Briefing Paper:

International COVID-19 Income Supports: An Update

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The COVID-19 pandemic severely disrupted global labour markets, and exposed long-standing gaps in social protection systems. From March 2020, governments around the industrialised world injected hundreds of billions of dollars into a range of unprecedented crisis measures: to support individuals who lost work, to subsidise employers to retain workers despite the fall-off in business, and to facilitate workers to stay away from work when required for health reasons. In many countries, these supports also applied to workers in non-standard roles, the self-employed and small businesses. Job protection programs – including furlough, wage subsidy and short-time work schemes – supported businesses to temporarily reduce hours worked by their employees and retain staff. By May 2020, job retention schemes across OECD countries were supporting an estimated 50 million jobs.[1] A raft of other income support programs were introduced to expand or replace existing welfare measures – including extensions to unemployment and other means-tested payments, and new targeted transfers.

This briefing paper catalogues a selection of international income support measures introduced in response to the COVID-19 pandemic, and reports on recent changes in those programs as vaccinations roll out and economies have re-opened. This catalogue allows us to make a comparative assessment of the level and coverage of Australia's provisions, in relation to other jurisdictions. After summarising the status of Australia's Commonwealth-administered COVID-era payments, other countries are surveyed, organised into two groups: those with income support programs still in place, and those whose programs had been eliminated at time of writing. A conclusion summarises the comparison, which confirms that Australia has been an outlier among industrial countries in the speed with which emergency COVID-19 measures were eliminated.

[1] OECD, *Supporting livelihoods during the COVID-19 crisis: closing the gaps in safety nets,* 20 May 2020.

Australia

Australia was one of the first OECD countries to begin phasing out COVID-19 income supports beginning in September 2020. In retrospect this was an enormous mistake, on both economic and public health grounds. Australia's initial success in limiting COVID-19 spread in 2020 was unfortunately followed by large outbreaks in 2021 (by which time the major emergency programs had been eliminated). The Commonwealth maintained the full *JobKeeper* wage subsidy only for six months (from March through September 2020). The level of payment was reduced from $1500 to $1200 per fortnight for full-time workers, and to $750 for part-time workers on 27 September. On January 4, the wage subsidy was reduced further to $1000 and $650 per fortnight for full-time and part-time workers, respectively. It was then eliminated entirely on 28 March, 2021 – just one year after initial implementation. That was well before the subsequent wave of prolonged shutdowns that ultimately affected about half the Australian population later in 2021. The Commonwealth also began phasing out the $550 per fortnight *Coronavirus Supplement* (a supplement to *JobSeeker* benefits) in September 2020, eliminating it completely at the end of March 2021.

As COVID-19 community contagion escalated in Victoria, then NSW in 2021, a new *Pandemic Disaster Payments* system was introduced (after some delay) to replace the previous wage subsidy and income supplement programs. This new program delivered payments of $375 to individuals who had lost between 8 and 20 hours per week due to the introduction of lockdowns, and $600 per week to workers who lost more than 20 hours of work per week. In addition to lower payment levels, the scope of coverage was more limited compared to the previous benefits, excluding almost 1 million people receiving other welfare payments. After significant public pressure, a payment of $200 per week was later introduced in late-July for locked-down workers receiving income support payments. The Disaster Payments were reduced once a state or territory reached vaccination levels of 70% (of the over-16 population); and they were eliminated entirely over a period of two weeks following 80% eligible vaccination levels.

Only one Commonwealth- supported income support payment is still available: the *Pandemic Leave Disaster Payment*. This public health payment is for for casuals or other workers without access to sick leave, who have been instructed to quarantine for 14 days by a state health authority. Despite ongoing risks to workers contracting and transmitting COVID-19 in the workplace, the federal government has announced they will cut this payment on 30 June 2022.

Some states provided their own income support or isolation payments (including "test and isolate" payments) to further protect individuals who were unable to work (including those ordered to isolate) because of the pandemic.

