

Employment and income support following the COVID-19 pandemic

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Key messages

This article explores how employment and income support in Australia have fared in the years since the onset of the COVID-19 pandemic (2020–2023). It compares the COVID-19 situation with previous recessions and economic downturns, and with the months before the pandemic. It examines a range of employment-related measures, and trends in income support and employment services. It also highlights some of the enduring changes to working arrangements that were accelerated by the COVID-19 pandemic and show no signs of reverting.

This article reports that Australia has made great progress in improving labour market outcomes, with most of the above-mentioned measures rebounding quickly – faster than for previous recessions and economic downturns – and faring far better than they were before the pandemic (see Figure 3.1). However, some parts of the labour force have been slower to recover, including industries that have a large share of part-time casual employees and were particularly affected in the early months of the pandemic (such as in the recreation and hospitality industries).

Key findings

Recovery following the COVID-19 pandemic has been much quicker than the recoveries from previous recessions and economic downturns. The employment rate took up to 10 years to recover after the recessions of the early 1980s and 1990s, and the economic downturn that followed the 2008–09 Global Financial Crisis (GFC). In contrast, the employment rate returned to the pre-pandemic level within 1 year of the onset of the COVID-19 pandemic in Australia (74.8% in March 2021 compared with 74.4% in March 2020).

This quick recovery comes despite the largest ever monthly fall in employment in April 2020 – a drop of 583,300 employed people aged 15 and over – and the lowest employment rate in 20 years in May 2020, at 69.5% for people aged 15–64. By November 2022, employment had recovered to record highs, and by October 2022 the unemployment rate was at its lowest in 50 years (3.4%). Employment rates for males and females and for all age groups had surpassed pre-pandemic levels by early to mid-2021.

These conditions created a tight labour market in late 2022 to early 2023, with around one job vacancy for every unemployed person in August 2022. This compares with 3 vacancies for every unemployed person before the pandemic in February 2020.

The industries most affected by the social distancing measures had the steepest declines in employment and the slowest recoveries to pre-pandemic levels. This particularly affected recreation and hospitality industries, which, from February 2020 to May 2020, had 50% and 47% declines in hours worked, respectively. These steep declines were influenced by part-time casual employees who were more likely to work in these industries, and who may not have been eligible for the JobKeeper Payment if they were employed on a regular basis for less than 12 months.

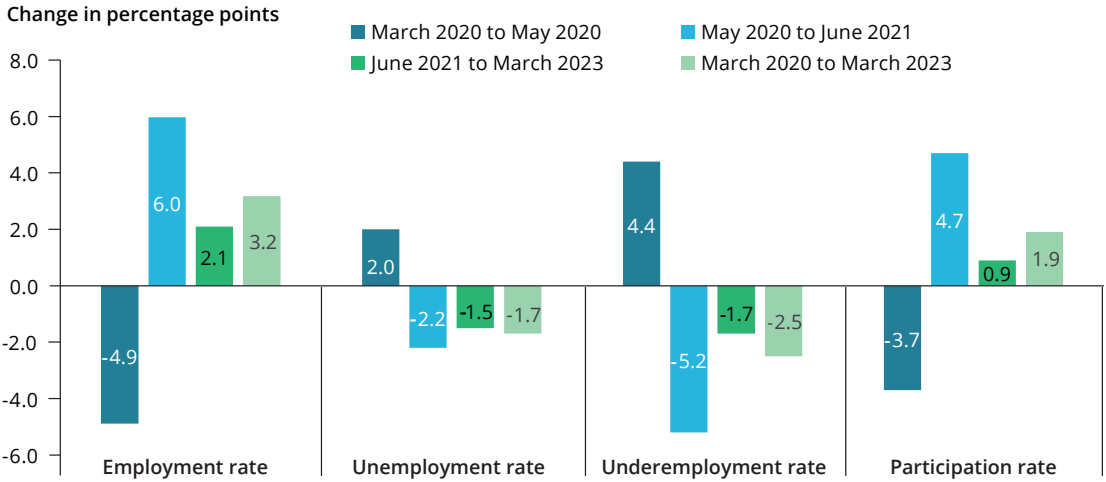
Some changes to working arrangements that were accelerated by COVID-19, such as working from home, show no signs of reverting to pre-pandemic levels. In April 2022, almost twice as many people as before the pandemic were working from home at least once per week (46% compared with 24%). Almost 3 in 5 (58%) employees report that productivity was the same or better following an increase in hours worked from home in 2020. Women with hybrid work arrangements reported increases in job satisfaction, though this was not the case for men.

Income support receipt rose steeply during the height of the pandemic (from 24% to 28% of the population aged 16 or over between March and June 2020), but then returned to previous trends of a declining reliance on income support. While the number of JobSeeker recipients had returned to pre-pandemic levels by September 2022, recipients are staying on payments for longer.



Figure 3.1: Despite many fluctuations over the past 3 years, key labour force measures have recovered to pre-pandemic levels

Percentage point change in key labour force measures from March 2020 to March 2023



Note: The figure presents the percentage point increases and decreases for the seasonally adjusted employment rate (ages 15–64), unemployment rate, underemployment rate and participation rate (ages 15–64) at key time points between March 2020 and March 2023.

Source: Labour Force Survey (ABS 2023c, tables 1, 18 and 22).

Introduction

It has been more than 3 years since the COVID-19 pandemic arrived in Australia and triggered a period of economic downturn that was felt across the country. The onset of the pandemic in the early months of 2020 had a substantial impact on the lives of Australians. Australia successfully controlled the spread of the virus over the first 2 years of the pandemic through widespread social distancing measures, testing and contact tracing, activity and business restrictions, and local and international travel restrictions. However, these measures had extensive consequences for the Australian labour market and economy. Many people lost their jobs; others were not able to work as many hours as they would like or relied on income support payments to cover everyday costs.

This economic downturn affected the employment status and income levels of some individuals and households more than others; it also resulted in a considerable shift in working arrangements. The economic response of Australian governments in providing support packages aimed to cushion the impact of this initial shock to the economy caused by these activity and business restrictions. 'Chapter 4 The impacts of COVID-19 on employment and income support in Australia' in *Australia's welfare 2021: data insights* examined some of these short-term impacts of the pandemic on Australia's labour market, using data up to May 2021 (see AIHW 2021a). This article is a follow-up to the article in that chapter published in September 2021.

When the previous article was published, many labour force measures were yet to fully return to pre-pandemic levels, as Australia was still grappling with ongoing outbreaks, evolving strains of the virus, and continuing periods of lockdown/restrictions in parts of the country (Figure 3.2). Since then, many of the steps taken to control the spread of the virus have been relaxed or removed entirely, such as social distancing, mask wearing and limited travel both domestically and internationally.

Over recent years, Australia has made great progress in continuing to improve employment outcomes, with most measures faring better than pre-pandemic levels in March 2020. This article explores how employment and income support in Australia has fared following the initial impacts of COVID-19 (that is, post-2020), focusing on the 3 years to March 2023 (the latest available data at the time of writing this article). It discusses these patterns in the context of longer term trends, comparing them with what followed previous recessions and economic downturns, and with the situation in the months before the onset of the pandemic. It examines employment and work (including employment, unemployment, underemployment, casual employment, hours worked and changes in working patterns), receipt of income support payments and participation in employment services.

This article also investigates whether this recovery is similar across population groups (age and sex), for different industries and by type of employment (full- or part-time employment). It explores whether the changes in working arrangements at the height

of the pandemic – such as employers providing more flexible working arrangements – have continued, drawing attention to what appears to be an enduring shift in working from home arrangements. It also discusses changes in the profile of new income support recipients and employment service participants who have continued to receive income support, despite broader improvements across labour market metrics.

In spite of a strong recovery to March 2023 across many employment-related measures, the effects of COVID-19 are far from over, with outbreaks still occurring across the globe at the time of writing. This article explores the current picture (from 2020 to March 2023); however, the consequences of the pandemic will no doubt continue to be felt for years into the future.

The consequences of the pandemic on employment-related measures over the last 3 years have had a large impact on income levels. In particular, increasing inflation and the phasing out of government support packages since late 2021 will likely lead to increases in financial stress and financial hardship for many Australians. The impact of COVID-19 on income levels is not discussed in this article, but further details can be found in 'Income and income support' at www.aihw.gov.au/reports/australias-welfare/income-support.

Note that, in this article, the month of any references to 'pre-pandemic' varies by data source and depends on data availability. Such references usually refer to the period before business shutdowns began affecting the economy (from late March 2020) rather than when the first case of COVID-19 was confirmed in Australia (25 January 2020).

Overview of COVID-19 outbreaks and responses

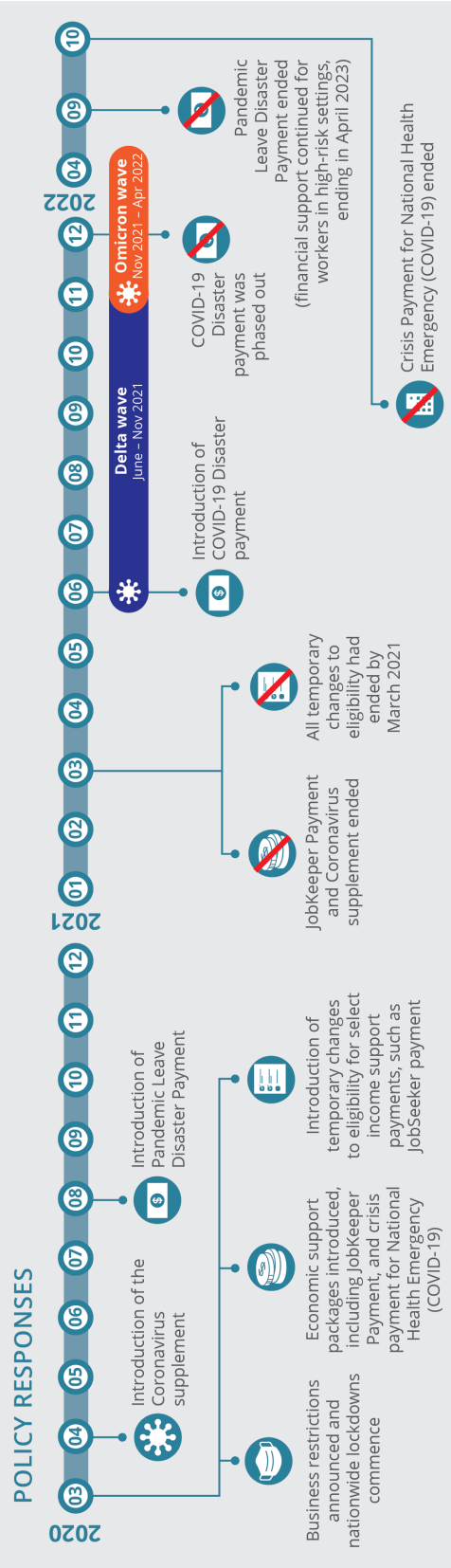
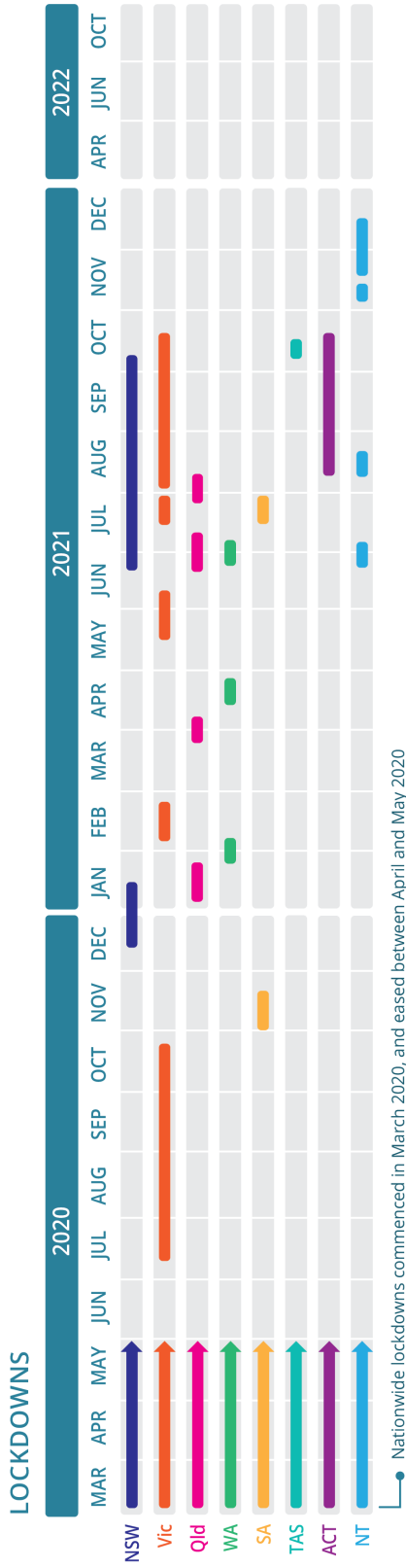
A range of public health measures (widespread social distancing, lockdowns and activity/business restrictions) were introduced from March 2020 to control the spread of COVID-19. The extent of these measures varied across the states and territories, as shown in Figure 3.2. These measures – although effective in containing case numbers – extensively affected employment and working arrangements for many Australians. A range of additional government economic support packages were made available to support those people affected (see AIHW 2021a:85 for further details).

These public health measures in 2020, supported by policy responses, resulted in large declines in case numbers by the end of that year. Progressively, by late 2020–early 2021, restrictions were eased and businesses reopened, with the economic support packages reducing as a result.

From mid-2021 to late 2022, new COVID-19 variants started to emerge (such as the Delta and Omicron variants); lockdowns were re-introduced and business restrictions tightened again (but not to the same extent as in 2020). These measures were eased after the peak of the Omicron wave (in December 2021), leading, in turn, to increasing case numbers in mid-2022. From 2022, the economic support packages were focused on people who tested positive to the virus, and who worked in high-risk settings (such as aged care or hospital care), rather than broadening eligibility for payments or stimulus payments as was the case in 2020.

