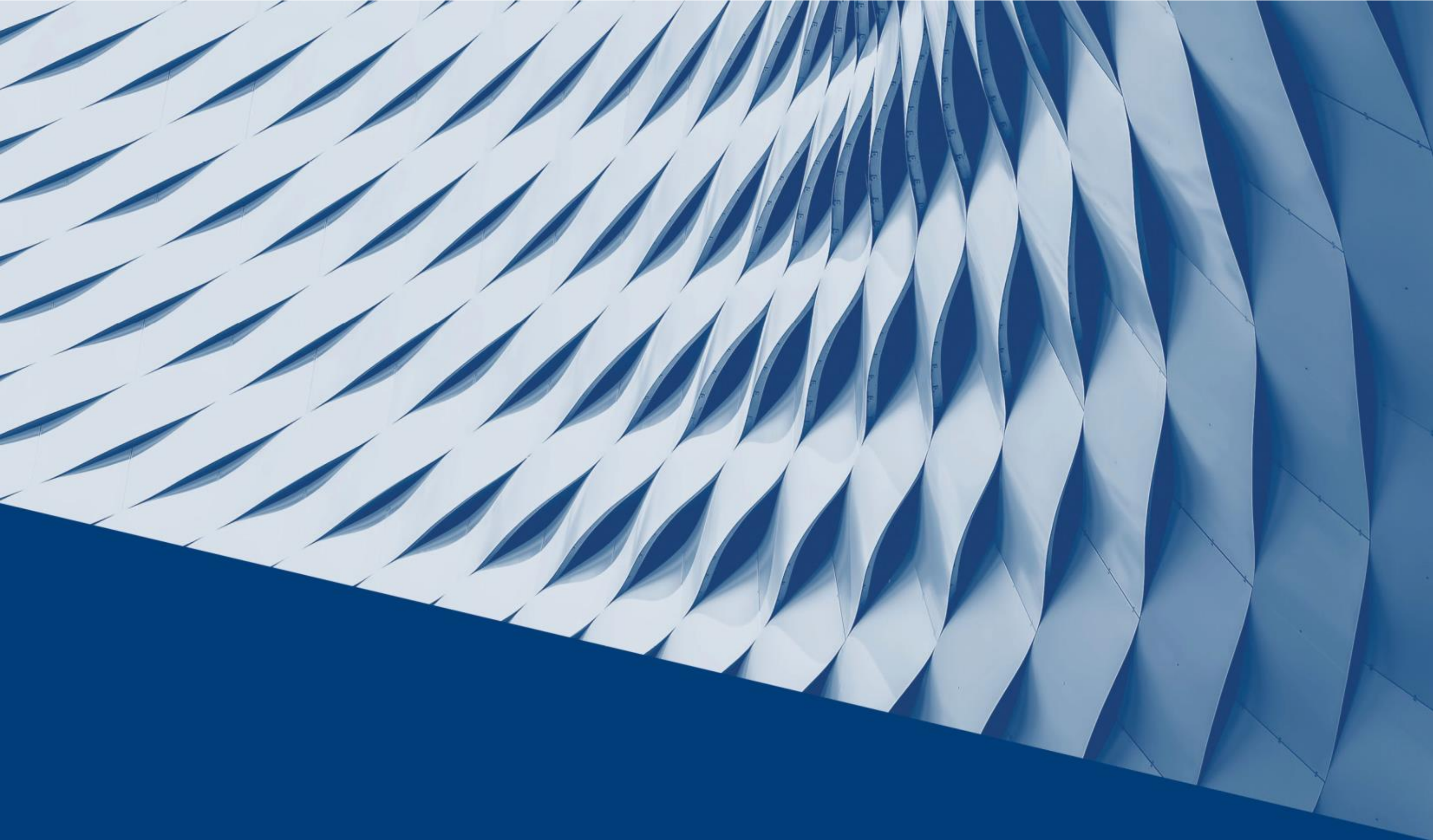

JobKeeper: Flawed but necessary.

Australian Council of Trade Unions response to the Independent Evaluation of the JobKeeper Payment

ACTU Submission, 14 July 2023
ACTU D. No 30/2023

ACTU
australian council of trade unions

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Introduction

The Australian Council of Trade Unions (ACTU) is the peak trade union body in Australia, with 43 affiliated unions and states and regional trades and labour councils, representing approximately 2 million workers across the country who are engaged across a broad spectrum of industries and occupations in the public and private sectors. As the voice for Australian workers, the ACTU and the Australian union movement advocated strongly for a wage subsidy program in response to the challenges of the Covid-19 pandemic. Knowing what we know now about the program, we remain strongly of the view that JobKeeper was indispensable to the health and stability of the Australian economy and of Australian workers.

As we argued at the time, evidence from overseas had shown that a wage subsidy program was necessary. We had already watched as job losses and stand-downs had spread across Europe and North America and as governments in those countries had responded with wage subsidy programs. There was every reason to believe that the Australian experience would be similar and that our solution should be based on what was already working. This was the basis for our early and ongoing advocacy for this program in the face of, at the time, inexplicable disinterest from Government.

The program that the Government produced, JobKeeper, was absolutely crucial in keeping Australians employed, connected to their employer and kept money coming in for many families. There should be no confusion that the program was desperately needed and that it helped us avoid the losses of hundreds of thousands, or millions of jobs and the devastation that would have wrecked on the economy and the lives of millions of Australians. This does not mean however that the program was without flaw.

JobKeeper included a number of significant design flaws that meant that large groups of workers were left behind, including:

- Casual workers,
- Visa workers, and
- Workers employed by certain types of employers.

Additionally, information which came to light after the program was beginning to wind down has also revealed that the mechanisms in place to target JobKeeper spending and to create accountability for that spending were inadequate. This resulted in large amounts of public money, billions of dollars, being inappropriately spent under the auspices of JobKeeper – going to employers who didn't need it. A lack of action to recover this money, even from very large and profitable companies, exacerbated this issue.

JobKeeper also assumed that employers would take the responsibility of receiving public support for the welfare of their employees seriously. While this was the case for the vast majority, some unscrupulous employers took advantage of these assumptions to reduce leave balances and lay workers off.

These issues had real and substantial impacts on workers left out of the program and on the Australian economy – but should not be mistaken for a condemnation of the program's basis or aspiration.

