e).

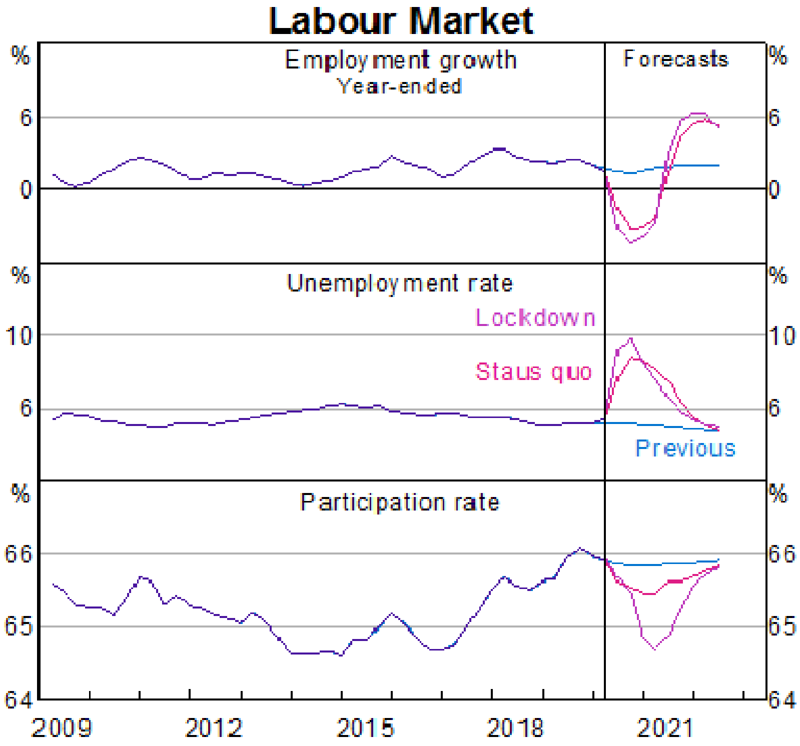
The key question for the near-term outlook is what fraction of eligible individuals will have their E status preserved by the policy. It could be a lot higher than 10%!

There are 1m casuals working in the 4 most affected industries, of which 0.4m are not covered by the scheme. So we can assume that all of those move to U. Aside from that, we'll need to make an educated guess.

From: CHAPMAN, Blair
Sent: Tuesday, 31 March 2020 9:30 AM

Cc: ROSEWALL, Tom
Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

As an indicator of where I got to yesterday before incorporating wage subsidies, the new GDP profiles made the two scenarios much closer together for the labour market (the lockdown was still 1.2 percentage points higher in the peak unemployment rate and decline in employment growth):



James, the directions are the easy part. Any thoughts on magnitudes?

Blair

Blair Chapman | Economist | Prices, Wages and Labour Markets
RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000
| w: www.rba.gov.au

From: BISHOP, James
Sent: Tuesday, 31 March 2020 8:42 AM
To: CASSIDY, Natasha ; EA - Prices, Wages & Labour
Cc: ROSEWALL, Tom
Subject: RE: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

Morning all!

In addition to the email chain below, some additional things to think about:

Blair:

- I imagine we will get a fairly large decline in the unemployment rate, reflecting many firms re-hiring previously released workers (U-E) and other firms retaining staff they otherwise would have let go (less E-U). In most cases, the additional E will be made up by people working 0 hours (i.e. stood down), particularly in industries that have been shut down by containment measures. This will exert downward pressure on average hours. However, in some industries ST labour demand is still sensitive to labour costs, so the policy will have a positive effect on total hours. For many types of labour, labour costs (after the subsidy) are basically zero, so there is an incentive to utilise labour, even in work that has a relatively low value added and would not ordinarily be done in normal times.
- What are the longer run effects of this policy on the labour market i.e. post containment? An explicit goal of the policy is to keep as many employment relationship intact as possible, so this will offset the hysteresis effects we've built into the profile (if any).

Eleanor/Blair/Amelia:

- Is there an incentive to retain lower wage workers at the expense of higher wage ones?