As shown in Figure 3.2, there have been several key policy measures and lockdowns/restrictions in each state and territory since the onset of COVID-19, which help to contextualise the impact of the pandemic on the employment and income support measures presented in this article. (Note that, for brevity, the state or territory is referenced, although the lockdown may have occurred only in certain parts of that jurisdiction.)

Figure 3.2: Timeline of COVID-19 lockdowns and policy responses



Sources: Services Australia 2023, ABS 2021b, Ferlitsch 2022, Klapdor et al. 2022.

Has employment recovered from COVID-19 in Australia?

Employment underpins the economic output of a nation and enables people to support themselves, their families and their communities. It is also tied to physical and mental health and is a key factor in overall wellbeing. Given this, it is important to understand and assess the impact of the COVID-19 pandemic on employment and work, and how this has changed over time.

This section explores how the pandemic affected employment and work arrangements, from the early months of 2020 – with the introduction of social distancing and other business-related restrictions to slow the spread of COVID-19 – until March 2023 (the latest available data at the time of writing). It provides longer term trends to highlight the impact of the economic downturn during the pandemic on employment and how the recovery compares with that for previous recessions and economic downturns. It also examines whether some population groups (and industries) were more affected than others, providing key insights that could inform economic policy to ensure that those people most adversely affected are receiving adequate levels of support.

This section uses data primarily from the Australian Bureau of Statistics (ABS) Labour Force Survey (LFS), which supports routine reporting of standard measures of labour force participation, including employment, unemployment and underemployment (see Box 3.1 for further details). It also draws on data from the ABS Household Impacts of COVID-19 Survey and the Household, Income and Labour Dynamics in Australia (HILDA) Survey to explore changes in working arrangements observed since the onset of the pandemic (ABS 2022a, 2023c, 2023d; DSS 2022b).

Box 3.1: Labour force data sources and definitions

Data from the ABS LFS (ABS 2023c, 2023d) are used to report on measures of participation in the labour market – employment, unemployment and underemployment. The information presented uses the original and seasonally adjusted data series where available.

The measures included in this article are defined below.

Employment rate (also known as the employment-to-population ratio) describes the number of employed people as a proportion of the civilian population. For the purposes of this article, the employment rate refers to the working-age population, people aged 15–64. This age restriction has been applied as it is important to account for the size of the population when monitoring longer term trends in employment rates, given the growth in the population aged 65 and over in recent decades.

(continued)

Box 3.1 (continued): Labour force data sources and definitions

Unemployment rate describes the proportion of the population aged 15 and over in the labour force who are unemployed. Unemployed is defined as people not employed in the survey reference week who had:

- either actively looked for work in the last 4 weeks and were available for work in the reference week, or
- had been waiting to start a new job within the last 4 weeks and could have started had it been available.

Underemployment rate describes the proportion of the population aged 15 and over in the labour force who were underemployed. Underemployed is defined as people who are either:

- employed part time who want to work more hours and are available to start working more hours within the next 4 weeks, or
- employed full time but worked fewer than 35 hours during the survey reference week for economic reasons (including being stood down or insufficient work being available).

Labour force participation rate describes the proportion of the population who are in the labour force (employed or unemployed). For the purposes of this article, the labour force participation rate refers to the working-age population, people aged 15–64.

See *Standards for Labour Force Statistics* (ABS 2018) for more details on these labour force definitions.

JobKeeper and JobSeeker Payments and ABS LFS definitions

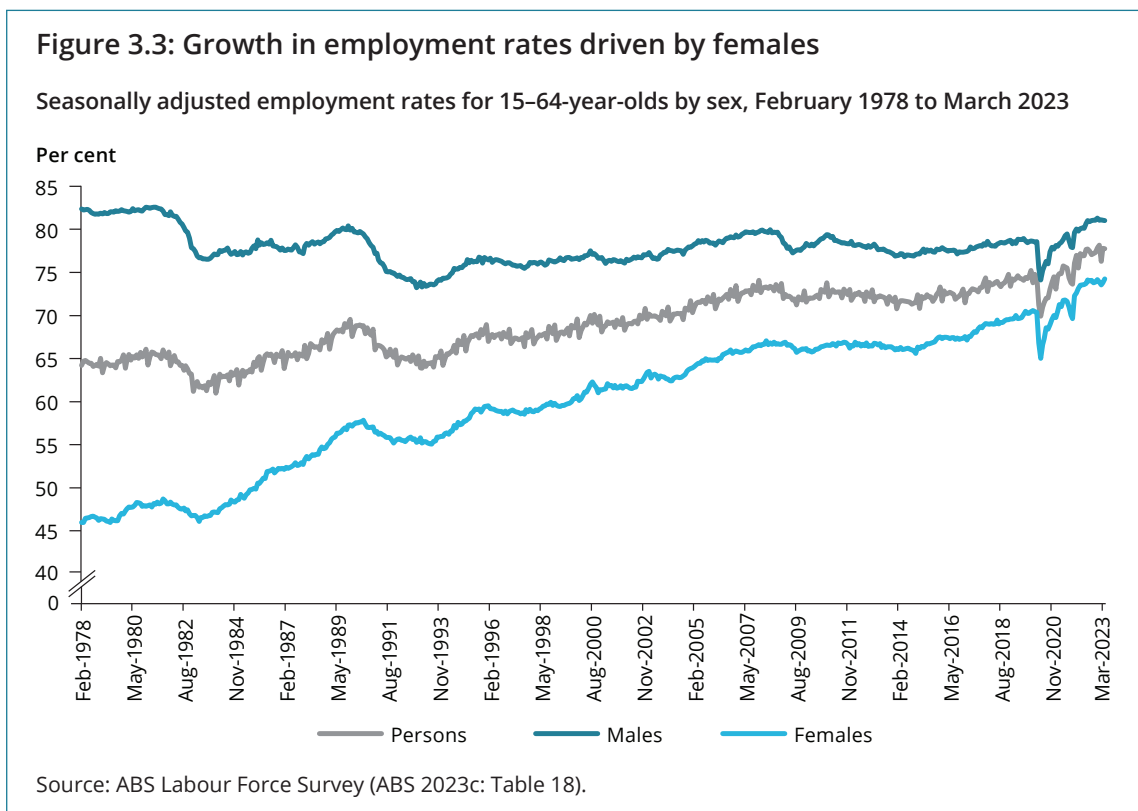
People who received the JobKeeper Payment in 2020 were counted as being employed in the ABS LFS. This was because the LFS considers people to be employed if they were away from their job for any reason (including if they were stood down) and were paid for some part of the previous 4 weeks (including through the JobKeeper scheme) (ABS 2020a).

People who receive the JobSeeker Payment are classified in the ABS LFS, based on their labour market activity; recipients may be unemployed, employed, underemployed or not in the labour force. In March 2020, the mutual obligation requirements that people till then ordinarily had to meet to receive the JobSeeker Payment (which could include looking for work or studying) were suspended in response to the business and activity restrictions introduced to control the spread of COVID-19. These requirements were gradually re-introduced from June 2020 (see Figure 3.2 for further details). These changes may have influenced whether people were actively searching for jobs – which would affect whether they were classified as ‘unemployed’ or ‘not in the labour force’ in the ABS LFS. They would, however, remain as ‘not employed’ in the ABS LFS unless they actually had a job.

Recovery after COVID-19 pandemic faster than for previous recessions

The seasonally adjusted employment rate for people aged 15–64 in Australia has steadily increased since the current LFS series began in 1978 (ABS 2023c). Females have driven this growth: their employment rate increased from 45.9% to 74.2% between February 1978 and March 2023, compared with a decline from 82.4% to 81.0% for males over the same period (see Figure 3.3). This longer term increase in employment has occurred despite employment falling during the:

- the recessions in the early 1980s and 1990s
- the economic downturn that followed the 2008–09 GFC
- the economic downturn at the start of the COVID-19 pandemic (March 2020) after the announcement of restrictions on social gatherings and the cessation of many activities.



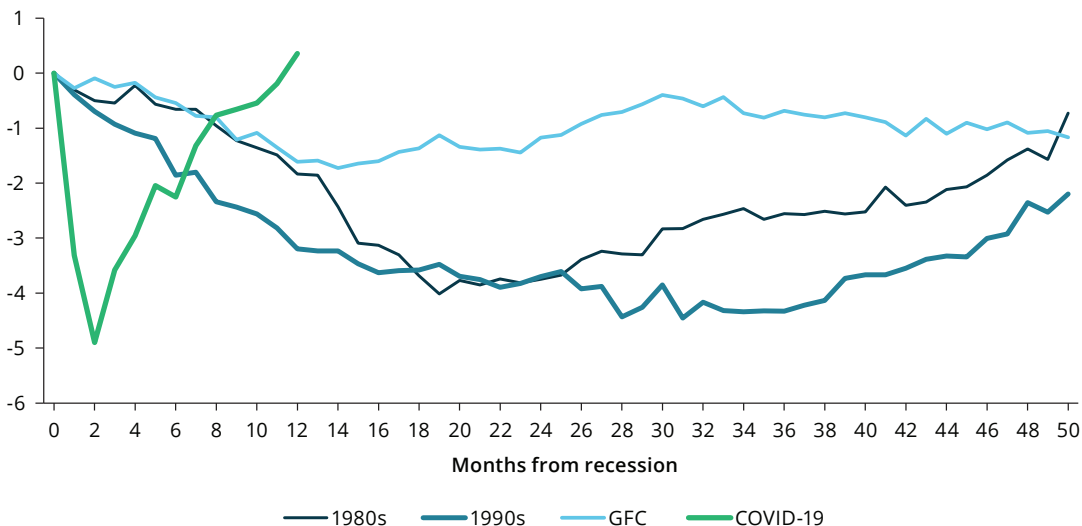
Following these earlier recessions and economic downturns, the employment rate (for people aged 15–64) took between 5 and 10 years to recover. After the 2008–09 GFC, for example, the employment rate in mid-2008 (73.4%) did not return to this level until late 2017, 9 years later. Similarly, with the recession in the early 1990s, the employment rate in July 1990 (68.7%) did not return to this level until 9 years later, in December 1999. Given this, the relatively quick recovery that followed the initial economic downturn in response to COVID-19 – see the V-shaped recovery (steep decline followed

by steep rise to previous peak) in Figure 3.4 – took many by surprise. The employment rate returned to the pre-pandemic level within 1 year of the pandemic starting in Australia – 74.8% in March 2021 compared with 74.4% in March 2020. The employment rate continued to improve, reaching a record high in November 2022 (77.7%), despite some fluctuations along the way (see Figure 3.5).

Figure 3.4: Despite steep decline in employment rate at the onset of COVID-19, recovery was much quicker than for other recessions and economic downturns

Percentage point change in seasonally adjusted employment rates for 15–64-year-olds in the months following each recession or economic downturn

Percentage point change in employment rate



Note: Percentage change in employment rates is calculated from the month with the highest employment rate before the recessions/economic downturns to the month when it returns to the same/similar level. The first observation point (zero months) is in September 1981, July 1990, June 2008 and March 2020 for the 1980s, 1990s, GFC and COVID recessions/economic downturns, respectively.

Source: ABS Labour Force Survey (ABS 2023c; Table 18).

Largest monthly fall in employment in April 2020 – to record highs in November 2022

Between March and April 2020, the number of employed people (seasonally adjusted) fell by 583,300 – the largest monthly fall on record. As a proportion of the population aged 15–64, the seasonally adjusted employment rate fell from 74.4% in March 2020 to 71.1% in April 2020, before gradually increasing to a record high of 77.7% in November 2022. In March 2023, the employment rate was 77.6% (see Figure 3.3).

Over this period, the employment rate dipped at various times in response to the public health measures introduced to manage the spread of COVID-19 and new strains of the coronavirus (see Figure 3.5). Specifically, these dips occurred in May 2020 (in the

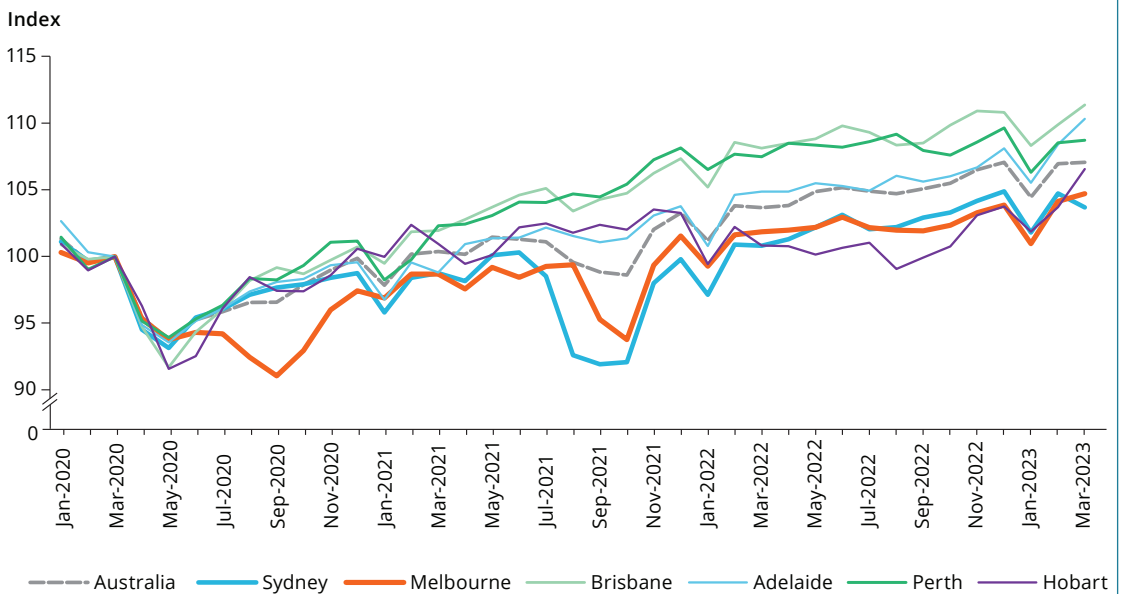
early months of the pandemic) and in late 2021 when restrictions and lockdowns were tightened to contain the spread of the Delta variant of the coronavirus (see Figure 3.2 and AIHW 2021a for further details).