The Case for a Wage Subsidy Program

The first cases of Covid-19 arrived in Australia in late January 2020.[1] By March of 2020 it was clear that Australia was, like every other country in which the virus had arrived, not going to be able to contain infections with typical interventions. It was clear that public health orders and plunging consumer confidence were causing a de facto shut-down of large parts of Australia's economy. The impact on employment, incomes, and production was going be catastrophic: faster and deeper than any recession in Australian history. Some employers, like Qantas, had already begun standing down staff without pay.[2] Sectors representing one-quarter of all jobs in Australia were being shut down by health orders and millions of workers were out of work or going to be soon.[3] It was also clear that traditional methods of support, like the existing welfare system, were not going to be able to cope with the massive increase in demand – Centrelink offices already had lines around the block and myGov had crashed.[4]

The Government's response to these issues at the time was concerningly lackadaisical. Then Prime Minister Morrison announced several measures on 22 March to support households and businesses, the centrepiece of which was the "Boosting Cash Flow for Employers" plan. Under the plan, the Government would rebate up to $100,000 to eligible small and medium enterprises. The plan allowed supported businesses to simply keep the income tax they deducted from their workers' pay. However, there were a number of serious issues with this approach.

Firstly, it in fact required employees to essentially pay the subsidy in the form of diverted tax payments. The plan also failed to provide a significant subsidy, around 20% on average and even

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[1] The Australian Parliamentary Library, *COVID-19: a chronology of state and territory government announcements (up until 30 June 2020)*, 22 October 2020.
[2] Ben Butler, *'Outrageous': Qantas criticised for standing down 20,000 workers without pay*, The Guardian Australia, 19 March 2020. https://www.theguardian.com/business/2020/mar/19/coronavirus-qantas-and-jetstar-to-suspend-international-flights-and-stand-down-20000-workers
[3] The Australian Council of Trade Unions, *A Wage Subsidy for Working People, to Support Jobs and Livelihoods,* 25 March 2020 https://www.actu.org.au/our-work/policies-publications-submissions/2020/wage_subsidy
[4] Henriques-Gomes, Luke and McGowan, Michael, *Queues at Centrelink Offices and MyGov website crashes ahead of Coronavirus shutdowns*, The Guardian Australia, March 23, 2020. https://www.theguardian.com/australia-news/2020/mar/23/queues-at-centrelink-offices-and-mygov-website-crashes-ahead-of-coronavirus-shutdowns

less for low wage workers. It also had no requirement that employers retain workers – they could be made redundant after the benefit was paid. Combined with the facts that the plan supported higher wage jobs more effectively than lower wage ones and that it excluded large employers, unions were of the opinion at the time that this strategy was woefully inadequate.[5] It was clear that either the Government had failed to conceive of the scale of the challenge, or, more worryingly, were planning to leave workers to deal with the impacts of shutdowns without meaningful support.

On 25 March 2022 the ACTU released *"A Wage Subsidy for Working People, to Support Jobs and Livelihoods"*, a short briefing note which outlined the gaps in the Government's approach and continued our calls for the introduction of a meaningful national wage subsidy scheme for workers who would be otherwise stood down or made redundant. These schemes were already operating in a number of comparator countries, as shown in Table 1 below taken from the note.. This program, we acknowledged, would require unprecedented government fiscal resources. But that cost would be offset, at least in part, by funds (over $30 billion) redirected from the existing cash flow scheme, and billions of dollars in income supports that would no longer be required (since many more Australians would keep their jobs). It was also our view that support in this form could be delivered more quickly (to tens of thousands of firms, rather than millions of unemployed workers), and should be targeted only at employers who experienced severe revenue losses.

Table 1 – Wage Subsidies in comparator countries, as at 25 March 2020.

How Other Countries are Preventing Redundancies	
U.K.	Govt pays 80% of wages for workers otherwise furloughed, up to £2500 ($A5000) / mo.
Denmark	Govt pays 75-90% of wages, up to Kr26,000 ($A6000) /mo.; workers use 5 days leave.
Neth.	Govt pays up to 90% of wages for workers kept on staff, based on amount of lost revenue.
N.Z.	Govt pays up to $NZ 585 ($A575) / wk. for wages, up to 12 weeks; same for self-employed.
Germany	Govt provides loans & grants to business to pay wages, plus top-ups for short-time work.
Ireland	Govt pays up to 70% of wages for firms with 25% or more lost rev., up to €410 (A$750) /wk.
S. Korea	Govt pays 70% of wages for affected workers, up to ₩130,000 ($A185) / day.
Source: Compiled by Centre for Future Work. Most plans apply for 3 months, extended if needed.	

5 The Australian Council of Trade Unions, *A Wage Subsidy for Working People, to Support Jobs and Livelihoods*, Op. Cit.

Unions believed that a wage subsidy scheme was the only reasonable response to the situation at hand. The massive success of JobKeeper, which is inarguable despite the flaws in the program explored later, proved that this was the case. JobKeeper was critical in keeping millions of Australians, directly and indirectly, employed and connected to their employer – meaning they didn't have to scramble to find their old position when the pandemic restrictions lifted. It kept food on the table and ensured that there was an economy waiting in the wings when work could resume. Unions are proud to have advocated for a wage subsidy program to protect workers and the economy and do not resile from this view despite what follows.

Design Flaws of JobKeeper

JobKeeper was announced by the Government on 30 March 2020, aiming to provide a wage subsidy to approximately 6 million Australian workers who would otherwise be stood down or made redundant as a result of Covid-19 health orders.[6] However, despite ongoing union warnings, the design for the program contained a number of flaws. These flaws collectively resulted in large groups of workers being left out of the success of the JobKeeper program and misallocated billions of dollars in taxpayer funding.

Workers Left Behind

The JobKeeper wage subsidy program was an attempt by Government to stave off the significant increases in unemployment which came out of the COVID-19 crisis. There were some workers it was not allowed to save - like the thousands of JobKeeper eligible employees that Qantas chose to make redundant rather than keep employed.[7] Unfortunately, the government also made the decision to exclude some workers from the program, targeting those who were experiencing job and financial insecurity long before the COVID-19 crisis began.

Casuals

The Government, in its design of JobKeeper, made the decision to restrict eligibility for casual employees to those with 12 months or more tenure with their employer. This meant a significant proportion of the labour force missed out on the protection provided by the program.