Countries with COVID-19 Support Programs Still in Place

New Zealand

Income support measures in New Zealand have shifted to a new *COVID-19 Protection Framework*. Through this Framework, New Zealand continues to offer a range of COVID-19 financial support schemes to businesses, employers and employees.

A wage subsidy program to support businesses experiencing reduced revenue due to COVID-19 to retain employees (also made available for self-employed workers) remains in place, with higher uptake in areas recently affected by lockdowns (like Auckland). The program provides a payment of $600 per week for each full-time employee retained (20 or more hours of work per week), and $359 for part-time employees (less than 20 hours per week). There were around 780,000 jobs supported by the scheme at 1 September 2021, – over one-quarter of all NZ employees.[2]

In November 2021, the *Resurgence Support Payment* to businesses impacted by public health measures, paid fortnightly, was extended for a fifth payment period. It will provide a payment of $3,000 per business plus $800 per full-time employee (for up to 50 full-time equivalent employees). Self-employed workers or sole traders are eligible for a payment of $3,800.

In addition to extended business and worker support payments, NZ has introduced two permanent increases in the unemployment benefit (which increased by $25 per week in 2020, and $20 in July 2021). A third increase in the unemployment benefit is planned for 2022. Income limits were also lifted on several welfare support payments until February 2022, which will result in expanded direct financial support to low-income families.

New Zealand's *COVID-19 Leave Support Scheme* supports employers to pay workers unable to work from home to stay home and quarantine if instructed by a health official (due to contracting or exposure to COVID-19). The rate was increased on 24 August 2021 to the same rate as the wage subsidy ($600 per week for full-time, $359 per week for part-time workers). Indicative of NZ's more generous public supports for COVID-19 containment, businesses are no longer required to show an actual or predicted revenue drop to be eligible to access this payment.

A one-off payment of $359 similar to "test and isolate" payments in Australian states is available to support NZ workers who cannot work from home, to stay home while waiting for a COVID-19 test result. This *Short-Term Absence Payment* rate was increased slightly on 24 August 2021 (from $350) and is also available for eligible self-employed workers. Employers or the self-employed can apply for any worker once within any 30-day period.

[2] Emma Hatton, Figures show smaller firms make up majority of $876m wage subsidy payout so far, *Radio New Zealand,* 1 September 2021.

Germany

Germany extended its short-time work scheme (named *Kurzarbeit*), until end-2021 to cushion employees from impacts of the continuing pandemic. The scheme delivers 60% of an employee's wage for hours not worked (67% for parents). The worker is fully paid by the employer for actual hours worked. Combining normal wages with *Kurzarbeit* payments, workers typically received 70% or more of their pre-COVID salary (depending on how many hours they worked). This program was first introduced in response to the labour market shock that followed the 2008-09 Global Financial Crisis.

Over 6 million German workers were supported under this program in the early stages of the COVID-19 lockdowns from April through June 2020. By August 2021, the number of subsidised short-time workers fell to 688,000 – just 2% of all employed.[3] The hospitality industry retained the highest proportion of workers on Kurbarbeit (representing over 10% of industry employment at August).

Special income supports to the self-employed, musicians and artists were also extended to 30 December 2021.

Spain

Spain's *Expedientes de Regulación Temporal de Empleo* (ERTE, or temporary labour force adjustment plan) subsidised 70% of workers' net salary for the first 6 months of the program, before dropping to 50%. The program was cut at end-September 2021. There had been less than 500,000 workers covered by the scheme in its latter months of operation.

Spain's unemployment rate is one of the highest in the European Union (over 15% in the second quarter of 2021). Around 1 million more people are unemployed than before COVID-19 struck last year. Due to already long-term entrenched unemployment and poverty, Spain has introduced a new monthly minimum-income support payment targeted to lower-income groups. Approximately 850,000 of the nation's poorest families receive extra ongoing monthly payments of up to €1,015. The payment has been reported an experiment in universal basic income (UBI) policies, however the scheme is not universal in scope, instead targeted specifically to lower-income groups. Benefits are only for people whose gross annual income does not exceed €16,000, or for households with four family members and an aggregate annual income of less than €45,000.