The steep falls and rises in employment have been largely consistent across the states and territories. However, the tighter restrictions in Melbourne in August 2020 (due to the second wave of COVID-19) and in Sydney in August 2021 (to contain the Delta variant) led to larger falls in employment in these regions than in the rest of Australia (see Figure 3.2 for further details on these state-specific lockdowns). As shown in Figure 3.5, Melbourne experienced the largest fall in employment in September 2020 (8.9% fall from March 2020 levels); a similarly large fall (7.9%) was experienced in Sydney in October 2021 (compared with more modest falls in Melbourne of 6.2%).

All capital cities had surpassed pre-pandemic levels of employment by March 2023. However, the employment growth in Melbourne and Sydney since March 2020 has been slower (4.7% and 3.7% growth, respectively), compared with the other cities (6.6%, 8.7%, 10% and 11% for Hobart, Perth, Adelaide and Brisbane, respectively).

Figure 3.5: Melbourne and Sydney had largest falls in employment in line with tighter restrictions to control the spread of COVID-19

Number of people in employment in capital cities from January 2020 to March 2023, presented as an index (March 2020=100)



Note: The data in this figure are presented in the form of an index, representing the number of people in employment in Australia and in each capital city between January 2020 and March 2023 as a proportion of people in employment in March 2020 in Australia and in each capital city.

Source: ABS Labour Force Survey (ABS 2023d: Table LM1).

Steep falls in hours worked from April 2020 – as employment declines and workers take more leave – recovered by late 2022

Another way to understand changes in employment is to examine the monthly aggregated hours worked. This measure may highlight the impact of a recession or economic downturn on the labour market before it is reflected in changes to the employment rate; reducing hours worked during an economic downturn is often an early response by businesses to minimise people losing their jobs (ABS 2020b).

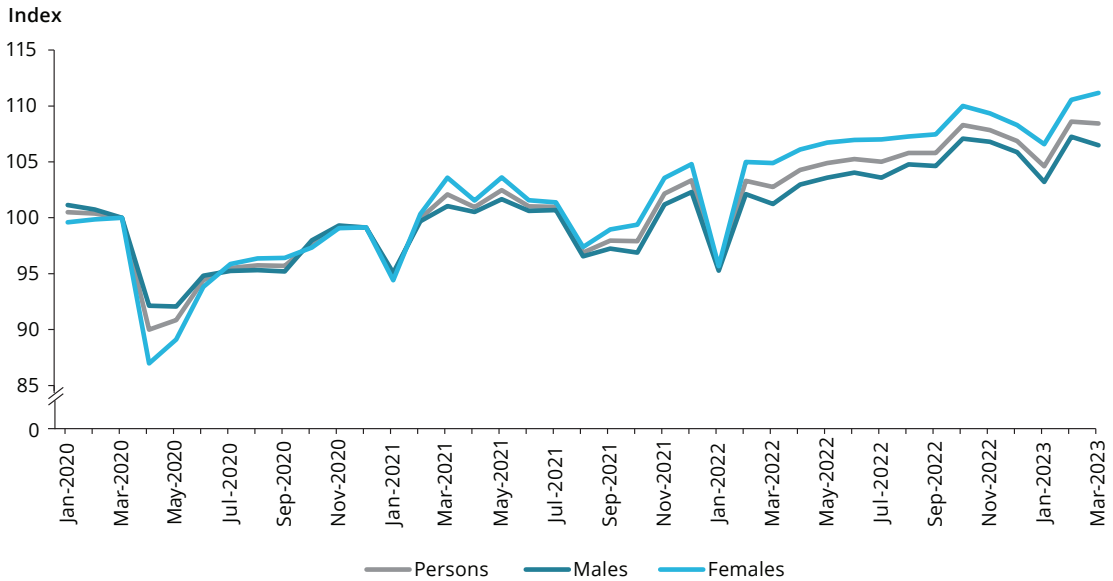
As shown in Figure 3.6, seasonally adjusted monthly hours worked fell by 10% between March and April 2020, by far the steepest on record and greater than declines for previous recessions or economic downturns (0.3%–0.6% monthly falls in the 1980s and 1990s recessions and the GFC). The high number of people receiving the JobKeeper Payment in April 2020 (3.4 million), who were counted as employed even if they were working zero hours, may have contributed to this large decline in monthly hours worked (AIHW 2021a).

Hours worked then generally rose or remained stable in most months to October 2022. However, there were notable falls in January 2021 (monthly fall of 4.4%), August 2021 (monthly fall of 4.0%) and January 2022 (monthly fall of 7.7%). The dips in January are associated with a larger number of people than usual taking leave over the holiday period – especially in January 2022, when 39% of all employed people took leave compared with 22% in January 2020 and 20% in January 2019 (ABS 2023a). The dip in August 2021 is likely due to the lockdowns and restrictions following the Delta variant outbreak (Figure 3.5).

The number of hours worked in February 2023 was the highest since the current LFS started in 1978 – 8.6% higher than in March 2020 and 8.7% and 5.1% higher than in February 2021 and February 2022, respectively. In March 2023, hours worked were 8.4% higher than March 2020 levels.

Figure 3.6: Steep falls in hours worked in April 2020 (as employment declined) and in January 2022 (as workers took more leave) but recovered by late 2022

Proportion of seasonally adjusted hours worked from January 2020 to March 2023, presented as an index (March 2020=100)



Note: The data in this figure are presented in the form of an index, representing the number of seasonally adjusted monthly hours worked by sex, between January 2020 and March 2023 as a proportion of hours worked in March 2020.

Source: ABS Labour Force Survey (ABS 2023c: Table 19).

Part-time employment fell at the onset of the pandemic unlike in previous economic downturns, driven by casual part-time employees

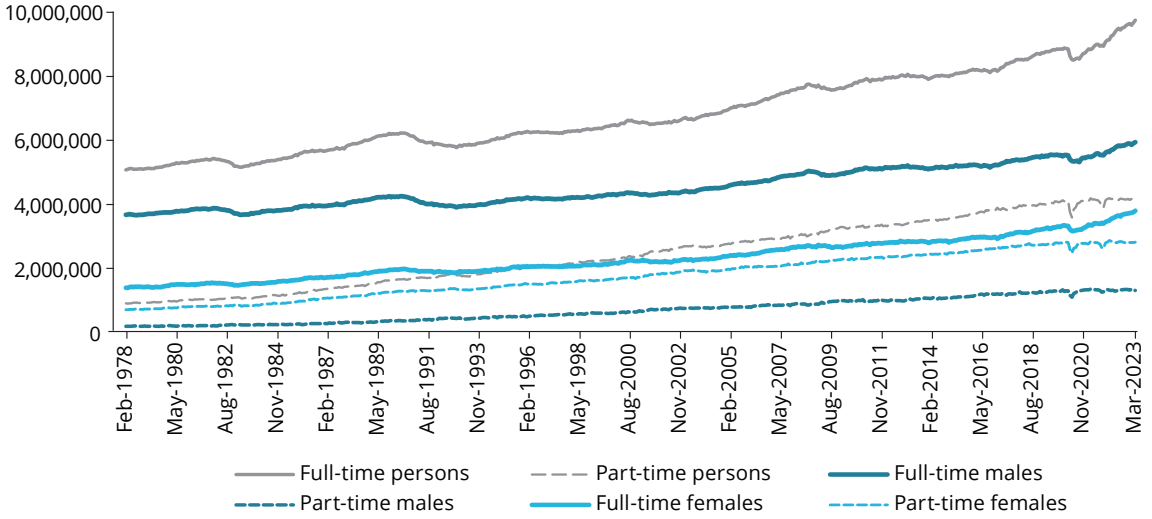
In the decades preceding the COVID-19 pandemic, the number of part-time and full-time employees had both been steadily increasing overall (4.5- and 2.9-fold increases, respectively, between February 1978 and March 2020) (see Figure 3.7).

Consistent with the overall employment level, there were periods of decline in the number of full-time employees in 1983, 1990–1993 and 2008–09 (quarterly declines of up to 2.5%), before a steep drop at the onset of the pandemic (3.8% decline between March and May 2020). These falls reflect the impact of economic downturns and recessions on employment; however, declines for part-time employees were not observed to the same extent until the COVID-19 pandemic, when they had the largest recorded decline since the current LFS series began in 1978 (13% decline between March and May 2020). By March 2023, the part-time employment rate for people aged 15–64 was similar to that for March 2020 (23% and 22%, respectively), while the full-time employment rate exceeded pre-pandemic levels – 56% and 52%, respectively, or 889,900 more people in full-time employment in March 2023 than in March 2020 (ABS 2023c).

Figure 3.7: Full- and part-time employment steadily increasing, but part-time employment declined faster during COVID-19 than in previous recessions and economic downturns

Number of seasonally adjusted employed people by employment status and sex, February 1978 to March 2023

Number of people employed



Source: ABS Labour Force Survey (ABS 2023c: Table 1).

The pandemic had a larger impact on part-time employment than did previous recessions and economic downturns due to the social distancing measures and lockdowns/restrictions. These measures, which were unique to the COVID-19 pandemic, particularly affected casual employees (defined as people without leave entitlements, based on available data from the ABS LFS). Indeed, casual part-time employees made up 93% of the decline in the number of part-time employees from February 2020 to May 2020 (ABS 2023d). They were the people more likely to be working in industries most affected by the social distancing measures, such as hospitality, retail and recreation. These industries had the most part-time casual employees in February 2020 – 48%, 28% and 28% of all employees, respectively, compared with 16% for administrative and support services and 1–13% for all other industries (ABS 2023d). Casual employees may also not have been eligible for the JobKeeper Payment (to remain attached to their jobs) if they were employed on a regular and systematic basis for less than 12 months. They would therefore not be classified as ‘employed’ in the same way as non-casual employees (even if the non-casual employees were not working; see Box 3.1).

During the height of the COVID-19 pandemic in May 2020, the proportion of people employed on a casual basis dropped to the lowest rate (20.6% of all employees) since August 1991 (ABS 2020c). It then progressively increased to 22.1% by February 2023,

though still below the pre-pandemic level (24.1% in February 2020) and slightly lower than levels observed in February 2015 and 2016. Both the decline in casual employment at the onset of the pandemic, and the recovery since, were driven by part-time casual employees, who made up 66% of the fall from February–May 2020 and 61% of the growth from May 2020–February 2023 (ABS 2023d).

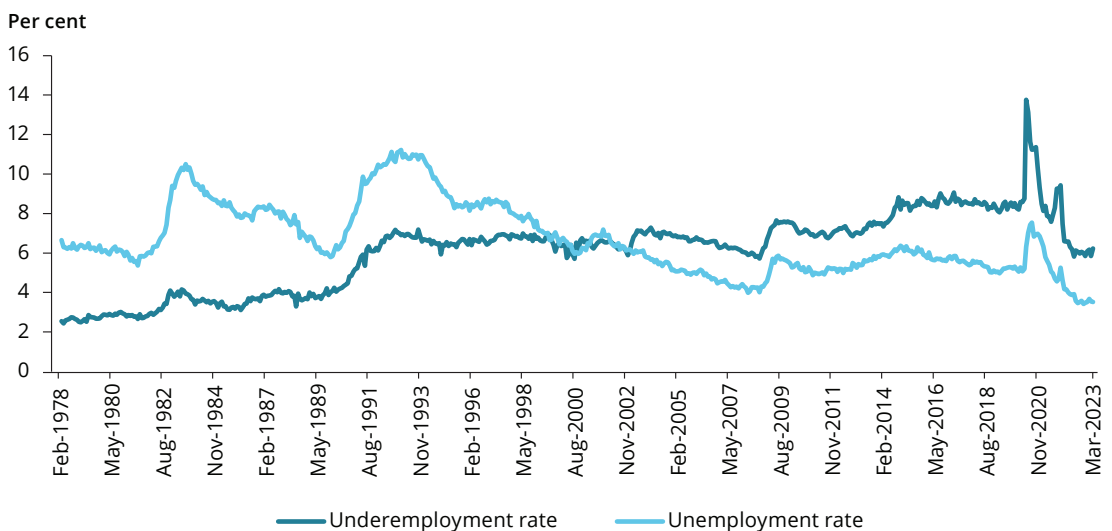
Underemployment rate lowest in over 14 years in November 2022

The underemployment rate (number of underemployed people as a proportion of the labour force) has been gradually increasing since the late 1970s (start of the current LFS series), as shown in Figure 3.8. The underemployment rate has been just above 8% since 2014 (except in July 2016 and February 2017 where it reached 9%), and it was 8.6% before the pandemic in February 2020. However, in the early months of the pandemic, the underemployment rate rose steeply to a record high in April 2020 (13.8%) before declining to pre-pandemic levels by December 2020 (8.5%); it has since continued to decline – to 6.2% in March 2023 (despite some fluctuations around October 2021 when it increased to 9.4%).

In March 2023, the underemployment rate was similar to the low rate observed in mid-2008 before the economic downturn associated with the GFC, with 302,200 fewer underemployed people than before the pandemic in March 2020.