[6] The Treasury Department, *$130 Billion JobKeeper payment to keep Australians in a job,* 30 March 2020 https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/130-billion-jobkeeper-payment-keep-australians-job

[7] Qantas made several thousand JobKeeper eligible employees redundant based on their projected need for labour in 2022. The reduction in employee liabilities has seen Qantas' share price increase by 64% since June 2020. https://investor.qantas.com/FormBuilder/_Resource/_module/doLLG5ufYkCyEPjF1tpgyw/file/annual-reports/2022-Annual-Report.pdf

Casual employees, while not uniquely Australian, are utilised in the Australian economy to a far greater extent than in any other western economy. The number of workers in casual employment increased by over half a million between 2005 and 2016, to reach 2.5 million workers. The proportion of Australian employees engaged in casual work has fluctuated significantly over the past decades: it increased from 15.8% of total employment in 1984 to 27.7% in 2004, before declining slightly to its current ratio which is around 25%. Casual employees continue to be heavily concentrated in a few industries. Casual work is also concentrated in the low paying sectors of the economy. However, it is important to note that casual work is not confined to these sectors. Virtually all parts of the economy have witnessed significant growth in casual density over the past few decades.

Casual employees are also more likely to be at risk of financial instability than workers with permanent positions. They are more likely to be young (although not as young as many think), more likely to be women and are more likely to be receiving award minimum pay than their permanent co-workers.[8] Causal workers, with their already reduced job security and workplace rights and their relative ease of dismissal were poised to be among the first and most comprehensive causalities of the COVID-19 economic downturn. The fact that they are most common in the industries which have been hardest hit by the crisis, Retail, Hospitality and Arts & Entertainment, made them all the more vulnerable.

As a result, the Government's decision to restrict JobKeeper to casuals who had more than 12 months tenure with their employer at March 1 was a devastating one. Leaving aside the complete lack of rationale for the arbitrary 12-month period, this decision ensured that some of the most vulnerable workers in the economy were denied government support and, by and large, doomed to dismissal or indefinite stand-down without pay.

This decision locked some 1 million casuals - about 40% of all the casuals in the economy - out of the JobKeeper program. These casuals, like casuals in general, were concentrated in some of the industries hit hardest by the COVID-19 crisis. For example:

- 230,000 in Accommodation and Food Services
- 155,000 in Retail Trade
- 118,000 in Health Care and Social Assistance,
- 72,000 in Manufacturing; and

[8] Australian Parliamentary Library, *Characteristics and use of casual employees in Australia,* 19 January 2018. https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1718/CasualEmployeesAustralia#_Toc504135069

- 67,000 in Education and Training.

The decision to exclude these workers from JobKeeper was utterly without justification. The 12 months employment requirement was arbitrary and excluded one million workers from a program which would have saved their jobs and their livelihoods.

Visa Workers

Most visa workers were, according to the rules established for JobKeeper, ineligible for assistance – leaving some of the most vulnerable workers in Australia without support.

The reality was that even prior the Covid-19 crisis, some employers were using the temporary skilled migration programme as an instrument of wage suppression and exploiting vulnerable temporary overseas workers who are unaware of their rights or not in a position where they felt able to exercise those rights. This meant that when the crisis came, Australia had a vast underclass of temporary workers who were easy to dismiss, had little access to information about their rights or their employer's obligations to them and were not eligible for any form of government support.

In 2019, just before the pandemic began, there were more than 2 million temporary entrants in Australia, including New Zealanders, and up to 1.3 million of these visa holders had some form of work rights. This equates to around 10%-11% of the total Australian labour force of over 12.4 million at the time. International students form the largest group, accounting for 535 811 persons at the end of March 2018 (with graduates on the 485 visa adding a further 65, 246). Working holiday makers and temporary skilled workers are also substantial groups, accounting for 148,124 and 151,596 persons respectively. Holders of bridging visas, most of whom have work rights, have expanded to 194,875 persons.

Since 1996, migrant workers' power and agency has been incrementally curtailed, to the extent that Australia's labour immigration policy resembles a guestworker regime where migrants' rights are restricted, their capacity to bargain for decent working conditions with their employers is truncated, and their agency to pursue opportunities available to citizens and permanent residents is diminished.[9]

Even before the crisis, temporary workers in Australia were some of the most vulnerable workers in the economy, facing significant rates of wage theft, poor working conditions and exploitation. The ACTU has previously produced a number of documents outlining the broader issues with the temporary migration system which we will not duplicate here, but many of these were greatly

[9] Wright, Chris F and Clibborn, Stephen, *A guest-worker state? The declining power and agency of migrant labour in Australia*, 2020.

exacerbated by the COVID-19 crisis. Having granted work rights to these workers and knowing that their capacity to work would be severely hampered by the impact of COVID-19, the government's decision to exclude these workers from JobKeeper, when many had no other source or support or ability to seek new jobs or additional hours, was to say the least, ill-considered. Even when we exclude the New Zealand citizens, who were included in JobKeeper, this decision left another three-quarters of a million workers in Australia without access to meaningful support.

Workers excluded from JobKeeper due to the nature of their employer.

In addition to casuals and temporary visa workers, hundreds of thousands of workers in Australia were excluded from the JobKeeper program due to the nature of their employer, specifically prevented from accessing the program due to the rules drafted by the Treasurer. These workers included:

- 194,000 workers employed in local government.
- Tens of thousands of university workers;
- Thousands of workers, like those employed at Dnata, employed by companies owned by sovereign entities.

These workers were largely performing roles that, if duplicated in the private sector or with a different employer, would have qualified for the JobKeeper program and many were employed in regional areas. Supporting these workers would not only have had significant benefits to the economy and the community, but they had a right to the same level of support as workers in other sectors or with different employers. The government's decision to exclude these workers from the program was, once again, without acceptable justification.

Casuals, temporary visa workers and workers employed by excluded employers were unreasonably, and largely without justification, left out of the JobKeeper program and exposed to the significant economic downturn which accompanied the Coronavirus in Australia. This was not a decision that was forced upon Government, but an active decision to abandon these workers to their fate.

Poor Spending Control

Unions maintained throughout the operation of JobKeeper that the decision to exclude the worker cohorts above represented a significant flaw in the program design. When these representations were responded to by Government, we were informed that including those groups would be prohibitively expensive or would represent poor value for public money. Hindsight has made these excuses particularly galling as the work already done to examine the impact of JobKeeper has shown that there were significant issues with the allocation of JobKeeper funds – resulting in billions of dollars being misallocated.