Amelia:

- Can you please think through any relevant implications for multiple job holders. Are there any summary stats on multiple job holders you can send me? For example, X% of people who work in manufacturing also have a second job in retail

Taylor:

- To what extent does this policy nullify the effect of the FWC decision? What share of award wage employees are 'bound' by the $1,500 flat rate? What industries do they work in?
- How are wage subsidies treated in the WPI? Can you please look at WPI CSM, and then call Luci Burrage to confirm (I believe Darryl might still be on leave). Also, how are they treated from a National Accounts perspective? Are they even in CoE? Tomas might have an answer…
- What capacity do firms have to temporarily reduce wages of the higher paid workers to $1,500?
- Are wages sufficiently high in the 'booming sectors' (e.g. Coles and Woolworths) to attract subsidised idle labour in other sectors? I guess the 40% of non-eligible casuals are at their disposal.

Thanks a lot
James

From: CASSIDY, Natasha
Sent: Monday, 30 March 2020 10:54 PM
To: EA - Prices, Wages & Labour
Cc: ROSEWALL, Tom
Subject: Wage subsidy and impact on forecasts [SEC=UNCLASSIFIED]

Hi everyone,

The release of the wage subsidy today has rendered our previous forecasts somewhat obsolete (although Luci did ask for a comparison of the forecasts pre and post announcement, so all is not lost).

Blair and James will need to prepare forecasts tomorrow morning as a matter of urgency. Some preliminary thoughts from James and I in email exchange below. This is because the CEC needs to go to the PDG group in the afternoon. I have written up the text of CEC and 'just' need some numbers to go with it. Tomas will also require some detail for his wage subsidy release note, although getting the numbers underway is probably the priority (as he has briefed senior management already).

Taylor: could you please get the ball rolling on what this means for WPI and CoE (checking with Tom that they need the numbers for their consumption forecasts)?

I have saved a draft of CEC on the PWL sharepoint page, for James to copy over once everyone is happy with it/full fact check has taken place: Economic Conditions April 2020.docx

Thanks all,

Tash

From: BISHOP, James
Sent: Monday, 30 March 2020 8:37 PM
To: CASSIDY, Natasha
Subject: RE: Preliminary thoughts... [SEC=UNCLASSIFIED]

Some thoughts below.

Perhaps the most important thing is what effect this has on total hours. The subsidy means that some firms will keep their employees working even in they would have stood them down in the absence of the policy (given that in many cases it's basically free labour)

It will also redirect many employees from U and NILF to E, somewhat arbitrarily. Many firms will re-hire workers they'd previously released

I'm thinking I should probably cancel the Liaison I was going to sit in on tomorrow morning …

From: CASSIDY, Natasha
Sent: Monday, 30 March 2020 8:16 PM
To: BISHOP, James
Subject: Preliminary thoughts... [SEC=UNCLASSIFIED]

Areas of uncertainty this I see in this:

- How many business have folded or can't hang in until (is it) May? How many businesses don't qualify because they haven't seen a +30% decline in revenue? Does BLADE or AUS industry release help here?

  The payment is backdated from 30 March, so they can always borrow short term in anticipation of the cash kicker in May. We can make us of the exercise PWL/BAT did for the P-side to make a rough guess of what share of businesses will be affected. We can also back out Treasury's assumptions based on the costings of the policy …
- Are the casuals that you have identified with >1 year tenure in the 'most exposed industries' (or are they more likely to be in health care or supermarkets etc)? I'll look into this.
- Does this give an incentive for a business to fire the more expensive worker (>$1500 per fortnight) and keep the cheaper worker? Possibly, but the incentive effect from the other business payments go in the opposite direction. The incentive might be to reduce the hours of the expensive employee, especially if they want to retain the relationship.
- What does WPI do? What is the overall effect if 1/3rd get more than they currently get compared to wage freezes etc elsewhere? I imagine it will be very hard for the ABS to identify the employer component wage increases from the subsidy component. We can give L Burrage a call tomorrow to discuss.

No doubt you have some answers or more questions?

Tash

Natasha Cassidy | Head of Section | Prices, Wages and Labour Market
RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000
| w: www.rba.gov.au

From: ROSEWALL, Tom
Sent: Tuesday, 31 March 2020 9:02 PM
To: CHAMBERS, Mark; BISHOP, James; NUGENT, Taylor; LANCASTER, David; CASSIDY, Natasha; MCLOUGHLIN, Kate
Cc: ROBERTS, Ivan; COKIS, Tomas; CHAPMAN, Blair; HOLLAND, Cara
Subject: RE: Forecasts [SEC=UNCLASSIFIED]

Productivity is an interesting one. During containment phase, productivity probably takes a big hit as many workers are kept around doing relatively little. But presumably there will be a boost in the recovery phase relative to the counterfactual. Less hysteresis in the labour force, much smaller job search/matching costs for firms as the economy rebounds… over to someone else to actually measure this.