Figure 3.8: Underemployment rate has been gradually increasing but fell in 2022, while unemployment rate has been generally falling since the 1990s

Seasonally adjusted underemployment and unemployment rates from February 1978 to March 2023

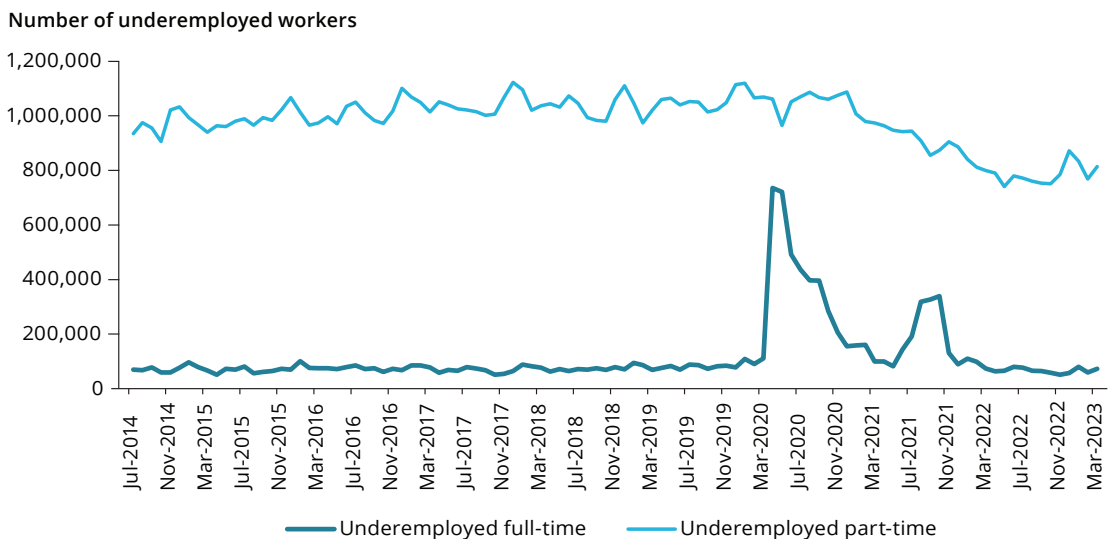


Source: ABS Labour Force Survey (ABS 2023c: tables 1 and 22).

As shown in Figure 3.9, these initial increases in the underemployment rate were largely driven by full-time underemployed workers (that is, full-time employees who worked fewer than 35 hours during the survey reference week for economic reasons, including being stood down or there being insufficient work available). There was a 7-fold increase in the number of full-time underemployed workers in April 2020 (rose by 625,100), with the number remaining higher than pre-pandemic levels until January 2022 (with some fluctuations from March to May 2021). In January 2022, the number of full-time underemployed workers started to decline, and by November 2022 was 54% lower than before the pandemic. It then increased in most months to March 2023, at which time it remained 34% lower than pre-pandemic levels.

Figure 3.9: Large increase in full-time underemployed workers at times of COVID-related lockdowns/restrictions but smaller impact for part-time underemployed workers

Number of seasonally adjusted underemployed people by employment status, between July 2014 and March 2023



Source: ABS Labour Force Survey (ABS 2023c: Table 24).

The number of part-time underemployed workers, on the other hand (that is, part-time employees who want to work more hours and are available to start working more hours within the next 4 weeks), declined in most months from March 2020 to March 2023 – to 24% below pre-pandemic levels. This suggests that the initial months of the COVID-19 pandemic had a large impact on reductions in hours for full-time workers for economic reasons but a smaller impact on the preferences of part-time employed people for more hours.

Note that these patterns are likely to have been affected by the JobKeeper Payment, which was introduced in March 2020. As full-time employed people who work part-time hours in the reference week for economic reasons count as underemployed, this payment is likely to have caused a spike in the underemployment rate (as some people on JobKeeper worked zero or reduced hours).

Unemployment at lowest rate in 50 years by October 2022

Since the early 1990s, the seasonally adjusted unemployment rate has declined, from 10–11% in 1992–93 to 3.4% in October 2022, the lowest rate in almost 50 years. This is a strong recovery in the unemployment rate from the early months of the pandemic, when the unemployment rate increased from 5.2% in March 2020 to a peak of 7.5% in July 2020 (Figure 3.8). It then gradually declined to 3.4% in October 2022 and remained relatively stable to March 2023, at 3.5%. However, there were some rises to the unemployment rate over this period, including in October 2021 where it increased to 5.4%, coinciding with national lockdowns/restrictions in response to the Delta variant.

These unemployment rates represent an increase of 303,100 unemployed people between March and July 2020, and a decline of 508,700 unemployed people between July 2020 and March 2023 (to 507,000 in March 2023). In March 2023, there were 205,600 fewer unemployed people than before the pandemic in March 2020.

Note that the JobKeeper Payment had a protective effect in keeping employees connected to their employers. People who received the payment were counted as being employed in the ABS LFS, as the LFS considers people to be employed if they were away from their job for any reason (including if they were stood down) and were paid for some part of the previous 4 weeks (including through the JobKeeper Payment scheme) (ABS 2020a). Without this payment, it is likely that there would have been a larger increase in the unemployment rate in 2020.

The 'effective unemployment' rate developed by the Treasury includes unemployed people, people who have recently withdrawn from the labour force and people still connected to their employer but working zero hours. In April 2020, the 'effective unemployment' rate was 15%, considerably higher than the ABS unemployment rate of 6.3% (in April 2020). The 'effective employment' rate then dropped to 11% in June 2020, as restrictions started to ease and employment increased, with fewer people working zero hours (Kennedy 2020).

Many Australians left the labour force at the onset of the pandemic, but participation was the highest on record by June 2022

The early months of the pandemic saw large numbers of people leave the labour force entirely; that is to say, they were not employed or unemployed. This may have been due to the temporary suspension of mutual obligation requirements, such as actively searching for jobs for people receiving income support payments from March–August 2020 (see Box 3.1 for further details). It may also reflect the adverse impact that school closures had on employment, and people not being able to find work due to lockdowns and other public health measures.

In April 2020, the number of people in the labour force fell by 460,800, with a further fall of 206,600 in May 2020 – the largest monthly falls on record (3% and 2% monthly decline, respectively) (ABS 2023c). By October 2020, the number of people in the labour force had returned to pre-pandemic levels and generally increased for most months to March 2023. However, there were some fluctuations, including a fall in August–September 2021 (by 272,000 people), reflecting the national lockdowns/restrictions to contain the Delta variant. By March 2023, there were 698,200 more people in the labour force than in March 2020 (14.4 million compared with 13.7 million). This growth was primarily driven by the high numbers of people who were employed, as the number of unemployed people had decreased to levels previously seen in 2008.

In terms of the seasonally adjusted participation rate – which is the combination of employed and unemployed people as a proportion of the working-age population (15–64 years) – the participation rate fell from 78.6% to 74.9% between March and May 2020. It then gradually increased, reaching a peak of 80.6% in November 2022, fell slightly before reaching a similar level again in March 2023 (80.6%).

Over the last 4 decades the seasonally adjusted participation rate for people aged 15–64 has steadily increased (from 68.9% in February 1978 to 80.6% in March 2023). Females have driven this growth; their participation rate increased from 50.2% to 76.9% between February 1978 and March 2023, compared with a decline from 87.4% to 84.2% for males over the same period (ABS 2023c).

Some industries had steeper initial declines in hours worked and took much longer to recover

As discussed in 'Chapter 4 The impacts of COVID-19 on employment and income support in Australia' in *Australia's welfare 2021: data insights* (see AIHW 2021a), the shutdowns and social distancing measures affected some occupations and industries more than others. The industries particularly affected in the early months of the pandemic, including hospitality and recreation, have taken much longer to return to pre-pandemic levels than others.

Between February 2020 and May 2020, the number of hours worked in accommodation and food services declined by 47%; they then started to recover each quarter before declining again in August 2021 to lower than the level observed in February 2020 (34% lower). The number of hours worked did not reach pre-pandemic levels until almost 2 years later, in November 2022 (6.1% higher than in February 2020). The number of employed people in accommodation and food services also recovered in November 2022, at 3.2% higher than in February 2020 (ABS 2023d).

Hours worked in arts and recreation services also had a steep fall between February and May 2020 (by 50%) and another large decline in hours worked in August 2021 (30% decline from May 2021). Since then, it has experienced a slow recovery, only returning to pre-pandemic levels in February 2023.

Other industries with relatively small declines in hours worked at the onset of the pandemic had mostly all returned to pre-pandemic levels by May 2022, if not before. For example, the Transport, Postal and Warehousing industry, which fell by 23% between February and May 2020, had returned to February 2020 levels by February 2021. The Information Media and Telecommunications industry, which declined by 16% initially, had recovered by May 2022.

Note that the arts and recreation industries account for around 2% of all employed people (1.9% in February 2020, or 249,400 people) and accommodation and food services for around 7.1% (or 926,500 people). Industries with more employees, such as Health Care and Social Assistance (1.8 million employees in February 2020, or 14% of employees) or Professional, Scientific and Technical Services (1.2 million or 8.9% of employees), fell by 4–6% between February and May 2020 but returned to pre-pandemic levels by February 2021 and November 2020, respectively.

Female employment initially fell and recovered faster, but both males and females had record high employment in mid to late 2022

'Chapter 4 The impacts of COVID-19 on employment and income support in Australia' in *Australia's welfare 2021: data insights* (see AIHW 2021a) showed that females were more heavily affected in the early months of the COVID-19 pandemic, as they were more likely to work as casual employees than males and more likely to work in customer-facing industries, which were hardest hit by social distancing measures (for example, retail, hospitality and recreation) (Dados and Taksa 2020).

Between March and May 2020, the number of employed females (seasonally adjusted) fell at a faster rate than for males (by 7.8% or by 481,700 compared with 5.7% or by 386,600 for males). By February 2021, the number of employed males and females had returned to pre-pandemic levels. By March 2023, the number of employed females exceeded pre-pandemic levels by 8.0% (or by 488,400) and males by 6.1% (or by 415,300) (see Figure 3.10).

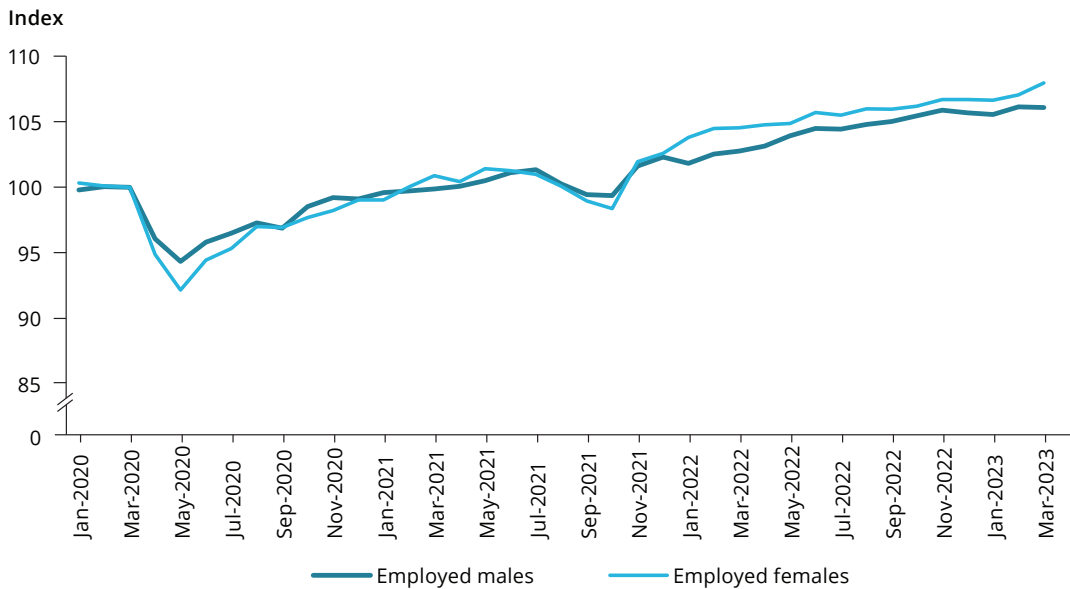
In terms of the employment rate for people aged 15–64, females returned to pre-pandemic levels earlier than males – February 2021 compared with May 2021 for males. The female employment rate continued to increase for most months to March 2023, reaching 74.2% – the highest employment rate for females in the current LFS series (despite some dips around October 2021 and January 2023). Males reached the highest employment rate in November 2022 (81.3%), falling slightly to 81.0% by March 2023 (ABS 2023c).

It is important to understand these patterns within the broader context of changes in the labour force over this period. Females were more likely to leave the labour force than males in the early months of the pandemic – 390,700 fewer females in the labour force compared with 276,700 fewer males between March to May 2020 (a 6.0% decline compared with a 3.8% decline, respectively). Females and males then quickly returned to the labour force, as restrictions started to ease and employment increased, with the number of females and males in the labour force similar to or exceeding pre-pandemic levels for most months between October 2020 and March 2023. In March 2023, the number of females and males in the labour force was 6.0% and 4.3% higher, respectively, than in March 2020 (by 288,800 females and 253,400 males) (ABS 2023c).

In the early months of the pandemic, the number of unemployed males (seasonally adjusted) rose at a faster rate than the number of unemployed females (22% rise compared with an 11% rise, respectively, between March and April 2020). By April–May 2021, the unemployment rates for males and females had returned to pre-pandemic levels. They continued to decline to March 2023 – unemployment rates of 3.7% and 3.4% for males and females, respectively, in March 2023 compared with 5.3% and 5.1%, respectively, in March 2020.

Figure 3.10: Female employment initially fell faster and recovered quicker, but both males and females reached record high employment in mid to late 2022

Number of employed people, by sex, from January 2020 to March 2023, presented as an index (March 2020=100)



Note: The data in this figure are presented in the form of an index, representing the seasonally adjusted number of employed people by sex between January 2020 and March 2023 as a proportion of employed people in March 2020.

Source: ABS Labour Force Survey (ABS 2023c: Table 1).

Young people had the steepest fall in employment rates in April 2020, but reached record high employment by mid-2022

As mentioned earlier, the employment rate for people aged 15–64 in Australia has been steadily increasing since the current LFS series began in 1978, despite some falls associated with the early 1980s and 1990s recessions, and with the economic downturns following the 2008–09 GFC and the start of the COVID-19 pandemic. These shocks have all been felt particularly acutely by young people who are more likely to be engaged in the labour force on a casual or part-time basis.