The Parliamentary Budget Office (PBO), in a series of costings, has found that large amounts of JobKeeper funding, which was given based on business' estimates of their likely revenue losses, went to large, listed companies who ended up with significant profits in the period for which they claimed support.[10] These companies included:

- Ampol
- Blackmores
- Crown
- Harvey Norman
- Leadlease
- Mirvac
- nib Group
- Nine Entertainment
- Qube
- Seven West Media
- Star Entertainment
- Tabcorp

Additionally, the PBO have also produced analysis which showed that large portions of JobKeeper funding was given to employers who either failed to meet the 30% loss threshold or who increased their turnover.[11] According to the PBO, as much as $38 billion (or 53 per cent) of JobKeeper funding they examined went to employers whose quarterly turnover failed to meet the threshold.[12] Some of these employers at least suffered losses and so may have needed some support. Even worse, the PBO found that $1.3 billion in funding went to companies where turnover tripled during the quarter for which they claimed JobKeeper and a further $1.3b was paid to companies that doubled their turnover.[13]

To compound this error, the Government made no attempt to require employers who had claimed JobKeeper incorrectly, even those who had seen profits or significant increases in turnover, to

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[10] The Parliamentary Budget Office, *Policy Costing: Profitable Corporations to return JobKeeper payments*, 2021. https://www.pbo.gov.au/sites/default/files/2023-03/Profitable%20corporations%20to%20return%20JobKeeper%20payments%20PDF.pdf

[11] Conifer, Dan, *At least $38b in JobKeeper went to companies where turnover did not fall below thresholds, data finds*, ABC News, 2 November 2021 https://www.abc.net.au/news/2021-11-02/38b-in-jobkeeper-went-to-companies-where-turnover-did-not-fall-/100586310

[12] Ibid

[13] Ibid

repay the funds they had received. Even if the requirement to pay back JobKeeper funds had been limited to companies with a turnover of greater than $50 million and who had made a profit or paid an executive bonus, this would have resulted in billions of dollars being returned to the Australian taxpayer.[14]

Insufficient controls on employer behaviour

In addition to the gaps outlined above, JobKeeper also failed to impose significant constraints on the behavior of employers who received support. Perhaps this was a fault of optimism – an assumption that employers who were receiving public support would treat that obligation seriously. Unfortunately, this was not the case, particularly in the airline industry. Some employers took the millions of dollars offered by JobKeeper and yet felt no responsibility to their workers or to society at large to act ethically. The fact that JobKeeper imposed so few restrictions on the behavior of employers who received funding turned out in some cases to be an invitation to sharp practices and bad behavior.

The Impact of JobKeeper's Flaws

The impact on women, young people, casuals and visa workers.

Women

Women were uniquely and disproportionately impacted by the Covid-19 pandemic and resulting recession. Unlike previous economic downturns where economic contraction started in male-dominated industries (like resources or construction), and men were disproportionately affected, the combined impacts of the Covid-19 recession (including impacts in workplaces and impacts at home) disproportionally affected women. Women were over-represented among workers in insecure and low-paid jobs and were shouldering the majority of unpaid domestic and care labour before the pandemic struck. Work predominantly performed by women – including much of the frontline and essential work which kept us safe during the pandemic – is more likely to be low-paid and insecure because of gendered assumptions and discriminatory views about the skills required and the value and complexity of the work.

Restricting JobKeeper to exclude short-term casual workers meant excluding hundreds of thousands of jobs in the female-dominated customer-facing sectors that experienced the worst impacts of the shutdowns (like tourism, arts, hospitality and retail) from support. The two-tiered subsidy system introduced in September 2020 also disproportionately reduced women's

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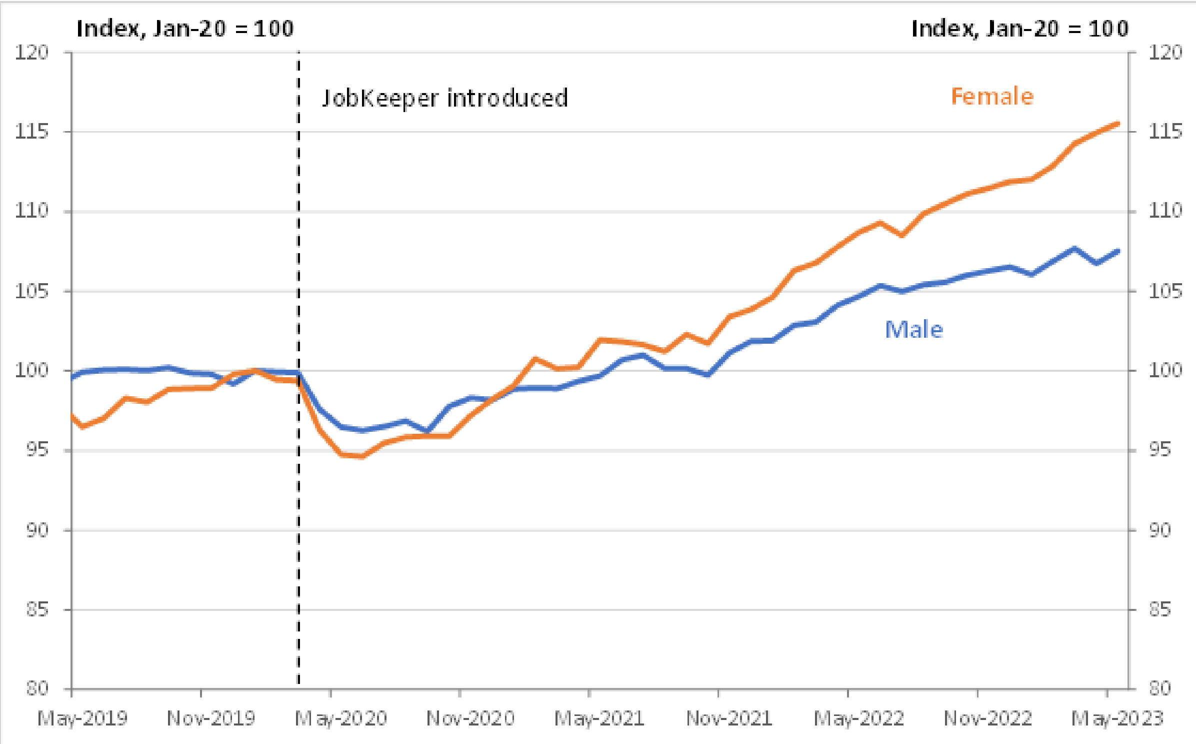
[14] The Parliamentary Budget Office, *Policy Costing: Make big, profitable companies repay JobKeeper,* 2022. https://www.pbo.gov.au/sites/default/files/2023-03/ECR538_Make%20big%20profitable%20companies%20repay%20JobKeeper%20-%20Australian%20Greens.pdf

incomes since they were more likely to have worked part-time before the crisis, and hence saw their subsidies cut. In fact, twice as many women had their payment halved, as men. As a result of these gaps, JobKeeper failed to ameliorate the impact the pandemic had had on female employment in Australia to the extent possible, as can be in Chart 2 below.