From: CHAMBERS, Mark
Sent: Tuesday, 31 March 2020 5:55 PM
To: ROSEWALL, Tom ; BISHOP, James ; NUGENT, Taylor ; LANCASTER, David ; CASSIDY, Natasha ; MCLOUGHLIN, Kate
Cc: ROBERTS, Ivan ; COKIS, Tomas ; CHAPMAN, Blair ; HOLLAND, Cara
Subject: RE: Forecasts [SEC=UNCLASSIFIED]

In part my question was me wondering whether some (much?) of this may actually show up as a transfer to the HH sector, paid via the business sector, and so boost HH savings rather than accrue to business savings.
I'm thinking in particular about part time workers whose incomes would typically be well under the threshold, getting the full $1500 payment. Some of this may still be COE, to the extent this is the factor share of the business' output that is still being produced (and so part of measured GDP), but any excess beyond this will not be measured as COE but is still a payment to employees via the business' payroll.

Agreed, the ABS meeting tomorrow will hopefully be very useful.

From: ROSEWALL, Tom
Sent: Tuesday, 31 March 2020 5:40 PM
To: CHAMBERS, Mark BISHOP, James ; NUGENT, Taylor ; LANCASTER, David ; CASSIDY, Natasha ; MCLOUGHLIN, Kate
Cc: ROBERTS, Ivan ; COKIS, Tomas ; CHAPMAN, Blair ; HOLLAND, Cara
Subject: RE: Forecasts [SEC=UNCLASSIFIED]

James/Taylor – thanks for your replies. As background, our view on consumption probably hasn't changed. The changes to income and unemployment lift consumption, but the magnitudes are insignificant relative to the distancing judgement we've overlayed on the profile. MARTIN comes to the same result (thanks to MM for the quick turnaround today).

As with the other packages, I think this one can also be viewed as helping increase the probability the economy bounces back quickly – but the fiscal dollars do not necessarily equate to a meaningful change in expenditure. The point on leave entitlements is a good example. This package helps ensure that other buffers that HHs and firms have available will not have to be used as quickly or at all. This is a good outcome for HHs, but does not necessarily translate to more consumption in the next year.

Mark – perhaps a good query for the ABS tomorrow.

From: CHAMBERS, Mark
Sent: Tuesday, 31 March 2020 5:06 PM
To: BISHOP, James ; NUGENT, Taylor ; ROSEWALL, Tom ; LANCASTER, David CASSIDY, Natasha ; MCLOUGHLIN, Kate
Cc: ROBERTS, Ivan ; COKIS, Tomas ; CHAPMAN, Blair ; HOLLAND, Cara
Subject: RE: Forecasts [SEC=UNCLASSIFIED]

Will it show up for (incorporated) firms simply as a secondary income receipt in the private corp income account?

From: BISHOP, James
Sent: Tuesday, 31 March 2020 4:59 PM
To: NUGENT, Taylor ; ROSEWALL, Tom ; CHAMBERS, Mark ; LANCASTER, David CASSIDY, Natasha ; MCLOUGHLIN, Kate
Cc: ROBERTS, Ivan ; COKIS, Tomas ; CHAPMAN, Blair ; HOLLAND, Cara
Subject: RE: Forecasts [SEC=UNCLASSIFIED]

Hi Tom,

Yes –that's how you should think about it. Given the large scale of the program, we needed to assume a fairly low employment multiplier in order to get a realistic profile for the unemployment rate (one that actually increases over the forecast period). The implication is that most of the subsidy is captured by firms.

Taylor is doing some follow-up work now to check whether our initial assumptions about the effect on average wages (AENA per hour) is sensible.

James

From: NUGENT, Taylor
Sent: Tuesday, 31 March 2020 4:28 PM
To: ROSEWALL, Tom ; BISHOP, James ; CHAMBERS, Mark ; LANCASTER, David ; CASSIDY, Natasha ; MCLOUGHLIN, Kate
Cc: ROBERTS, Ivan ; COKIS, Tomas ; CHAPMAN, Blair ; HOLLAND, Cara
Subject: RE: Forecasts [SEC=UNCLASSIFIED]

Hi Tom,

The only other thing to note is substitution of employees away from drawing down leave entitlements towards the jobkeeper payment. So even though it might not be extra COE, it will be COE that isn't drawing down employees' entitlements. So there is effectively less dissaving by employees as well.