Over the last 40 years, young people aged 15–24 have experienced the largest declines in the employment rate following these economic downturns – annual declines of up to 5.6 percentage points in 1983, 7.1 percentage points in 1991 and 4.4 percentage points in 2009, compared with declines of less than 3.5 percentage points for all other age groups (ages 25–64) for these years. These declines were even greater for young people aged 15–24 at the onset of the COVID-19 pandemic in March 2020.

As reported in ‘Chapter 4 The impacts of COVID-19 on employment and income support in Australia’ in *Australia’s welfare 2021: data insights* (see AIHW 2021a), young

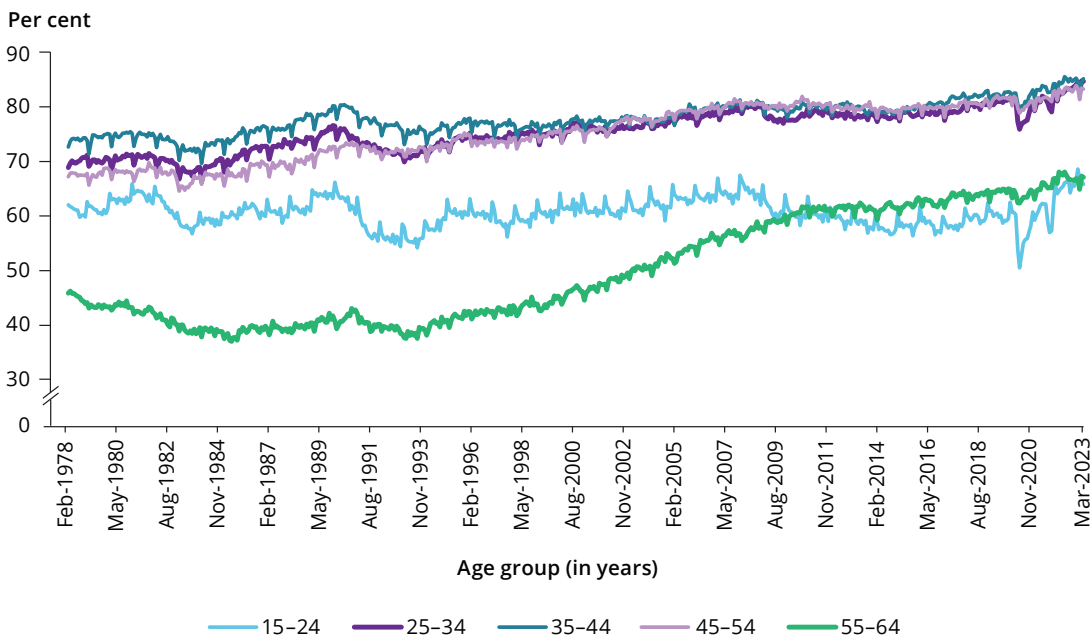
people aged 15–24 saw the steepest decline in employment rates at the onset of the pandemic. The employment rate for this age group fell by almost 10 percentage points between March and May 2020 (from 60% to 51%), compared with a fall of 5 percentage points for people aged 25–34 (81% to 76%) and falls of 1–3 percentage points for all other age groups (35–64).

People aged 15–34 also experienced notable falls in employment rates in September and October 2021 with the Delta outbreak (falls of 2–3 percentage points). These declines were not observed to the same extent in other age groups, suggesting that people aged 15–34 are particularly affected by loss of work during lockdowns/ restrictions, as they are more likely to work in industries hit hardest by social distancing measures (for example, retail, hospitality and recreation).

By early 2021, the employment rate for all age groups had recovered to pre-pandemic levels and continued to increase to reach record highs in mid to late 2022, as shown in Figure 3.11.

Figure 3.11: Young people had the steepest falls in employment rates in 2020 but recovered quickly, reaching record highs in 2022

Employment rate by 10-year age groups from February 1978 to March 2023



Source: ABS Labour Force Survey, detailed (ABS 2023d: Table 1).

The number of employed people across all working-age groups was higher in March 2023 than in March 2020 – 12% higher for ages 15–24, 3.9% higher for ages 25–34, 9.9% higher for ages 35–44, 3.3% higher for ages 45–54 and 5.9% higher for ages 55–64. Full-time employment fully accounted for the growth in employment among people aged 25–64 (as part-time employment declined) and 68% of the growth for people aged 15–24 (ABS 2023d).

There were relatively small changes to the employment rate of people aged 65 and over in the 3 years to 2023 – remaining stable over the early months of the COVID-19 pandemic (around 13–14% from March to May 2020) before resuming the steep increase observed for this age group since the early 1990s (from 4.5% to 15% between March 1993 and March 2023) (ABS 2023d). This increase may reflect longer term changes in the delayed transition to retirement, and the increasing retirement age. The decisions of older Australians to remain in the workforce longer will also likely be influenced by the type of work being undertaken, informal caring commitments, the presence of an employed spouse or partner, and having additional supporting income. Older Australians today have an increased life expectancy and increased years of disability-free life. As such, individuals may have both an increased need and an increased capacity to work longer (AIHW 2021b).

A high employment rate and low unemployment rate has created a tight labour market with an abundance of job vacancies

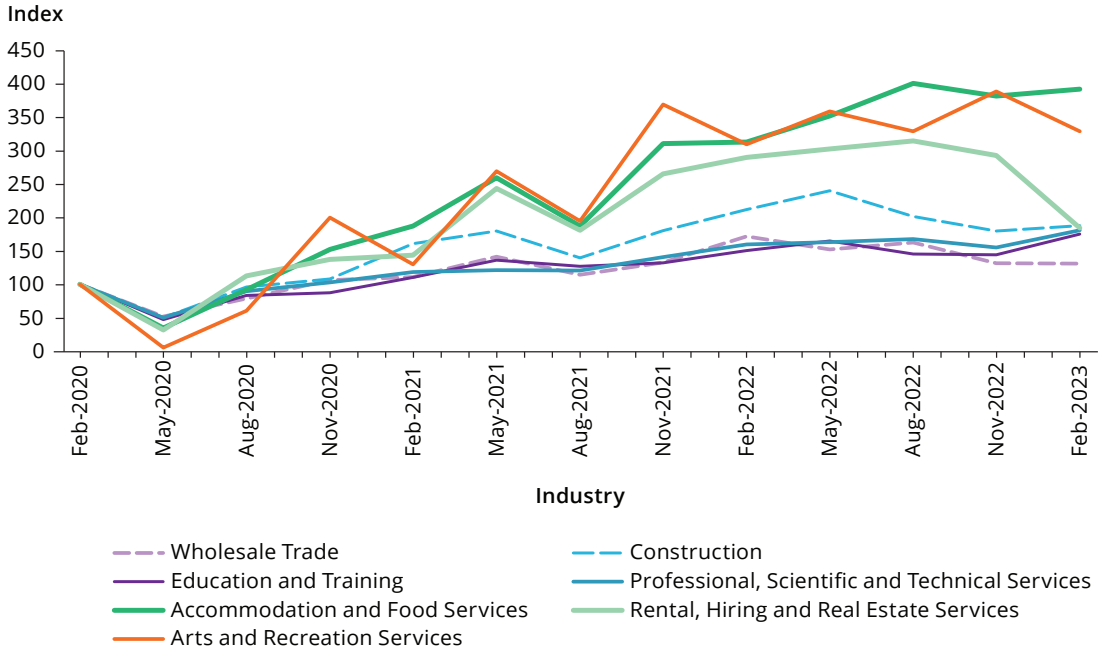
The record high employment rate and record low unemployment rate resulted in a tight labour market in the second half of 2022 and early 2023. A tight labour market is one in which the demand for workers is high relative to the supply. In other words, there is an abundance of job vacancies, and a scarcity of unemployed people available to fill those roles.

In August 2022 there was a similar number of unemployed people (497,800) to job vacancies (466,500). This compared to three times as many unemployed people as job vacancies before the pandemic (694,900 unemployed people compared with 227,900 job vacancies in February 2020). By February 2023, the number of unemployed people had increased slightly (by 4.4%) and the number of job vacancies had decreased slightly (by 6.9%) since August 2022 (508,600 unemployed people and 438,500 vacancies), resulting in just over one unemployed person for each vacancy (ABS 2023b, 2023c).

The data on job vacancies also shows that – as mentioned earlier – the customer-facing industries (arts/recreation and hospitality) have been particularly affected by the pandemic. These industries have seen a 3–4-fold increase in job vacancies between February 2020 and February 2023 (see Figure 3.12).

Figure 3.12: Arts/recreation and hospitality industries, those most affected by the pandemic, have seen a 3–4-fold increase in job vacancies

Number of job vacancies from February 2020 to February 2023 for specific industries with the largest percentage decreases between February 2020 and May 2020, presented as an index (February 2020=100)



Note: The data in this figure are presented in the form of an index, representing the number of job vacancies from February 2020 to February 2023 for the 7 industries that had the largest percentage decreases in vacancies between February 2020 and May 2020, as a proportion of the number of job vacancies in February 2020.

Source: ABS Survey of Job Vacancies (ABS 2023b: Table 4).

The labour shortages over the last 3 years are also due to:

- strict border control since March 2020
- a large number of temporary visa holders leaving the country
- a slow return to pre-pandemic migration levels. Net overseas migration dropped to 193,000 people in 2019–20, below the 5-year average of 227,000 people; it then fell further in 2020–21, with 85,000 more people leaving the country than entering it (net outflow). This was the first recorded net outflow since World War II.

As borders increasingly started opening, net overseas migration began to increase, with the number of overseas arrivals approaching pre-pandemic levels (150,000 in March 2022 compared with 163,700 in March 2020). This led to the Australian population’s growing by 0.9% in the 12 months to March 2022 – which includes an estimated 97,900 people added from net overseas migration. There has also been a strong return of international students (ABS 21 September 2022).

Working from home arrangements show no signs of reverting to pre-pandemic levels

The COVID-19 pandemic resulted in a number of changes to working arrangements, many of which are still in place and are likely to remain in the future in some capacity – working from home is one example.

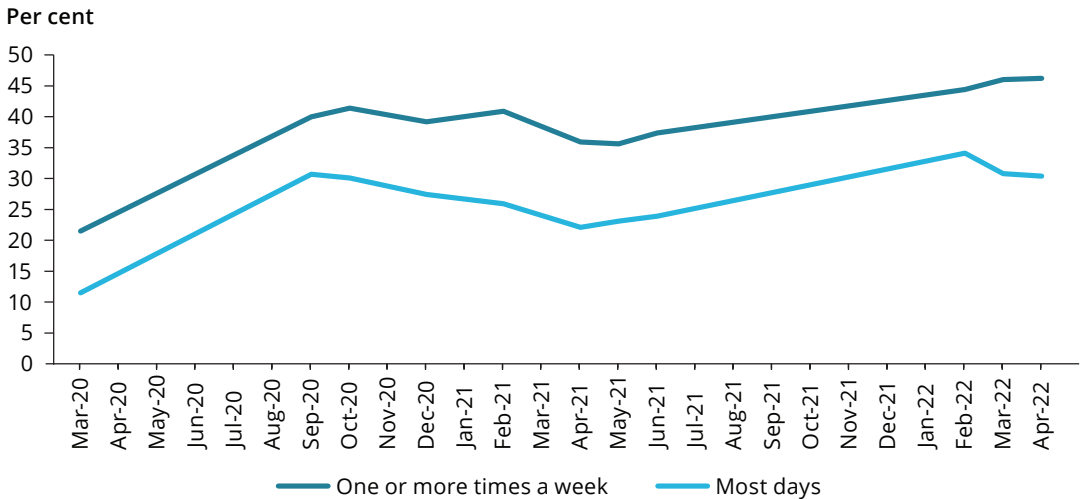
Before the pandemic (before 1 March 2020), 13% of people aged 18 and over with a job reported working from home most days according to the ABS Household Impacts of COVID-19 Survey. Following the lockdowns and restrictions in the early months of the pandemic to contain the spread of the coronavirus, the proportion working from home most days more than doubled to around 26–31% between September 2020 and February 2021 (see Figure 3.13). It then fell to around 22–23% in April–May 2021, presumably reflecting fewer lockdowns in place around the country at this time, before rising again to 30% by April 2022 – over twice as high as it was before the pandemic. This may reflect employers updating and formalising their flexible work arrangement policies.

The number of people working from home one or more times a week also increased over the last 2 years, from 24% before 1 March 2020 to 39–41% from September 2020 to February 2021; it then dropped slightly to 36% in April and May 2021. By April 2022, 46% had worked from home one or more times a week (in the last 4 weeks), the highest level recorded since the pandemic began in March 2020.

The sustained increase in working from home suggests there may not be a return to pre-pandemic levels. Indeed, the results of the Taking the Pulse of the Nation Survey from July 2022 suggest that 88% of Australian workers would like to work from home at least partially, and 60% would prefer a hybrid work arrangement with days in both the office and at home (Melbourne Institute: Applied Economic and Social Research 2022).

Figure 3.13: Steep increase in people working from home since before the pandemic which remains elevated

Proportion of employed adults working from home in the last 4 weeks, before March 2020 to April 2022



Notes

1. The figure presents the proportion of employed adults working from home in the last 4 weeks. Those people working from home 'one or more times a week in the last 4 weeks' includes people who worked all or most days from home, and people who worked at least once a week from home.
2. The data plotted for 'March 2020' were in response to a survey question whereby respondents were asked how much they worked from home 'before March 2020'.

Source: ABS 2021a; ABS 2022a; ABS 2022b.

Most people report little change in productivity and job satisfaction following an increase in working from home

Working from home has affected the productivity (that is, the measure of output per unit of labour) of employees in different ways. The Productivity Commission (2021) acknowledges that productivity is likely to vary depending on the industry, organisation, the nature of work, and individual characteristics and circumstances. For example, working from home may hinder productivity due to the physical distance between colleagues, and the challenges in collaborating and exchanging information. On the other hand, many employees have an improved work-life balance in not having to commute each day, and being better rested for work as a result (Productivity Commission 2021).

