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JobKeeper did the job it was meant to do, and quickly

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JobKeeper was one of the most successful economic support programs in Australia's history. It was more than just a wage subsidy. It put a floor under the economy. It saved more than 700,000 jobs. It overwhelmingly supported small businesses, which were 97 per cent of the recipients. It helped secure our economic recovery.

It was, in the words of the governor of the Reserve Bank, a "remarkable program" for which noted economist Chris Richardson gave Treasury an A+.

First, its economic impact. When JobKeeper was announced on March 30 last year, the country was in lockdown and the economy in free fall. Consumer and business confidence was at a record low. The ASX 200 had posted its biggest daily fall on record and had lost about a third of its value over the month. Unemployment was rising rapidly. More than 850,000 jobs were lost between March and May and a further 1.8 million people lost hours of work.

Treasury feared that without JobKeeper, unemployment could reach 15 per cent with more than two million unemployed and the economy could contract by as much as 24 per cent.

As the queues outside Centrelink grew by the thousands, Deloitte Economics summed up the mood: "This looks set to be the sharpest recession Australia has seen since the Great Depression of the 1930s. These are uncharted waters. Fear is the key to the outlook and fear generates its own momentum. That makes it really hard to stop."

We needed to act decisively and we did. With monetary policy largely exhausted, the Morrison government provided an unprecedented fiscal response. JobKeeper immediately stemmed the tide of job losses. Consumer confidence increased for nine consecutive weeks after its announcement. More than 3.8 million people and one million businesses directly benefited. Together with our other economic support measures, JobKeeper provided a $100bn boost to economic activity, or 5 per cent of GDP, in 2020-21 alone.

In short, JobKeeper did its job. Unemployment reached 4.6 per cent in July, a 12-year low and well below the 5.7 per cent when we came to government. Ahead of any advanced economy, by March this year there were more people in work than before Covid.

In the words of one construction business, “JobKeeper ensured we stayed breathing”, and for another in the food services sector, “JobKeeper is the only reason we are open today.”

During the recessions of the 1980s and ’90s, unemployment effectively doubled and took eight and 10 years respectively to get back to where it was. With JobKeeper, unemployment got back to its pre-pandemic levels in just more than a year. This is JobKeeper’s legacy. The scarring of the labour market that has been the legacy of previous recessions was avoided.

Australia’s economy contracted by just 2.5 per cent last year compared with about 5 per cent in Japan and Canada and 10 per cent in Britain. By the end of June this year our economy had recovered faster and stronger than any advanced economy in the world.

JobKeeper was fundamental to Australia’s economic bounce back. Nothing its detractors say or do can deny that fact.

Second, JobKeeper was well targeted. For the first six months of the program, a flat payment of $1500 was paid to each eligible employee through their employer. It was a requirement of the program that every dollar of JobKeeper received be paid to a firm’s eligible employees. Firm eligibility was based on anticipated decline in turnover. This design feature enabled the money to flow into the economy quickly and to those sectors most in need – covering 50 per cent of employees in the arts and recreation industry, 35 per cent of those in food and accommodation, and 25 per cent of those in retail.

If payments had been based instead on a business’s actual decline in turnover or a percentage of a person’s actual wage, it would have taken months to deliver the support, preventing the immediate impact JobKeeper had in saving jobs and boosting confidence.

Significantly, JobKeeper’s design enabled employers to vary the hours, duties and location of their staff so they could effectively adapt their work practices to the health restrictions in place. It was unlike Britain's furlough scheme, where an employee had to be stood down for the wage subsidy to flow.

Given the scale of JobKeeper and the speed with which it was implemented, it was important to review the program early to ensure it was having its intended effect. The Treasury review, released publicly in July last year, found JobKeeper was "well targeted" at businesses that had experienced significant turnover declines and job losses.

With the economy in June last year experiencing its largest quarterly fall on record and the labour market extremely weak, Treasury's advice was clear: "There are compelling arguments to maintain JobKeeper in its current form." This was the advice irrespective of the fact the review found 15 per cent of businesses subsequently had actually increased their turnover.

The economy was in recession and it was clear that additional fiscal support was needed to bolster aggregate demand. In June last year, only one-quarter of the jobs lost in April and May had been recovered, and 300,000 people were still stood down on zero hours due to Covid.

Introducing a mechanism to require businesses to pay back JobKeeper would have reduced the program's take-up, weakened its impact on confidence, withdrawn support from the economy and lessened the broader macroeconomic effect of the policy.

In Treasury's view, it therefore would have been a handbrake on the recovery and would have led to higher unemployment.

New Treasury analysis has found that in the June quarter, where eligibility was based on an anticipated decline in turnover, the actual median decline in turnover for JobKeeper recipients was 28 per cent. In contrast, for non-JobKeeper businesses over the same period there was no change.

The new analysis also shows that job losses had doubled in JobKeeper businesses before the introduction of the payment, compared with only a small increase in non-JobKeeper businesses.

While it is true that a number of businesses did not experience a fall in turnover in the June quarter by the full anticipated amount, nevertheless lay-offs in these same businesses increased by more than 65 per cent on average and more than 85,000 employees were stood down on zero hours. Without JobKeeper, these 85,000 jobs would have been lost.

JobKeeper helped these businesses keep their doors open and their staff employed.

Ninety-nine per cent of the businesses that did not experience the anticipated fall in turnover were small businesses, with an average of just four employees.

Crucially, it was these businesses that played a key role in the recovery, with Treasury finding that they created 350,000 new jobs between May and September.

We would not have seen this strong jobs growth if we had asked these firms to repay JobKeeper and unemployment would be higher today as a result.

Maintaining the consistency and certainty of JobKeeper's settings for the first six months of the program was the right call to save jobs and enable the economy to strengthen.

Third, the ATO effectively implemented JobKeeper, ensuring its integrity. It was a massive logistical exercise with more than 3000 staff deployed to the task.

The Australian National Audit Office found the ATO had been "effective at managing risks" and undertook "appropriate planning to support the rapid implementation" of the program.

To date, more than 114,000 compliance checks have been carried out, saving taxpayers $1bn in payments to ineligible entities.

Some are now calling for the details of JobKeeper recipients to be disclosed. To do so retrospectively would be a breach of faith. Taxpayers provided their information to the Tax Commissioner in confidence.

In the words of the Commissioner of Taxation, releasing these details now would "harm the public interest by undermining public confidence in the Commissioner's ability to keep taxation information confidential".

The Australian Industry Group has said it is a "dangerous political stunt" and according to the Australian Hotels Association, to do so would "be knowingly trampling on the privacy of thousands of people who have done nothing wrong".

Publicly listed companies are required to disclose their JobKeeper payments in their financial statements but private companies, under the laws passed by the Parliament, are not.

JobKeeper was a remarkable program. It was well targeted. It was delivered promptly and with integrity. It saved more than 700,000 jobs and supported the recovery. It did its job and more

Australians are in work today as a result.

Josh Frydenberg is the federal Treasurer.