Cheers,

Taylor Nugent |

From: ROSEWALL, Tom
Sent: Tuesday, 31 March 2020 4:19 PM
To: BISHOP, James ; CHAMBERS, Mark ; LANCASTER, David ; CASSIDY, Natasha ; MCLOUGHLIN, Kate

Cc: ROBERTS, Ivan ; COKIS, Tomas ; CHAPMAN, Blair ; NUGENT, Taylor ; HOLLAND, Cara
Subject: RE: Forecasts [SEC=UNCLASSIFIED]

A question for PWL. In status quo, we've got about $20 billion in extra COE in the June and September quarters relative to where we were prior to JobKeeper.

Should we think of this as the COE that wouldn't have happened otherwise, and the remaining $110bn ($130b - $20b) goes to firms (rather than having to meet COE commitments)?

Tom

From: BISHOP, James
Sent: Tuesday, 31 March 2020 12:06 PM
To: ROSEWALL, Tom ; CHAMBERS, Mark ; LANCASTER, David ; CASSIDY, Natasha ; MCLOUGHLIN, Kate

Cc: ROBERTS, Ivan ; COKIS, Tomas ; CHAPMAN, Blair NUGENT, Taylor
Subject: RE: Forecasts [SEC=UNCLASSIFIED]

Lockdown scenario is now updated

From: BISHOP, James
Sent: Tuesday, 31 March 2020 11:49 AM
To: ROSEWALL, Tom ; CHAMBERS, Mark ; LANCASTER, David ; CASSIDY, Natasha ; MCLOUGHLIN, Kate

Cc: ROBERTS, Ivan ; COKIS, Tomas ; CHAPMAN, Blair ; NUGENT, Taylor
Subject: RE: Forecasts [SEC=UNCLASSIFIED]

To clarify, this is the status quo scenario. Taylor is finalising the lockdown scenario now

---

From: BISHOP, James
Sent: Tuesday, 31 March 2020 11:45 AM
To: ROSEWALL, Tom ; CHAMBERS, Mark ; LANCASTER, David ; CASSIDY, Natasha ; MCLOUGHLIN, Kate

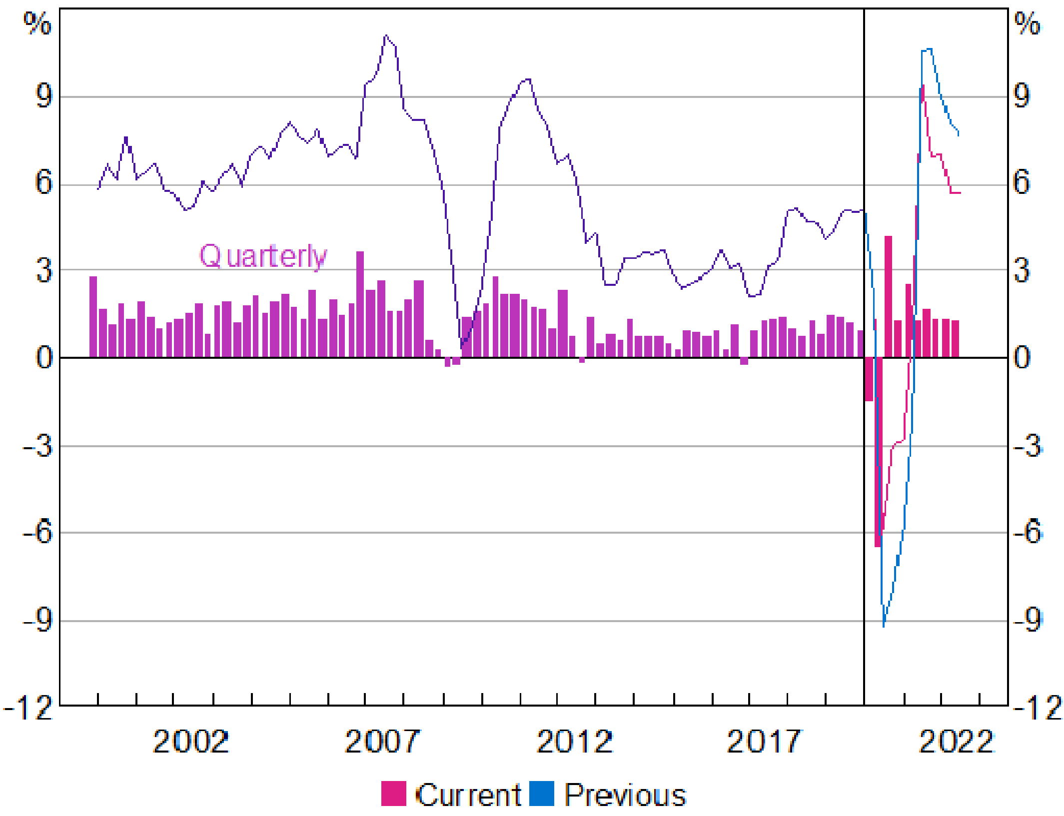
Cc: ROBERTS, Ivan ; COKIS, Tomas ; CHAPMAN, Blair ; NUGENT, Taylor
Subject: RE: Forecasts [SEC=UNCLASSIFIED]