Most people in paid employment who increased the amount of time they spent working from home at the start of the pandemic reported little change in productivity. According to self-reported data from the HILDA Survey, almost 3 in 5 (58%) respondents

indicated that their productivity was the same or better following an increase in hours worked from home – 24% reported positive impacts, 33% no change in productivity, and 42% reported negative impacts. Note that this reporting period is from the earlier months of the pandemic (in 2020), when many employees were forced to work from home at short notice, potentially with inadequate workstations at home, and with many working families concurrently required to supervise children undertaking remote learning (Wilkins et al. 2022). While self-reported productivity data from the HILDA Survey may not be an objective or economy-wide measure of productivity, the results are consistent with other studies. One such study, which conducted a randomised controlled trial to investigate the effects of hybrid work arrangements on productivity, found no evidence to suggest a substantial positive or negative impact of hybrid working on productivity (Bloom et al. 2023).

In terms of job satisfaction, there are advantages and disadvantages in working from home. It may provide employees with a greater sense of autonomy and control. On the other hand, if employees are excessively monitored, it may decrease organisational attachment (Productivity Commission 2021). This relationship may depend to some extent on the amount of time spent working from home (or away from the office) (Allen et al. 2015).

Research from the Melbourne Institute: Applied Economic and Social Research found a positive association between working from home and job satisfaction for women, but not for men (Laß et al. 2023). This analysis used a linear fixed effects model to examine job satisfaction of people employed in both 2019 and 2021 (but who only worked from home in 2021) and controls for the characteristics of workers – including, for example, age, partnership status, employment type, supervisory responsibilities, employer size and industry. Mothers who worked at home for 3 days per week and in the workplace for 2 days had a 12% increase in average job satisfaction. This may be related to increased opportunities to undertake both work and family responsibilities (Wooden et al. 5 December 2022).



Has the receipt of income support returned to pre-pandemic levels?

Adequate levels of income help a person to support themselves, their family and the community more broadly. However, some people may not be able to earn enough income to meet the everyday costs of living, and therefore require government assistance, such as income support and other payments.

The type of financial assistance a person receives often reflects their life circumstances at the time of receipt – payments are designed to assist:

- people pursuing post-school learning
- people unable to work (due to disability or caring responsibilities)
- people unable to find work or to secure sufficient work
- families with the cost of raising children
- people facing high rental costs (see Box 3.2 for further details).

In 2019–20, around 1 in 5 households (22%) reported government pensions and allowances as their primary source of income (ABS 2022c).

As described in Box 3.2, a number of government income support packages were introduced from March 2020 (the Coronavirus Supplement, and expanded eligibility criteria to access the JobSeeker Payment). These were in response to the impacts on the labour market of the widespread social distancing and other business-related restrictions put in place to slow the spread of COVID-19 (for further details see AIHW 2021a:85). Note that the JobKeeper Payment was a wage subsidy and/or income transfer program administered by the Australian Taxation Office and paid to eligible businesses and not-for-profits. It was not an income support payment; however, some people may have been eligible to receive the JobKeeper Payment and part-rate income support or other payments, depending on their circumstances. For more information, see Department of The Treasury (2020).

This section examines the main income support payments available for people who are unable to find work or to work sufficient hours (and who are under the income and assets threshold) – the JobSeeker Payment and Youth Allowance (other). These payments are referred to as unemployment-related payments (for brevity), noting that some people receiving these payments (people working insufficient hours or exempt from the mutual obligation to be looking for work) would not be defined as unemployed according to the ABS definition (as discussed in the previous section). This section of the article focuses particularly on changes in receipt of unemployment-related payments before and during the peak of the COVID-19 pandemic, and in the months since (covering the period March 2020 to March 2023).

Data are sourced from publicly available data (as at mid-2023) on income support receipt – Department of Social Services payment demographic quarterly data (DSS 2023) – unless otherwise noted. The patterns and trends presented in this section should be considered in the context of the employment results presented in the previous section.

Box 3.2: Income support payments

Australia’s social security system, administered by Services Australia, aims to support people who cannot (or cannot fully) support themselves, by providing targeted payments and assistance. Where this is a regular payment that helps with the everyday costs of living, it is called an income support payment, with the type of payment often reflecting life circumstances at the time of receipt. This article focuses on this category of payment. Note that individuals can receive only one income support payment at a time.

Income support payments are subject to means-tested arrangements. This is to ensure that the income support targets those people most in need, by assessing an individual’s income and assets to determine eligibility for a full or part-rate payment. People receiving income support payments are required to report income from all sources (including work, investments and/or substantial assets). The income test for income support payments includes income test free areas and proportional income test withdrawal rates. Some payments are also subject to activity tests; for example, to remain qualified for a payment, recipients of unemployment payments are required to actively look and prepare for work in the future.

In late March 2020, short-term policy changes were made to the JobSeeker Payment – such as waiving the assets tests, waiting periods, and mutual obligation requirements – in response to the COVID-19 pandemic. These changes provide important context for interpreting the income support data presented in this article as increasing the number of people eligible for the payment is likely to increase the number of people who receive it.

As well as short-term policy changes to the JobSeeker Payment, some new and existing recipients of unemployment payments and other income support payments also temporarily received the Coronavirus Supplement (see AIHW 2021a:85 for further details). These temporary changes to the JobSeeker Payment and Coronavirus Supplement ended on 31 March 2021. However, additional economic support packages continued to be available for individuals who worked in high-risk settings and who tested positive for COVID-19 up until early 2023. For further details on eligibility criteria for all payments included in this section, see Services Australia 2023.

(continued)

Box 3.2 (continued): Income support payments

In this article, income support payments include Age Pension, student payments, unemployment payments (Newstart Allowance, JobSeeker Payment, Youth Allowance (other)), disability-related payments (Disability Support Pension, Carer Payment) and other income support payments (including Special Benefit, Sickness Allowance and Bereavement Allowance). They do not include other payments available through the social security system, such as those that assist with the cost of raising children (Family Tax Benefit), supplementary payments for carers or rent assistance.

A small number of recipients of income support payments were aged under 16 in March 2023: 645 for ABSTUDY (Living Allowance), 10 for Youth Allowance (student and apprentice), 5 for Youth Allowance (other), 5 for Carer Payment, 70 for Parenting Payment Single and 800 for Special Benefit. These recipients are included in the counts and numerators of the proportions of the population aged 16 and over, or aged 16 to 24, receiving income support, to ensure consistency in reporting.

Income support receipt rose during height of the pandemic, but returned to declining reliance on income support by September 2022

Over the last 2 decades, the proportion of the Australian population aged 16 and over receiving income support payments (such as unemployment, disability, parenting and age-related payments) has been generally falling, from a high of around 29% between June 2001 and 2003 to 24% in June 2019, the lowest level in 20 years (see Figure 3.14). These declines reflect, in part, labour market conditions (as discussed in the previous section) as well as changes to the social security system over the last decade – including changes to the types of payment that are available and their eligibility criteria, and enhanced mutual obligation requirements (see AIHW 2019:56–57 for further details).

At the height of the COVID pandemic, with the introduction of social distancing and business-related restrictions, the receipt of income support payments rose steeply – from 24% to 28% of the population aged 16 or over between March and June 2020 (or from 5.0 to 5.8 million), returning to the rates observed in the early 2000s. Since June 2020, the number and proportion of people receiving income support have declined each quarter, with 892,600 fewer people in March 2023 than in June 2020, and a return to pre-pandemic levels (5.0 million or 24% of the population aged 16 and over).

The steep rise in income support payments in the early months of the pandemic was driven by people receiving unemployment payments (such as Newstart Allowance/ JobSeeker Payment and Youth Allowance (other)). People receiving these payments

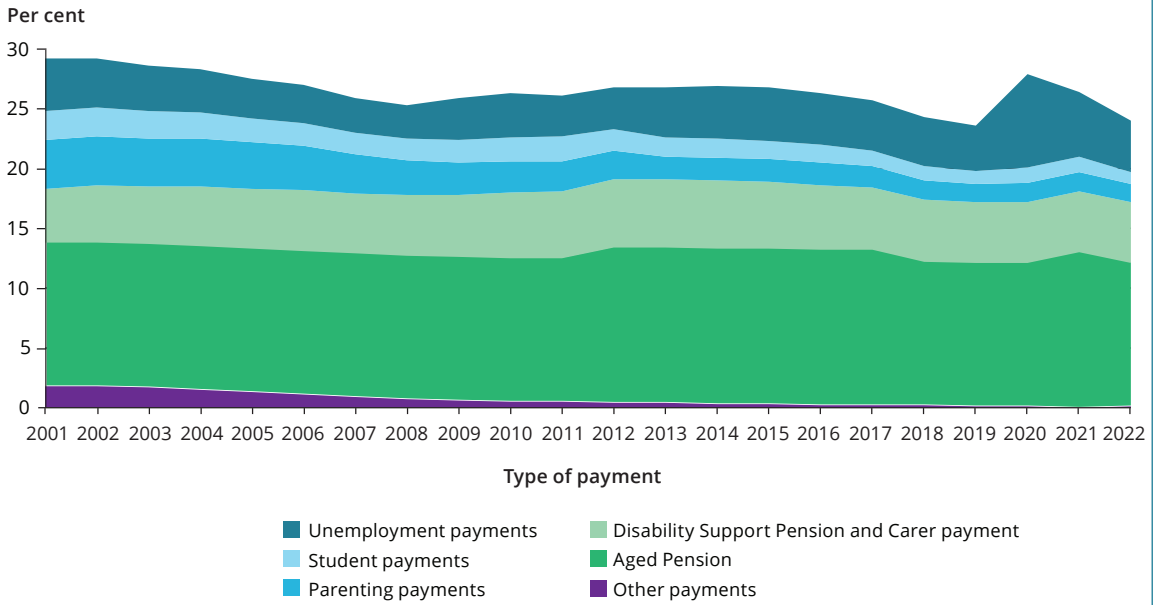
accounted for 85% of the increase in income support receipt between March and June 2020. This reflects the high number of people unemployed or unable to work and the increasing eligibility for JobSeeker payment in response to the COVID-19 pandemic (see Box 3.2). The number of people receiving:

- unemployment payments rose by 82% between March and June 2020, from 886,200 to 1.6 million, or from 4.3% to 7.8% of the population aged 16 and over. It then gradually declined, returning to pre-pandemic levels by September 2022. The proportion of the population receiving these payments returned to pre-pandemic levels by June 2022 (4.3%), before falling further to 3.8% by March 2023 (76,500 fewer people than in March 2020)
- student payments rose by 32% between March and June 2020, from 210,200 to 276,700 or from 1.0% to 1.3% of the population aged 16 and over. It then steadily declined, returning to pre-pandemic levels by September 2022, and continued to decline to March 2023 (30,600 fewer people than in March 2020). However, these payments rose and fell often over this 2-year period, with numbers in June and September 2021 similar to the high levels observed in June 2020
- parenting payments rose by 12% between March and June 2020 (from 298,300 to 335,500, or from 1.5% to 1.6% of the population aged 16 and over), with Parenting Payment Partnered accounting for two-thirds of this increase. By March 2023, parenting payment receipt was slightly below the pre-pandemic level in March 2020
- disability-related payments (Disability Support Pension or Carer Payment) have been gradually increasing since September 2019, with 31,500 more people receiving these payments in March 2023 than in March 2020. However, as a proportion of the population aged 16 and over, it has remained relatively stable at around 5%, including during the COVID-19 pandemic in 2020
- Age Pension has been steadily increasing in almost every quarter over recent years, from 2.5 million in September 2019 to 2.6 million in March 2023. Despite this gradual increase, there was a decline of 0.7% in September 2021; however, this likely reflects increases in the qualifying age for the Age Pension rather than the impact of the COVID-19 pandemic. The proportion of the population aged 65 and over receiving this payment has gradually declined over recent years – from 62% in 2019 to 58% by June 2022 – and this trend of a gradual decline continued throughout the COVID-19 pandemic (see ‘Income support for older Australians’ at <https://www.aihw.gov.au/reports/australias-welfare/income-support-for-older-australians> for further details).

These patterns were largely similar for both males and females. However, the increase in people receiving parenting payments was driven by increases for females in the early months of the pandemic (from 2.7% to 3.0% for females aged 16 and over); the proportion remained steady for males.

Figure 3.14: Income support receipt rose during height of the pandemic, driven by unemployment payments, but returned to previous trend, with a declining reliance on income support

Proportion of people aged 16 and over receiving income support by payment type, June 2001 to June 2022



Note: Before March 2020, unemployment payments included Newstart Allowance and Youth Allowance (other). After March 2020, it includes JobSeeker Payment and Youth Allowance (other), and Sickness and Bereavement Allowance are included in the JobSeeker counts.

Sources: AIHW analysis of Department of Social Services Benefit and Payment Recipient Demographics – quarterly data on www.data.gov.au (June 2014– June 2022), and of unpublished data constructed from Services Australia administrative data (June 2001–June 2013).

Number receiving JobSeeker Payment returns to pre-pandemic levels, but people are staying on payments for longer

While the proportion of the population aged 16 and over receiving the JobSeeker Payment (hereafter referred to as Jobseeker) returned to pre-pandemic levels by September 2022, the nature of this receipt changed. Before the pandemic in March 2020, over 1 in 4 (26%) people receiving JobSeeker had been receiving income support for less than 1 year, 14% for 1–2 years, and 22% for 2–5 years, similar to the proportions observed over the previous 5 years.

