

JobKeeper: Eligible vs ineligible workers

David Richardson
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Treasury review proves JobKeeper encourages sacking of ineligible workers.

In *JobKeeper: A proposal for clawing back unnecessary spending* we suggested there was a strong incentive in JobKeeper to dismiss non-eligible workers. The mechanism is simple, in the event of a fall in demand and a surplus of staff the business is always better off sacking the worker with the higher net cost to the business. Workers who do not attract a subsidy are much more expensive to retain plus the rules say all eligible workers must be retained. Businesses wanting to minimise costs will therefore get rid of ineligible workers.

JobKeeper as presently designed encourages businesses to dismiss non-eligible workers. These are the casuals in the job less than a year and non-residents (but including New Zealanders). Given the nature of the businesses worst affected by the lockdown (retail, accommodation, food etc), ineligible workers were disproportionately affected.

The Treasury Review of the JobKeeper Payment avoided any serious discussion of the bias against ineligible workers yet it provided data that show unambiguously that such a bias is evident and powerful.

Treasury said:

For organisations that are JobKeeper recipients, there was an initial 5 per cent drop in jobs held by eligible employees in the first fortnight after JobKeeper was introduced but these jobs have since been fully

restored. The job losses have been largely borne by ineligible employees in organisations that are JobKeeper recipients, which fell by half between mid March and the end of April (pp23-4).

So JobKeeper eligible workers were almost unaffected by the downturn and that is a great credit to the scheme. However, that cannot be said of the ineligible workers. The relevant graph (p 24) shows a fall in ineligible employees from 14 per cent of the labour force to 7 per cent by the end of May.

This figure was based on payroll data. But scaling up to all private employment it suggests 723,700 people, almost three quarters of a million, lost their jobs because they were ineligible workers in businesses attracting JobKeeper.

Despite this enormous social problem Treasury seemed not interested in canvassing reforms to the scheme that would address the iniquity. The Treasury observation above was said in the context of discussing the relevant data and was not pursued any further. Clearly the government has also not seen fit to pursue this.