Chart 2: Full-time Employment by sex[15]



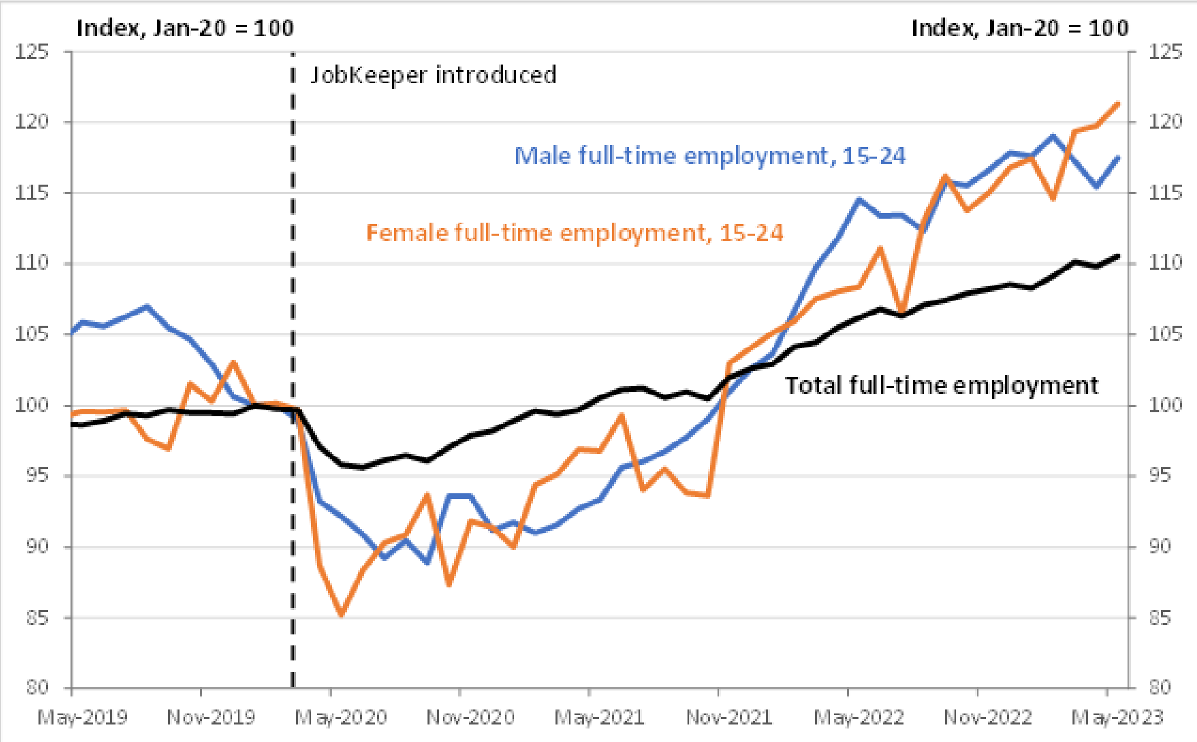
As can be seen, Female full-time employment fell 5.3 per cent between January 2020 and May 2020, compared to a fall of 3.5 per cent for male full-time employment across the same period.[16] Additionally, despite the introduction of JobKeeper in March 2020, female part-time employment fell 11.6 per cent between January 2020 and May 2020, and did not recover to its pre-pandemic level until March 2021.[17] While some of this gender differential can be explained by the female-dominated nature of the industries most impacted by the pandemic, a significant proportion of it was driven by the fact that women were more likely than men to fall through the gaps in the JobKeeper program.

[15] Australian Bureau of Statistics (May 2023) *Labour Force, Australia [link]*, accessed 26 June 2023
[16] Ibid
[17] Ibid

Young People

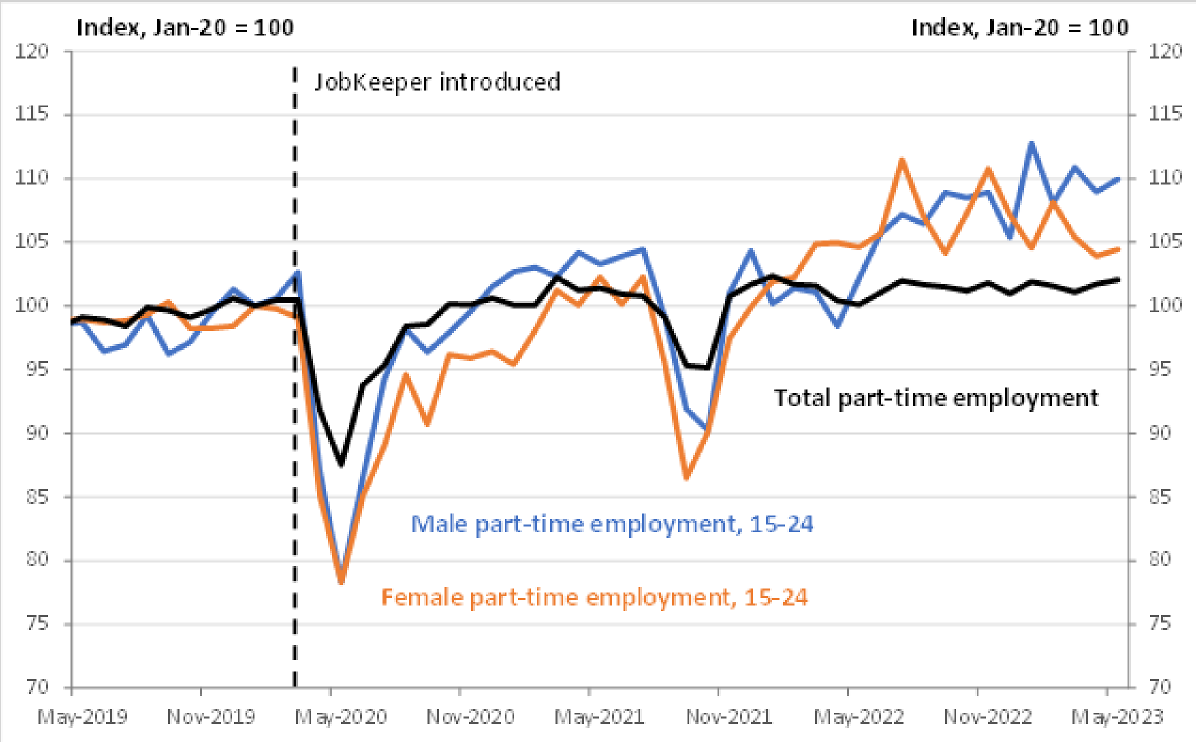
Young people, like women, are also more likely to be employed casually, earn less than other cohorts, are more likely to be in Australia on student visas and are over-represented in the industries that were disproportionately impacted by Covid-19. This meant that they were more likely to be impacted by job losses or hours cuts but were also more likely to fall into precisely the cohorts of workers that the Government excluded from JobKeeper eligibility. As can be seen in Charts 3 and 4, this had a significant impact on the ability of JobKeeper to stabilise employment for young people.