PWL's forecasts for E, hours and COE now incorporate the wage subsidy (first-round effect). Over to you MM

A graph from Taylor that compares COE profile to the pre-subsidy baseline:

COE Growth

Year-ended, non-farm



Sources: ABS; RBA

From: ROSEWALL, Tom
Sent: Tuesday, 31 March 2020 9:17 AM
To: CHAMBERS, Mark ; LANCASTER, David ; CASSIDY, Natasha ; BISHOP, James ; MCLOUGHLIN, Kate
Cc: ROBERTS, Ivan ; COKIS, Tomas
Subject: RE: Forecasts [SEC=UNCLASSIFIED]

Thanks Mark.

A few additional considerations.

Tomas thinks this is measured as COE in the natties (with the firm receiving a tax offset as compensation). We can confirm with the ABS tomorrow.

A proposed breakdown of the package:

Total cost of plan (Treasury estimate of $130bn) = COE
= Extra COE (that would not have been paid otherwise) + COE (that would have been paid otherwise)
= Extra COE + Firm surplus
= Extra COE + cover of revenue shortfall from deficient demand + firm saving

Relative to our existing E-side forecast, I think only the extra COE appears as a first-round effect in the E-side forecasts. The firm surplus parts have second/third round effects through additional employment across the horizon (and then consumption), and also additional investment.

From: CHAMBERS, Mark
Sent: Tuesday, 31 March 2020 9:15 AM
To: ROSEWALL, Tom ; LANCASTER, David ; CASSIDY, Natasha ; BISHOP, James ; MCLOUGHLIN, Kate
Cc: ROBERTS, Ivan ; COKIS, Tomas
Subject: RE: Forecasts [SEC=UNCLASSIFIED]

Morning!

BAT will have a quick think about any impact on business investment. In SR little difference, I would think. Further out may make a marginal difference in speed of recovery, although main driver will be broader demand trajectory.

We'll want all the demand components again, to update imports.

From: ROSEWALL, Tom
Sent: Tuesday, 31 March 2020 8:34 AM
To: CHAMBERS, Mark ; LANCASTER, David ; CASSIDY, Natasha ; BISHOP, James ; MCLOUGHLIN, Kate
Cc: ROBERTS, Ivan ; COKIS, Tomas
Subject: Forecasts [SEC=UNCLASSIFIED]

Just when we thought it was safe to draw a line under the forecasts... Luci would like us to have a crack at factoring in the JobKeeper payment in to the forecasts this morning.

Initial thoughts (please propose alternatives if you disagree):

1. PWL to come up with a view of how much employment/COE/hours this sustains as a first-round effect, given the set of activity forecasts we already have.

2. MM to run a scenario with EA's existing activity forecasts for June and September quarters with PWL's new employment and COE numbers (maybe hours too – although the additional hours are not going to be at the average rate of productivity!). The 2-3 year profiles for the E side and labour market variables will inform how we incorporate the effects of the package beyond PWL's initial judgements.

3. Digest results. If everyone is happy, HANA will take the additional COE and then distribute in consumption (beyond the next two quarters, which remain largely as is). Presumably there is a boost to investment too through additional profits? Or perhaps additional investment due to less loss of confidence?

4. New activity forecasts back to PWL.

<u>Technical note: We are now using "status quo" and "lockdown" to describe the two scenarios. A couple of points on how I see these scenarios currently:</u>

Status quo: measures as today are in place for up to 2 quarters. Some such as travel last the full two quarters. Some such as the current HH distancing measures are in place for 1 quarter and then are gradually unwound over the Sep quarter.

Lockdown: 1½ months of very strict containment measures, and then unwound over subsequent months, such that most measures are lifted by mid-September quarter. Some, such as international travel are in force until end September.