Austria

Austria's short-time working scheme *Corona-Kurzarbeit* was extended until June 2022. The program guarantees that covered employees receive between 80% and 90% of former net income (based on usual hours outside of short time working).[4] In July 2021, the program

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[3] Ifo Institute, "Number of Short-Time Workers in Germany Fell Notably in August". Media Release, 3 September 2021, https://www.ifo.de/en/node/64940.

[4] Birgit Vogt Majarek & Lisa Hittinger, "Austria's 'Short-Time Work' Regime For The Coronavirus Crisis", *Mondaq,* 5 May 2020.

was split into two payment rates, with most-impacted industries such as accommodation and aviation receiving a subsidy of up to 90% of workers' wage. To qualify, companies must prove a 50% loss of sales to receive the full subsidy. Employees in industries less affected by the COVID-19 pandemic will have their subsidies gradually reduced over the period until mid-2022. There were 330,000 people covered by the program at July 2021.

Canada

Canada introduced a suite of programs to subsidise continued employment during the COVID-19 downturn (the *Canada Emergency Wage Subsidy*), provide higher income supports to people who lost their jobs (the *Canada Emergency Response Benefit*, later replaced by the *Canada Recovery Benefit*), or support those who had to stay home due to public health orders (the *Canada Recovery Sickness Benefit*). Benefits were accessible to non-standard workers and self-employed who could demonstrate a reduction in their previous level of income, to students (through the *Canada Emergency Student Benefit*), and caregivers (through the *Canada Recovery Caregiving Benefit*). The major income support program, CERB, was phased back in 2021 (from $500 per week to $300), and then eliminated in October 2021. The wage subsidy was also cancelled as of October 2021.

However, five scaled-back programs will continue through 2022. A new income replacement benefit for workers (the *Canada Worker Lockdown Benefit*) will pay $300 per week for workers who cannot work due to local health-ordered lockdowns; at present, no communities are under lockdown and hence no CWLB benefits are being paid. The *CSRB* and *CRCB* (for workers who must isolate and for caregivers, respectively) will both continue to be paid until at least May 2022. Two targeted business subsidies (the *Tourism and Hospitality Recovery Program* for hospitality employers, and the *Hardest-Hit Business Recovery Program* for businesses with severe COVID-related income losses) will continue until May 2022 (with a partial reduction in benefits after March 2022).

Canada's previous *Employment Insurance* system was also reformed during the pandemic to allow more workers to access benefits (including a shorter waiting period and easier qualifying rules), and ensure a higher minimum weekly payment (of at least $300). The government is now undertaking public consultations regarding the continuation of those reforms.

Japan

The Japanese government introduced one of the world's largest COVID-19 response packages in early 2020, valued at 22% of national GDP. This was despite high levels of accumulated public debt in Japan (currently equal to 250% of GDP), and the fact that community contagion in Japan was lower than most other industrial countries. Unlike Australia, then, Japan's low community contagion did not lead to complacency among policy-makers that strong income supports were not required, or could be eliminated more quickly.

Japan's labour market interventions consisted of a mix of subsidies paid directly to businesses, and those aimed at workers. The government also unrolled a series of one-time payments to households, aimed at shoring up consumer confidence and spending. Those special payments to households are continuing; in November 2021 the government announced a new payment of ¥100,000 per child to families with children.

Japan also expanded its previous *Employment Adjustment Subsidy (Koyou Chousei Joseikin)*, to provide additional assistance to workers in firms experiencing major reductions in business. Firms could qualify for subsidies if revenues fell by 5% or more. The government covered 100% of wages for SMEs, and 80% (up from 75% before the pandemic) for larger firms. The program was also opened to non-standard workers. The government has extended the program to at least the end of 2021, and further eased qualifying rules for smaller businesses.[5]

Countries Where COVID-19 Support Programs Have Ended

U.S.