Chart 3: full-time employment by age group[18]



[18] Ibid

Chart 4: part-time employment by age group[19]



Male and female part-time employment for persons aged 15-24 both fell 21.7 per cent between January 2020 and May 2020. Male part-time employment for persons aged 15-24 did not recover to its pre-pandemic level until December 2020, while female part-time employment for persons aged 15-24 did not recover to its pre-pandemic level until March 2021. Male full-time employment for persons aged 15-24 fell 7.8 per cent between January 2020 and May 2020, while female full-time employment for persons aged 15-24 fell 14.8 per cent between January 2020 and May 2020. Both took until November 2021 to recover to their pre-pandemic levels. As can be seen, young people of both genders and in both full-time and part-time employment performed worse under JobKeeper than their older counterparts –because they fell into demographics of workers that the Government elected not to assist.

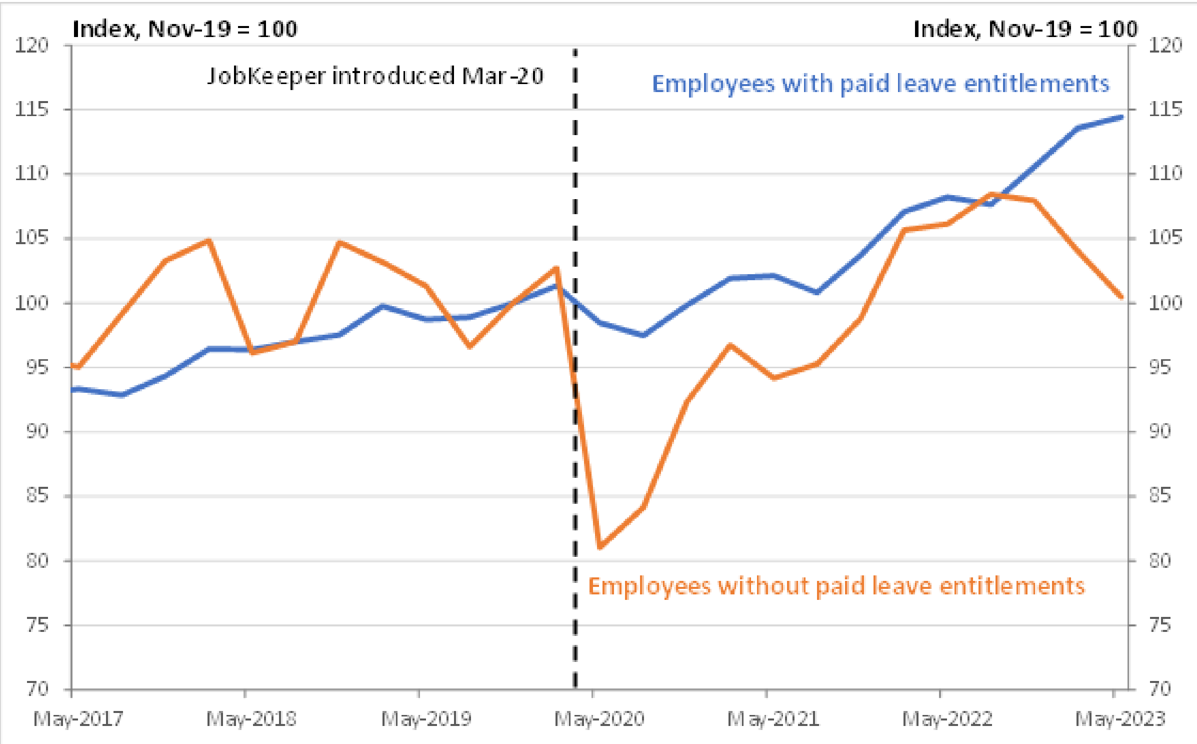
Casuals

If groups such as women and young people, who are merely disproportionately represented in the casual cohort, were so negatively impacted by the exclusion of some casuals from JobKeeper it should come as no surprise that casual workers experienced significant hardship. ABS data indicates that, due to their exclusion from JobKeeper, casual employment continued to crater even after the introduction of JobKeeper in late March 2020. The number of full-time employees

[19] Ibid

without paid leave entitlements fell 18.9 per cent between November 2019 and May 2020, compared to a 1.5 per cent fall over the same period for full-time employees with paid leave entitlements. It took until February 2022 for the number of full-time employees without paid leave entitlements to return to pre-pandemic levels, compared to an earlier return of February 2021 for full-time employees with paid leave entitlements.[20] Part-time casual employees were even more affected. The number of part-time employees without paid leave entitlements fell 21.3 per cent between November 2019 and May 2020, compared to a 2.5 per cent fall over the same period for part-time employees with paid leave entitlements. It took until August 2022 for the number of part-time employees without paid leave entitlements to return to pre-pandemic levels on a sustained basis, following a blip in May 2021, compared to an earlier return of August 2020 for part-time employees with paid leave entitlements.[21] Charts 5 and 6, below, clearly indicate the extent of destruction caused by the decision to exclude this cohort of casual workers from JobKeeper.