Tom Rosewall | Head of Section (Households and National Accounts) | Economic Analysis Department
RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000
| w: www.rba.gov.au

From: ROSEWALL, Tom
Sent: Tuesday, 31 March 2020 9:19 PM
To: ELLIS, Luci; HEATH, Alex; COCKERELL, Lynne; COOMBS, Merylin
Cc: CASSIDY, Natasha; ROBERTS, Ivan; CHAMBERS, Mark; BISHOP, James; MCLOUGHLIN, Kate; LANCASTER, David
Subject: RE: Note EA: Briefing on JobKeeper Wage Subsidy [SEC=UNCLASSIFIED]

Evening

We've had a first pass at incorporating the JobKeeper package in to the domestic forecasts.

As was advised in the PDG draft Board paper, the key change is that the unemployment rate is expected to peak at around 7 per cent in the second half of the year, much lower than the 8½ per cent expected earlier.

But, there were minimal changes to the forecasts for domestic activity. Bear with me …

We think there is only a moderate increase in COE relative to the counterfactual of no policy. This is partly because many employees receiving the payment would have been employed anyway, and partly because the introduction of this scheme means some employees do not have to draw down on other leave buffers.

The modest increase in COE, together with the reduction in peak unemployment, do boost consumption a little across the horizon. But the increase is trivial relative to the overlay of changes from social distancing and their unwinding. What the policy does do is help ensure the assumed recovery in the activity forecasts takes place, and significantly reduces downside risk to the outlook.

this policy goes a long way to fill the deficit in demand without damaging the economy. In the status quo scenario, the deficit in private demand in the next two quarters (combined) is more than $100bn relative to the Feb SMP baseline. Having the government cover a significant portion of wages will mean the firm is able to meet fixed costs in this period (without resorting to reductions in hours/heads).

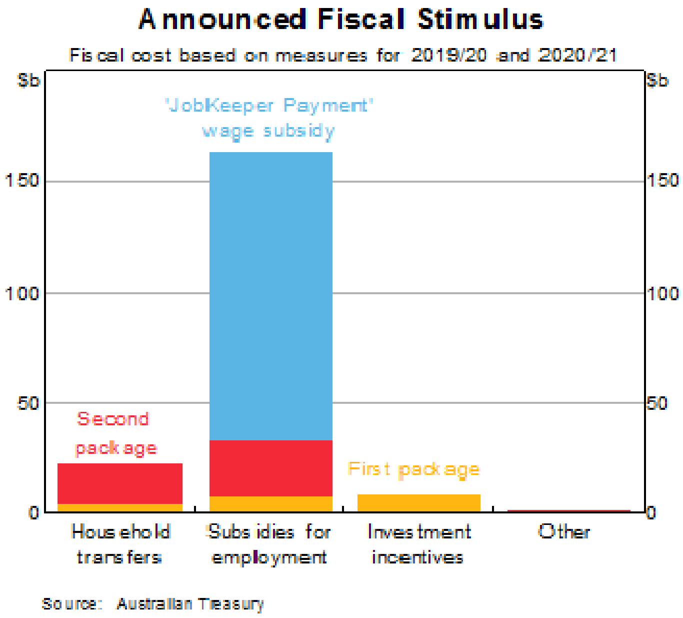
Happy to discuss further. This is a first take after all!

Thanks to the domestic sections for the quick turnaround today, and MM for a cross-check run this afternoon.

From: COKIS, Tomas
Sent: Tuesday, 31 March 2020 3:39 PM
To: Notes policy groups
Subject: Note EA: Briefing on JobKeeper Wage Subsidy [SEC=UNCLASSIFIED]

The federal government has announced a wage subsidy of $1,500 per fortnight for employers effected by COVID-19, commencing immediately for six months. Businesses and not-for-profits who provide at least $1,500 per fortnight to their employees will be reimbursed by that amount from the federal government. This includes payments extended to part-time employees or those who had been stood down. Eligible firms will be those with revenue that has significantly declined relative to last year, including large corporations (subject to larger declines in revenue). This policy is worth $130 billion or 6.5 per cent of annual GDP, dwarfing the previously announced fiscal stimulus (of $70 billion). The federal government expects around 6 million workers to receive the subsidy.

For more information, please see: D20/96758



This note was written by Households & National Accounts and Prices Wages & Labour teams.

Tomas Cokis | Economist | Household and National Accounts | Economic Group
RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000
| w: www.rba.gov.au