In March 2020, as the COVID-19 pandemic took hold, the US federal government implemented three new unemployment benefits (supplementing existing state-run UI benefits).[6] The *Pandemic Emergency Unemployment Compensation* program extended normal unemployment insurance eligibility: first by 13 weeks, then later for a total of 52 weeks. The *Pandemic Unemployment Assistance* program provided eligibility for unemployment insurance (for the first time) to independent contractors, self-employed, and gig workers.[7] The *Federal Pandemic Unemployment Compensation* program provided an additional federal benefit, on top of what workers received from their respective state programs. Initially the FPUC supplement was $600 per week.

The FPUC expired in July 2020. It was then reinstated at a lower level ($300 per week) under President Biden at end-December 2020 for another 8 months, expiring on 5 September, 2021. The Biden administration also introduced another new program, the *Mixed Earner Unemployment Compensation* benefit, which provided $100 per week on top of other unemployment benefits for workers who receive a combination of wage and self-employment income.

Other U.S. responses to the pandemic included requirements on larger employers to provide paid sick leave and family leave benefits to workers (no requirement for paid sick

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[5] https://www.channelnewsasia.com/business/japan-propose-extending-employment-subsidy-until-year-end-nikkei-2045076

[6] U.S Department of Labor, "Unemployment Insurance Relief During COVID-19 Outbreak", https://www.dol.gov/coronavirus/unemployment-insurance.

[7] The PUA program accounted for as much as 40% of all unemployment claims; see George Eckerd and Daniel Sullivan, "Weighing the options to continue or end expanded unemployment benefits," CNBC, 3 Sept. 2021, https://www.cnbc.com/2021/09/03/weighing-the-options-to-continue-or-end-expanded-unemployment-benefits.html.

leave exists in U.S. labour law), and changes to the income tax system which waived federal income taxes on the first $10,200 of unemployment benefits received in 2020.

As of September 2021, all the U.S COVID-19 unemployment benefits were eliminated.

UK

The UK's COVID-19 furlough program, called the *Coronavirus Job Retention Scheme*, paid 80% of wages for workers who lost hours due to the pandemic. The subsidy was reduced by 10% in June 2021, and incrementally reduced until it was eliminated on 30 September 2021. The job support scheme ran for 19 months in total. Since March 2020, almost 12 million jobs were covered at some point by the scheme, at a cost of approximately £66 million.

Over 1 million workers were still covered by the scheme at end-September, disproportionately including Londoners (8% of London-based workers, compared to 5% UK average), and older workers (over 60 years of age).[8] This suggests workers in most-affected, urban services industries (like hospitality or and arts and culture), and older workers made redundant during the crisis, now face diminished re-employment prospects.

France

A short-hours subsidy scheme, called *Chomage partiel* (partial unemployment), initially compensated workers on short-time schedules for up to 70% of their gross salary. The program was expanded during COVID-19 to cover workers in non-standard roles, part-time workers, and others who would not normally qualify.[9] The program was also opened to parents whose children's schools had closed because of COVID-19. The salary coverage rate was reduced to 60% at 1 July 2021,[10] and then the program was cancelled at the end of October 2021. Employees in sectors still impacted by reduced demand due to the pandemic were eligible for the higher 70% coverage rate until end-August 2021, including tourism, arts and culture, entertainment and sports.

Conclusion and Analysis

The economic and health challenges of the COVID-19 pandemic spurred governments around the world to undertake unprecedented interventions, aimed at supporting both employers and workers. The goals of these interventions were multiple. Most immediate

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[8] Adam Salisbury & Jonathan Cribb, "The end of furlough: Londoners and workers over 50 will be hardest hit – new research", *The Conversation,* 30 September 2021; https://theconversation.com/the-end-of-furlough-londoners-and-workers-over-50-will-be-hardest-hit-new-research-168964

[9] See Eurofound, "Partial Activity," https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/partial-activity.