At the onset of the pandemic in March 2020, with an influx of new recipients, the proportion of JobSeeker recipients receiving income support for less than 1 year rose steeply to 57% in June 2020, before gradually falling to 49% by December 2020 and continuing to decline to 22% by March 2023 (see Figure 3.15). As the proportion of short-term (under 1 year) recipients fell, the proportion of JobSeeker recipients on income support payments for 1–2 years rose steeply in 2021, from 11% in December 2020 to

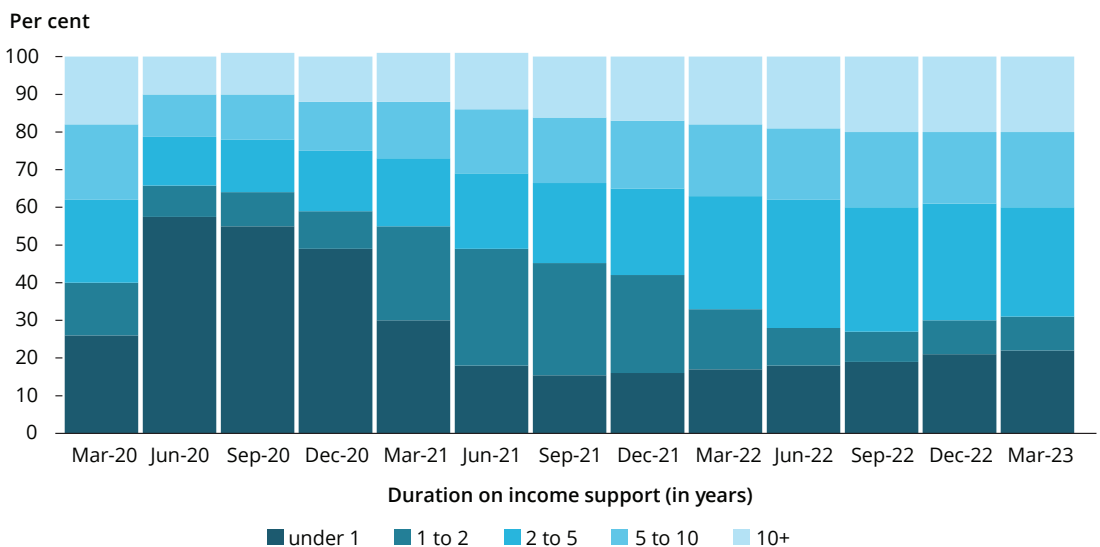
25–31% in 2021. Similar large increases were observed in 2022 and 2023 for people on payments for 2–5 years, from 16% in December 2020 to 29–34% in March 2022–March 2023.

This indicates an increase in long-term recipients of Jobseeker and a reduction in short-term recipients. In March 2023, there were 20% more recipients who had been receiving payments for 2–5 years than in March 2020 (213,400 compared with 177,900). On the other hand, in March 2023, there were 35% fewer JobSeeker recipients who had been on income support payments for 1–2 years (69,400 compared with 107,300 in March 2020) and 21% fewer recipients who had been on income support for less than 1 year (161,900 compared with 204,400, or 42,500 fewer recipients).

The steep growth in the number and proportion of unemployment payment recipients on income support for 2–5 years since the pandemic began occurred within the context of steady growth in the receipt of long-term income support over the past decade. The average duration of income support receipt increased from 237 weeks for current Newstart recipients in March 2015, to 294 weeks in March 2019, to 319 weeks for current JobSeeker recipients in March 2023. As well, the proportion of Newstart/JobSeeker recipients on income support for 5 or more years increased by 10 percentage points from March 2015 to March 2023 (30% to 40%, respectively).

Figure 3.15: After an initial spike in short-term JobSeeker recipients in the early months of the pandemic, by March 2023, people were staying on income support for longer

Duration of income support receipt (in years) for current JobSeeker recipients, March 2020 to March 2023



Source: AIHW analysis of Department of Social Services Benefit and Payment Recipient Demographics – quarterly data on www.data.gov.au (2020–2023).

Steeper rises in receipt of unemployment payments for young people, but all age groups at pre-pandemic levels by September 2022

The total number of people receiving unemployment payments broadly returned to pre-pandemic levels by September 2022; however, some age groups have been slower to return than others.

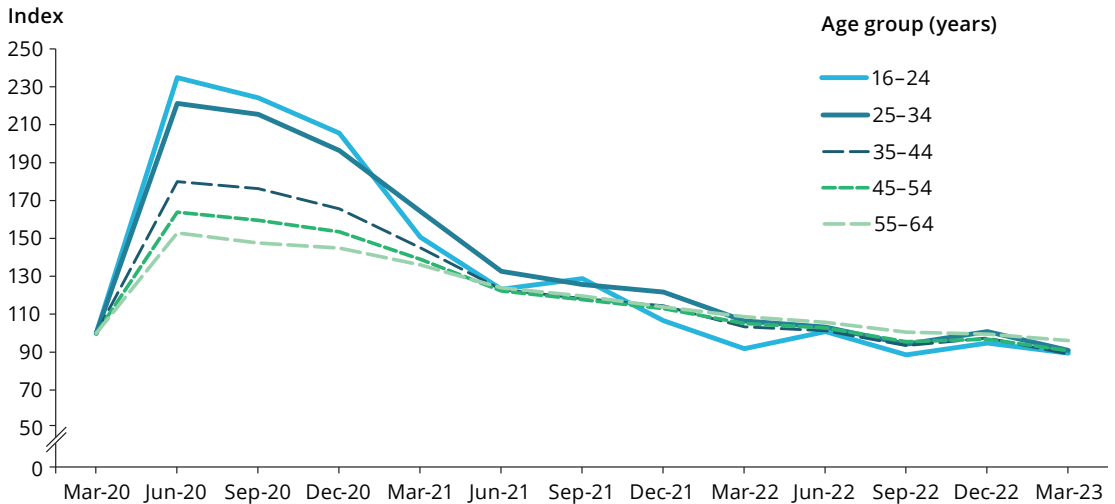
As shown in Figure 3.16, people aged 25–34 had the steepest initial increase in receipt of unemployment payments – more than doubling from 166,100 to 367,600, or from 4.4% to 9.7% of the population aged 25–34, between March and June 2020. Receipt of unemployment payments then gradually declined, with the number of people aged 25–34 receiving unemployment payments returning to a level similar to that before the pandemic (March 2020) by June 2022, and the proportion of people in this age range by September 2022. By March 2023, the number and proportion of this age group receiving unemployment payments declined further to 4.0% of the population aged 25–34 (despite some fluctuations in December 2022).

Young people aged 16–24 experienced the second steepest initial increase in the number of people receiving unemployment payments – more than doubling from 140,900 to 331,100 between March and June 2020, or from 4.8% to 11% of the population aged 16–24. However, this age group was also the first to return to pre-pandemic levels (by March 2022) and receipt continued to fall to March 2023 – 14,600 less people than in March 2020 or 4.4% compared with 4.8% of the population aged 16–24.

The 35–44, 45–54 and 55–64 age groups saw more modest increases in receipt of unemployment payments in the early months of the pandemic (1.5–1.8 times as high in June 2020 as in March 2020) and had returned to similar or lower than pre-pandemic levels by September 2022, despite a small spike in June 2022. By March 2023, the number of people receiving unemployment payments in these age groups had continued to decline.

Figure 3.16: Young people aged under 34 had the steepest increase in unemployment payment receipt at the start of the pandemic but had recovered by 2022

Number of people receiving JobSeeker and Youth Allowance (other) by 10-year age groups between March 2020 and March 2023, represented as an index (March 2020=100)



Note: The data in this figure are presented in the form of an index, representing the number of people receiving JobSeeker and Youth Allowance (other) by 10-year age groups, between March 2020 and March 2023 as a proportion of the total number of people in each age group receiving these payments in March 2020.

Source: AIHW analysis of Department of Social Services Benefit and Payment Recipient Demographics - quarterly data on www.data.gov.au (2020-2023).

Continued steep increase in people aged 65 and over receiving JobSeeker in the 6 years to March 2023

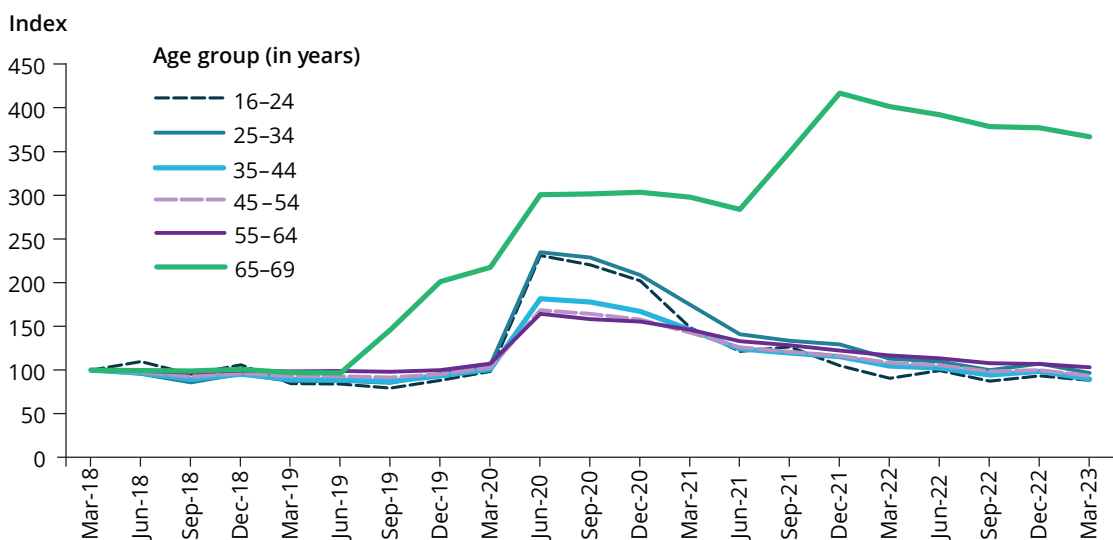
Overall, the proportion of people aged 65 and over receiving income support payments has been declining (from 72% to 63% between 2013 and 2023), consistent with the patterns observed for all age groups. However, in recent years there have been steep increases in receipt of specific payments (such as JobSeeker and Disability Support Pension) for people aged 65 and over.

Between September 2017 and March 2023, the number of people aged 65 and over receiving JobSeeker/Newstart Allowance increased steeply (from 5,100 to 39,100 or from 0.1% to 0.9% of the population aged 65 and over). A similar pattern was also observed for people receiving Disability Support Pension (from 59,500 to 124,700 or 1.4% to 2.8% of this age group), while people receiving Age Pension declined over this period (from 65% to 58% of the population aged 65 and over).

These increases are being driven by people aged 65–69, suggesting it is likely to be a result of increases to the eligibility age for Age Pension and people continuing to receive other income support payments for longer before transitioning to Age Pension. The qualifying age for Age Pension has increased by 6 months every 2 years since 1 July 2017. Indeed, after each of these increases, the number of people aged 65-69 receiving JobSeeker in subsequent quarters rose markedly – an increase of 51% in September 2019 and 38% in December 2019, compared with small changes, ranging from declines of 4.7% to increases of 2.5%, in most other quarters (see Figure 3.17; see also ‘Income support for older Australians’ at <https://www.aihw.gov.au/reports/australias-welfare/income-support-for-older-australians> for further details). However, these increases in the number of people aged 65–69 receiving unemployment payments in recent years may also be influenced by this age group’s seeking to remain engaged in the labour force for longer (AIHW 2021b).

Figure 3.17: Unemployment payment receipt increased steeply for people aged 65–69 with each increase to qualifying age for Age Pension

Number of people receiving unemployment payments by 10-year age groups between March 2018 and March 2023, presented as an index (March 2018=100)



Notes:

1. The data in this figure are presented in the form of an index, representing unemployment payment receipt by 10-year age groups between March 2018 and March 2023 as a proportion of unemployment payment receipt for each age group in March 2018.
2. Before March 2020, unemployment payments included Newstart Allowance and Youth Allowance (other). After March 2020, it includes JobSeeker Payment and Youth Allowance (other), and Sickness and Bereavement Allowance are included in the JobSeeker counts.

Source: AIHW analysis of Department of Social Services Benefit and Payment Recipient Demographics – quarterly data on www.data.gov.au (2018–2023).

Has participation in employment services returned to pre-pandemic levels?

The Australian Government funds employment services so that people receiving income support have access to support that will help them find and keep a job (see Box 3.3 for further details). Employment services programs typically include:

- services that help individuals during their job search, such as helping them to find jobs or writing resumés
- services that help unemployed individuals start their own business
- training programs aimed at helping to improve the employability of people who are unemployed
- work experience programs that place unemployed people in work-like activities (such as Work for the Dole).

Employment services primarily support people who receive specific income support payments, such as people receiving unemployment and parenting payments. To continue to receive such payments, an individual may need to participate in an employment services program to meet mutual obligation (activity-testing) requirements.

This section explores the caseload and outcomes of employment services in Australia, before and during the peak COVID-19 pandemic and in the months since (covering the period 2015–2023). It focuses on the mainstream program Workforce Australia (comprising Workforce Australia Services, Workforce Australia Online and Transition to Work) and jobactive/Transition to Work before July 2022. The caseload represents the people who are participating in mainstream employment services at a given point in time, and outcomes refer to the employment status of a participant after their participation. This section also examines whether some population groups were particularly affected by the pandemic, as indicated by their increased use of employment services in the early months of 2020.

The patterns and trends observed in employment service receipt and outcomes should be considered in the context of the employment and income support results presented in the previous sections of this article. Employment service usage will increase when income support receipt increases as a response to unfavourable labour market conditions; that is, rising unemployment and underemployment and falling employment (see Box 3.3 for how these measures differ from one another).

Box 3.3: Employment services in Australia

From 2015–22, mainstream employment services, which provide participants with the support they need to access and maintain secure work, included jobactive Provider Services, Online Employment Services, and Transition to Work (implemented in February 2016). It also included the New Employment Services Trial implemented between 1 July 2019 and 30 June 2022.