Chart 5: full-time employees by leave entitlements.[22]



[20] Australian Bureau of Statistics (May 2023) *Labour Force, Australia, Detailed* [link], accessed 26 June 2023
[21] Ibid
[22] Ibid

Chart 6: part-time employees by leave entitlements.[23]

Visa Workers

The impact on visa workers of their exclusion from JobKeeper is harder to quantify. Employment outcomes for visa workers are not tracked specifically by the ABS or any other body. Some visa classes, such as international students, are more likely to work in customer-facing roles and industries which were more impacted by the pandemic while others are concentrated in essential industries. It is therefore difficult to achieve a quantitative understanding of their experience. What is unquestionably true is that most visa workers were ineligible for not only JobKeeper, but any meaningful form of federal government support during the pandemic. Their exclusion from JobKeeper then not only encouraged employers to lay them off, but also meant that they lost their jobs at a time when new employment was impossible to find, and no other support was available. The result of this was migrant workers running out of food, experiencing homelessness and being forced into poverty.[24] Some states had to create programs to support visa workers and many visa workers were forced to rely on charity – with food banks having to open new locations to service the large numbers of migrant workers needing assistance.[25] This reality was worsened

[23] Ibid

[24] Doherty, Ben, *Victoria latest state to help temporary migrants excluded from federal coronavirus support*, The Guardian Australia, 30 April 2020. https://www.theguardian.com/australia-news/2020/apr/30/victoria-latest-state-to-help-temporary-migrants-excluded-from-federal-coronavirus-support

[25] Salim, Natasya, *COVID-19 pandemic sees international students unable to return home, surviving on free food*, ABC News, 28 November, 2020. https://www.abc.net.au/news/2020-11-28/international-students-face-financial-difficulties-in-pandemic/12922142

by the fact that, even if the students had been able to leave Australia to return home, most of their home countries had also closed their borders. These workers were trapped in a hopeless situation – all because the Government decided that they were good enough to work in Australian businesses but did not deserve support.

Workers excluded by the nature of their employer.

Workers excluded from JobKeeper due to the nature of their employer also suffered significant hardship as a result of this decision. It is difficult to quantify this damage, but the anecdotal evidence that unions received showed that the harm was real and devastating. The decision by government to exclude JobKeeper wage subsidies for foreign-Government owned companies like Dnata, SNP and MSS Security made it near impossible for many workers to sustain long stand-downs. By October 2020, only the announcement of 1,000 redundancies gave short-term reprieve to Dnata workers. A TWU survey of Dnata and SNP workers at the time found that 64% said they were suffering financial hardship, and 72% had, or intended to, withdraw their superannuation to pay the bills.[26] These statistics applying to Dnata and SNP workers who could not access JobKeeper support were much higher than the overall results of the survey which included all aviation workers. Dnata and SNP workers left without support were longstanding aviation workers struggling to find a job elsewhere; 78 per cent had worked in the industry for seven years or more, and 62 per cent were actively seeking work.

Impact of poor spending control.

JobKeeper was initially estimated by the Government to cost $130 billion. The final bill was lower, coming in at about $89 billion for 12 months of JobKeeper.[27] Nevertheless, JobKeeper was an astoundingly expensive program – making up a large proportion of the more than $300 billion the Australian government spent on the Covid-19 pandemic.[28] Australian unions are not of the view that spending of this magnitude was unjustified, however we are of the view that the same money should have been spent a) where it was needed most desperately and b) on every Australian worker according to need.

Because this did not occur, we must consider that some proportion of the debt created by the program, shown at Chart 7, was wasted. Debt is not always a bad thing – unions are in favour of spending that assists people to participate in the economy and society or which, like spending on

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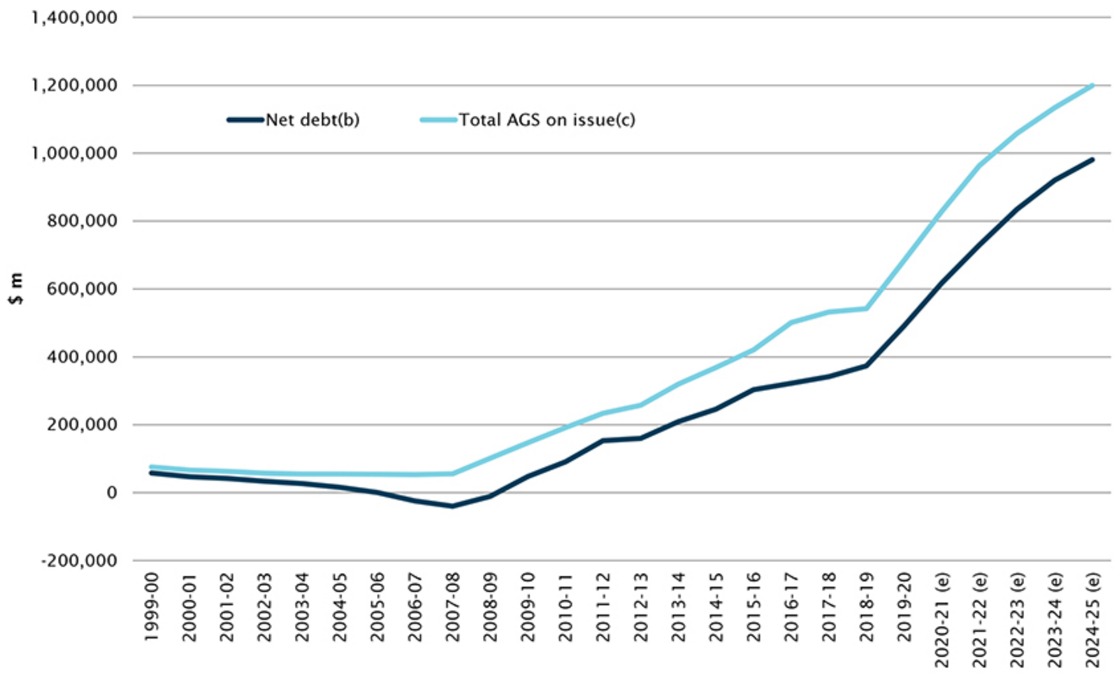
[26] The Transport Workers Union, *Aviation Covid Crisis Survey*, September 2020.https://www.twu.com.au/wp-content/uploads/2020/05/Aviation-Workers-Survey.pdf
[27] Karp, Paul, *The 2021 federal budget reveals huge $311bn cost of Covid to Australian economy,* Guardian Australia, 11 May 2021. https://www.theguardian.com/australia-news/2021/may/11/federal-budget-2021-papers-reveals-huge-cost-of-covid-australian-government-economy-economic-stimulus-packages
[28] Ibid.