[10] By September, the number of workers covered under the program had fallen below 500,000 (or 2.4% of private sector employment), down from a peak of almost 12 million in the early months of the pandemic; https://www.ouest-france.fr/economie/emploi/chomage-partiel-pres-de-500-000-salaries-sont-encore-concernes-3b4e69da-2123-11ec-8998-56362f09f2a2.

was the need to support individuals with or exposed to COVID-19 to remain physically distanced, including by staying away from work. A secondary goal was to stabilise business and consumer confidence, and the overall level of purchasing power. To varying degrees, these massive interventions were successful – including in Australia. They stabilised macroeconomic conditions, and to varying extents helped to reduce contagion and 'flatten the curve' of transmission. It is telling that governments were not restrained (at least initially) by conventional concerns about the impacts of these enormous interventions on either fiscal balances or on the purported 'incentive to work.'

As the pandemic progressed and vaccination became widespread (in industrial countries, at any rate), governments have begun considering how to transition toward a post-COVID policy stance. Reasons for reducing or eliminating supports include reducing fiscal outflows and budget deficits; avoiding undue dependence on government subsidies (including by unviable or 'zombie' businesses); and addressing purported labour shortages which some have blamed on too-generous income security benefits. These transitions occurred in different ways in different countries, reflecting variable economic conditions and different political contexts.

In several countries, governments with stronger commitments to public health and safety, and a more inclusive and equitable recovery from COVID-19, have been more cautious and incremental in scaling back government interventions. Some have also made permanent improvements to income security and other policies whose shortcomings became more apparent during the pandemic. Countries such as Spain, New Zealand, and Canada have retained emergency programs for a longer period, and also taken the opportunity of post-COVID-19 transition to undertake more lasting repairs to the underlying network of social protections.

In Australia, in contrast, the phase-out of COVID-19 wage subsidies and income supports was accelerated and premature – perhaps more so than any other major industrial country. Australia began phasing out its *JobKeeper* wage subsidy, and its *Coronavirus Supplement* income benefit, only six months into the pandemic. They were eliminated entirely by March 2021, well before the subsequent shutdowns which later affected much of the country. This phase-out was earlier than any other country reviewed here, including the U.S. Moreover, Australia has linked the final elimination of remaining income supports to arbitrary benchmarks regarding public vaccination. This is a uniquely technocratic and risky feature of Australia's response; it would be more prudent to wait to see if community contagion declines sufficiently to justify the elimination of those supports.

The scale of government intervention necessitated by the pandemic was always uncomfortable for Australia's conservative government. It acceded to demands for massive fiscal injections, public health regulation, subsidies to business, and extensive social protections – but only for a while. As soon as it seemed like the worst was over (by mid-2020), the government began looking for the exits on these policies, stressing the need to return to conventional policy precepts (about fiscal balance and private market functioning) as soon as possible. Its rush to unwind COVID-19 measures enormously damaged Australia's ability to withstand the subsequent, delayed outbreaks of COVID-19. Among other consequences, it required government to completely reinvent new income supports that it had only recently disbanded. That dangerously delayed the public health response, damaged the financial condition of millions of households, and slowed macroeconomic recovery.

The diversity of policy experience in other industrial countries surveyed here provides ample evidence that Australia's rush to dismantle was discretionary, unnecessary, and premature. Its policies have prolonged contagion and delayed economic recovery. And it is not too late to correct those mistakes: including with more fulsome 'test and isolate' supports in regions still experiencing community contagion, more realistic timetables for the elimination of final supports (rather than tying them automatically to arbitrary vaccination benchmarks), and permanent improvements to the poverty-perpetuating *JobSeeker* system.