From July 2022, mainstream employment services refer to Workforce Australia Services, Workforce Australia Online and Transition to Work (DEWR 2022b). Note that Transition to Work is a youth specialist program that operates quite differently from Workforce Australia; however, it is still included in the ‘mainstream’ caseload. To be eligible for these services, a person must be receiving an income support payment that is activity tested, living in a non-remote area, and not eligible for Disability Employment Services (DES). DES support people living with disability to find and keep employment. Employment services also includes the Community Development Program for people living in remote areas.

This article focuses on mainstream employment services and DES.

This section also reports on employment outcomes for a sample of jobseekers who have previously participated in, or are currently participating in, Workforce Australia (or jobactive before 4 July 2022) or Transition to Work. These jobseekers are selected to respond to a survey at the end of a given month and their employment outcomes are measured around three months after being selected (the outcome being their employment status at the time). Data are aggregated over 12 month periods, and this article reports on participants selected for the survey between January and December 2021 .

The total number of employment service participants does not necessarily align with the total number of people who are unemployed, as presented earlier in this chapter, based on the ABS definition (that is, people who are looking for work, and available to start work, but who did not work any hours at all in the reference week). Employment service participants include people who are unemployed, but also people who are employed and eligible for income support as they are not earning enough or not working enough hours. It also includes some people who would otherwise be defined as not being in the labour force. This includes Australians aged 55 and over who volunteer full time to meet their mutual obligation requirements, and individuals with temporary exemptions from mutual obligation requirements due to illness, caring responsibilities and other personal circumstances.

The number of employment service participants, and how this has changed over the course of the pandemic, can therefore provide a different perspective on the scale and composition of unemployment and underemployment in Australia. It can also provide insights into the characteristics of people who have been able to move closer to the labour market, and of people who are experiencing longer term unemployment or underemployment.

Number receiving mainstream employment services doubled at the onset of the pandemic and returned to typical levels by late 2022 despite record low unemployment rate

In the decade to 2015, the total mainstream employment service caseload had been relatively stable before starting a gradual decline, from 828,900 in February 2015 to 653,600 in February 2020, or a 21% decline (see Figure 3.18). This is consistent with the gradual decline in the number of people receiving unemployment and parenting payments over recent years (see previous section) and, in turn, a smaller number of people with mutual obligations (such as needing to participate in an employment services program to receive an income support payment).

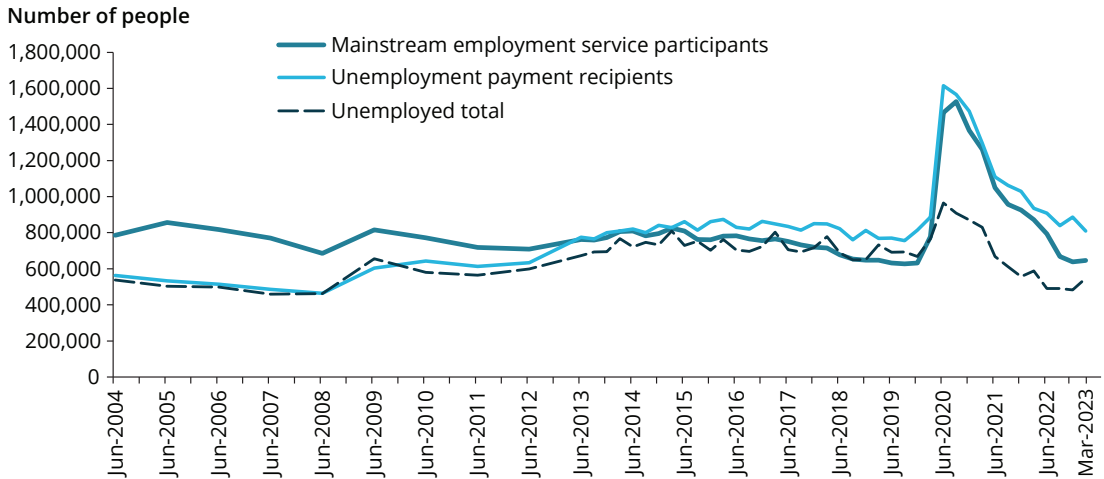
At the start of the pandemic, however, the caseload more than doubled, from 653,600 on 29 February 2020 to a peak of 1.5 million in September 2020, reflecting the steep rise in the number of people receiving Jobseeker and Youth Allowance (other) over this period. Since then, the total caseload has declined each month. By October 2022, it was back to pre-pandemic levels (650,600, or 0.5% lower than it was in February 2020), and had declined slightly to 645,600 participants by March 2023, similar to the caseload level in March 2019.

These typical caseload levels were observed despite the unemployment rate in March 2023 dropping to 3.6%; much lower than the unemployment rate in March 2019 (5.1%; see Figure 3.18). This discrepancy is because employment services are accessed by a broader range of people than just people who are defined by the ABS as being unemployed. It suggests that, despite low unemployment rates, the need for employment support is similar to that for pre-pandemic levels (see Box 3.3 for more information).

As shown in Figure 3.18, from 2012, the number of employment service participants has followed a similar trend to people receiving unemployment payments. This reflects the introduction of mutual obligation requirements where recipients are required to participate in an employment service program.

Figure 3.18: Mainstream employment service participants spiked early in the pandemic – back to pre-pandemic levels by October 2022, despite record low unemployment

Number of people participating in mainstream employment services, receiving unemployment payments, and unemployed (ABS definition), June 2004 to March 2023



Sources: AIHW analysis of unpublished data provided by the Department of Employment and Workforce Relations (June 2004–January 2023) and DEWR 2023 for mainstream employment service data from February 2023 to March 2023, AIHW analysis of Department of Social Services Benefit and Payment Recipient Demographics - quarterly data on www.data.gov.au (June 2014–March 2023) and unpublished data constructed from Services Australia administrative data (June 2004–June 2013), and ABS Labour Force Survey (ABS 2023c: Table 1).

Many employment service participants who joined at the onset of the pandemic continue to receive services

Before the COVID-19 pandemic, many new employment service participants had a brief period of service and exited the caseload in under 1 year. Following the pandemic, the composition of duration of registration changed, with fewer short-term participants and more long-term participants.

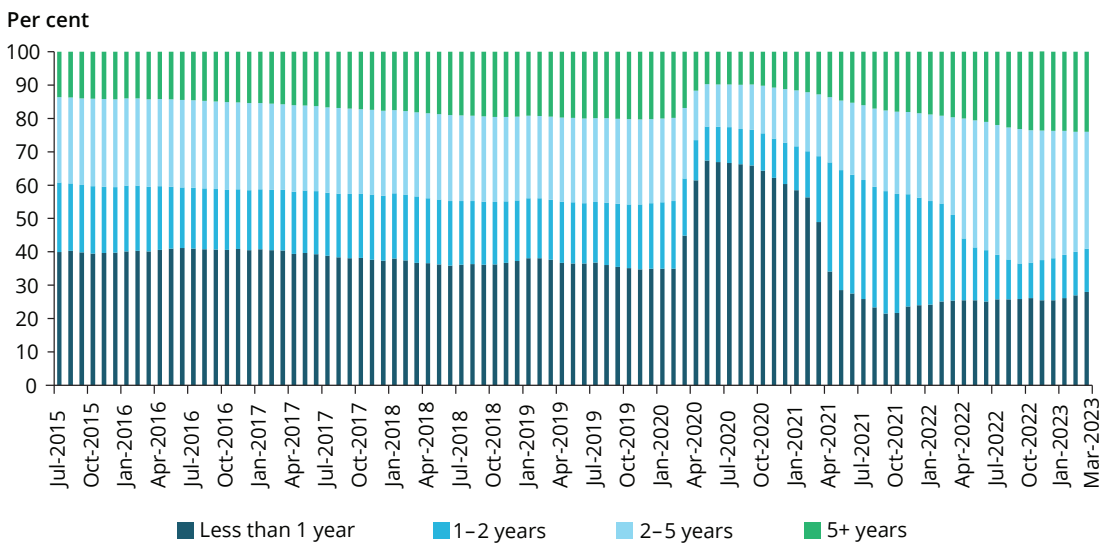
Between February 2020 and March 2023, the proportion of short-term participants declined – from 35% to 28% for participants registered for less than 1 year and from 20% to 13% for participants registered for 1–2 years. Coinciding with this decline, the proportion of long-term participants increased – from 25% to 35% for participants registered for 2–5 years and from 20% to 24% for participants registered for 5 or more years.

Before the pandemic, the proportion of short-term participants (registered for less than 2 years) had been declining and that of long-term participants (registered for 2 or more years) increasing, but at a much slower rate (see Figure 3.19). Unpublished

analysis by the Department of Employment and Workplace Relations of the caseload highlights that people referred to employment services between 20 March 2020 and 30 June 2020 tended to be the first to leave when restrictions were lifted. New participants with disability, people of mature age (aged 55 and over), people with low levels of education (who have not completed secondary school), or individuals referred to employment services before March 2020 were more likely to remain on the caseload.

Figure 3.19: Fewer short-term participants and more long-term participants in mainstream employment services in 2023 than before the pandemic

Proportion of recipients in mainstream employment services caseload by duration of registration, July 2015–March 2023



Source: AIHW analysis of unpublished data provided by the Department of Employment and Workforce Relations from July 2003 to January 2023; DEWR 2023 for mainstream employment service data from February 2023 to March 2023.

Certain population groups were more heavily represented in the increased caseload in the early months of the pandemic, with characteristics different from those of the typical caseload; it consisted of younger, more highly educated people who were more likely to live in cities and less likely to be Aboriginal or Torres Strait Islander (First Nations) people or refugees. For example, 28% of the participants referred to mainstream employment services between 1 July 2020 and 30 June 2021 (the inflow) were aged under 25 as opposed to 21% of the total caseload as at 29 February 2020; these proportions were similar for other age groups. A lower proportion of the inflow were First Nations people (8.1% compared with 13% of the total caseload) (DEWR 2023; House of Representatives Workforce Australia Employment Services Committee 2022).

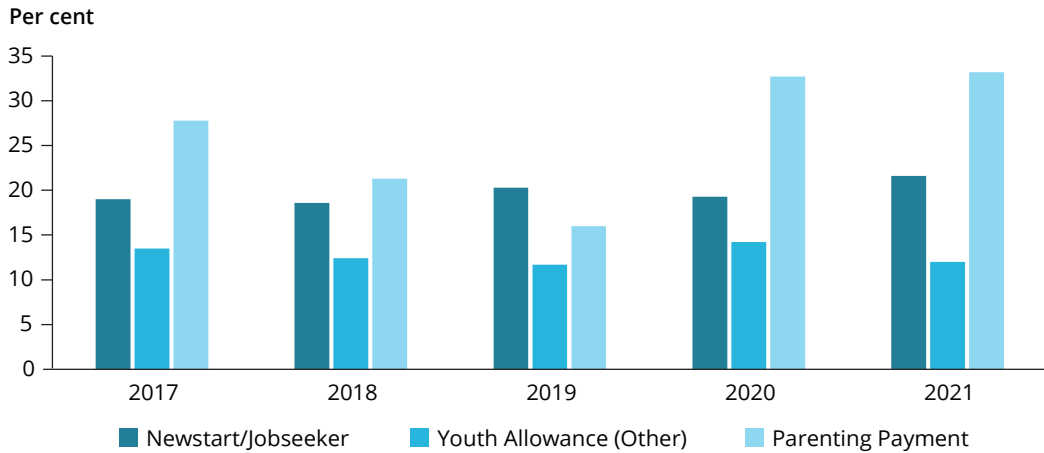
Employment outcomes for participants were adversely affected by the pandemic, in line with labour force measures

Despite a large increase in the mainstream employment services caseload in the early months of the pandemic, the proportion of participants able to secure employment declined based on a monthly survey of a sample of participants (see Box 3.3 for further details). This is consistent with other labour force measures explored in previous sections of this article. Around 42% of all people who responded to the survey in 2020 were employed when outcomes were measured, compared with 46–50% in 2017–2019. By 2021, this had recovered to 51%.

The proportion of participants reported as not in the labour force when outcomes were measured remained relatively stable from 2017 to 2021 (17–20%), suggesting that the pandemic did not have a large impact overall on participants who were not in the labour force. However, this is not the case for participants receiving parenting payments, who were more likely to be not in the labour force compared with participants receiving other income support payments. The proportion of participants receiving parenting payments who were not in the labour force increased steeply from 16% to 33% between 2019 and 2021, while the proportions for Youth Allowance (other) and Newstart/Jobseeker recipients remained relatively stable over this period (see Figure 3.20). This may reflect that parents with young children experienced greater challenges in re-entering the labour force in the years after the onset of COVID-19, due to the need to care for children who would usually be at school or in care.

Figure 3.20: jobactive participants receiving parenting payments were more likely to not be in the labour force than participants receiving other payments

Number of jobactive participants who are not in the labour force, by payment type, January 2017–December 2021



Note: For people who participated in a program in a given 12 month period (from January to December), employment outcomes (in this case, being not in the labour force) are measured around 3 months later.

Source: Employment Services Outcomes reports from 2017 to 2022 published by the Department of Employment and Workplace Relations (DEWR 2022a).

Gradual increase in Disability Employment Services caseload numbers, and outcomes had returned to pre-pandemic levels by March 2021

Unlike the mainstream caseload, DES caseloads have been gradually increasing since 2017. The total caseload increased by 46%, from 190,600 cases in September 2017 (the earliest available data) to 280,200 in March 2020, reaching a peak of 315,900 in June 2021. It then remained relatively stable until January 2022, before gradually falling to March 2023 (it declined by 12% between January 2022 and March 2023).

While the number of people accessing DES continued to steadily increase throughout the early months of the pandemic, the outcomes of DES were more heavily affected. From May 2020 to August 2020, for example, the number of people who had been working at or above their minimum required hours for 13 weeks (that is, people with 13-week outcomes) were between 14% and 18% lower than the same months in the previous year, a reversal of the pattern seen in previous years. By March 2021, the number of people with 4, 13, 26 and 52 week outcomes were all similar or higher than before the pandemic in March 2020 (DSS 2022a).

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