needed infrastructure, health care or education & training, pays dividends in later years. Every dollar spent by JobKeeper to genuinely save a job and keep an employee connected to their employer and out of poverty meets this test. More should have been done to ensure a greater proportion of the money spent was in this category. The impact of this debt will be felt by future generations, who will work to pay it off and forgo spending on other areas in order to meet the costs of funding that was not used efficiently or recovered when it was clearly recoverable. We would not have begrudged a single dollar, even to a greater total cost, that was spent on JobKeeper if it was correctly targeted and fairly distributed. That this was not the case speaks to the flaws in the program's design and implementation – not its aims.

Chart 7 – Gross and Net Debt Levels[29]



Source: *Budget strategy and outlook: budget paper no. 1: 2021–22*, Statement 11, p. 365 and 367.

Insufficient controls on employer behaviour

Because the JobKeeper scheme was set up to entrust companies to do the right thing by their workers, this left some workers relying on untrustworthy employer to claim and pass on the full amount of the subsidy and to act honourably towards them. This sadly was not the case - as was evident with Qantas' plans to outsource 2,500 workers in the middle of the pandemic. Aviation, and Qantas in particular, were the epicentre of this bad behaviour. In the first instance, aviation

[29] The Australian Parliamentary Library, *Commonwealth Debt*, 2021 https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/BudgetReview202122/CommonwealthDebt

workers were asked to use their annual and personal leave to cover the industry downturn. Qantas even demanded workers use long service leave and annual leave not yet accrued – without any promise to pay this back. It took campaigning from the TWU and wider union movement for the government to introduce a provision to the JobKeeper scheme that meant long service leave would be protected, and that workers could retain two weeks of annual leave. This still meant that many were forced to use up their hard-earned leave during a period of national lockdowns while allowing companies to remove liabilities from their balance sheets. While some companies, such as Virgin and Dnata agreed to alter their use of leave or pay back workers for leave taken, Qantas refused to do the same, and instead used JobKeeper to pay down leave entitlements, which caused workers to lose out twice. There were also cases where companies initially refused to apply for JobKeeper on their employee's behalf.[30] This refusal was inexplicable, since it cost the employer nothing to provide their workers with support. These actions by employers may not have been considered likely by the designers of the scheme – nevertheless the option should not have been available.

In a separate case which unions are challenging in the High Court, Qantas manipulated the JobKeeper system to pocket workers' entitlements for overtime, public holiday and weekend allowances. Workers' pay did not reflect these earned allowances because Qantas rolled them into a separate period of stand-down in order to avoid paying workers a dollar over the JobKeeper amount. Qantas has mounted an expensive legal battle over this decision to avoid paying workers what they're owed. The TWU, ASU and FAAA won a legal challenge in September, with the Federal Court ordering Qantas to pay back thousands owed to workers. Instead, Qantas appealed and the Full Court of the Federal Court backed their interpretation of the subsidy in a 2-1 decision. The high court has refused to hear the matter.[31]

Sick Qantas workers, including those battling cancer, heart disease and other life-threatening illnesses were left wondering how they'd pay for medical treatment when the airline withdrew their sick leave entitlements at the start of stand-downs. Workers received an email informing them they were being transferred to JobKeeper only payments, which in many cases was not enough to cover medical expenses on top of their mortgage, bills and food. Some workers have been forced to take redundancy to help pay for medical bills and support their families. Qantas claims legal judgments prevented them from paying workers sick leave, but Qantas made this

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[30] The Transport Workers Union, *TWU Aviation Newsletter*, April 2020. https://www.twu.com.au/wp-content/uploads/2020/04/TWU-Aviation-newsletter-260420.pdf.
[31]Pupazzoni, Rachel and Hutchens, Gareth, *Unions take Qantas to High Court over alleged misuse of JobKeeper scheme, underpayment of staff*, ABC News, 13 Jan 2021 https://www.abc.net.au/news/2021-01-13/unions-take-qantas-to-high-court-jobkeeper-allege-wage-theft/13051884

decision to cut workers off, and subsequent decisions to fund legal battles rather than support their loyal workers when they need it most.

Across JobKeeper and other government programs, Qantas received $2 billion in taxpayer subsidies with no conditions attached and used those programs to significantly reduce their liabilities.

While most employers did the right thing and treated the money granted to them through JobKeeper as a responsibility to their employees, and while Qantas was arguably the most egregious case study in incorrect behaviour, JobKeeper should have included additional safeguards to prevent employers from acting in this manner.

Conclusion

Unions were right to advocate for a wage subsidy program as a response to the Covid-19 pandemic. Not implementing JobKeeper would have had catastrophic impacts on the economy and people's economic and psychological health. JobKeeper did succeed at keeping millions of Australians employed, connected to their employer and with money coming in. But the Government ignored union advice on how to improve the program and seemed disinterested that it was spending money needlessly and was apathetic about recovering misspent funds. Some employers also took advantage of assumptions contained within JobKeeper that they would take their responsibilities to their employees seriously. It can also be reasonably argued that JobKeeper was withdrawn too early, particularly for hard-hit industries such as aviation.[32]

JobKeeper achieved great things for Australia and could have achieved even more with the same money had it been more effectively overseen and had it included all Australian workers. It is important to note however that the flaws in JobKeeper must never be mistaken for an argument that it was not needed. A national wage subsidy was the correct response to the situation we faced. We hope that the lesson this evaluation learns is how such a program can be better designed in future in the event that, though nobody wishes for it, we need to do it again.

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[32] During the COVID-19 pandemic almost 10,000 aviation jobs were lost at Australian airlines and ground handling contractors despite billions of dollars in support from the Commonwealth, State and Territory Governments. Subsequent to the withdrawal of JobKeeper, targeted retention payment schemes for aviation unfairly prioritised Qantas and Virgin, who received 85% of all Australian Government support despite the impact of border closures on international airlines and ground handlers.

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