Research and Policy Centre

Shocks and safety nets

Financial wellbeing during the COVID-19 crisis

Emily Porter and Dina Bowman

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Note

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Summary

The COVID-19 pandemic ushered in profound changes and led Australia into a recession for the first time in almost 30 years. Unsurprisingly, these challenges affected the financial wellbeing of many, exposing existing risks and inequalities. In this second paper in the Financial Lives in Uncertain Times series, we explore the impacts of the COVID-19 crisis on vulnerable Australians, identifying some of the social structures that helped or hindered them during the height of the crisis in this country.

Our analysis uses financial wellbeing measures developed by ANZ based on the continuous Roy Morgan Single Source survey. These measures have been developed drawing on Kempson and colleagues' (2017) definition of financial wellbeing, comprising the ability to meet commitments, feel comfortable and be financially resilient (see box).

The ANZ Roy Morgan Financial Wellbeing Indicator is made up of three key components based on the Kempson and colleagues' (2017) model of financial wellbeing:

- The **Meeting Commitments score** estimates a person's ability to consistently meet everyday commitments. The measure is built using questions on whether paying bills on time or buying groceries and other essentials can be a struggle due to lack of funds, and whether a person has been unable to pay bills or loans on time due to a lack of funds.
- The **Feeling Comfortable score** captures how comfortable people feel regarding their current financial situation and whether this has improved in the past year. It also considers perceptions around future financial wellbeing and economic security, using individual responses regarding their outlook for the next year and ability to plan for the long term.
- The **Resilience score** estimates the number of months' income a person has in savings and their ability to manage a drop in income by a third. 'Resilience' therefore provides a useful indicator of whether people have a financial buffer to cope with economic shocks.

Financial wellbeing declined for most during COVID-19

- During the peak of the COVID-19 crisis in Australia, average Financial Wellbeing scores for all Australians declined by 5% from an average of 60.8 in the two years to March 2020 (the pre-COVID period) to 57.6 in the September 2020 quarter[1].
- For most people, declines in Financial Wellbeing during COVID were driven by a sharp fall in the Feeling Comfortable dimension. However, for low-income individuals, Meeting Commitments and Financial Resilience scores were most strongly impacted.

1 We compare data from the pre-COVID period (average for April 2018 to March 2020) to the COVID period (average for April 2020 to September 2020). To reveal changes within the COVID-period, we also look at averages for the June 2020 and September 2020 quarters.

COVID-19 turned the tables on who was likely to face challenges meeting everyday commitments

- Overall, people in the lowest income quintile reported a 6% decline in Meeting Commitments from the pre-COVID period to the September quarter.
- Low-income workers showed a 21% decline in ability to Meet Commitments over the same period.
- However, the ability to Meet Commitments actually improved for people in low-income households that relied on working age income support payments.
- For example, unemployed workers who were likely to have access to JobSeeker Payment[2] reported a 10% increase in ability to Meet Commitments during the COVID period. Single parents[3] and disability support pensioners who were not in employment also reported an improved ability to Meet Commitments.

Some financial impacts from COVID will be temporary, others will be long-term

- People in the lowest income quintile reported a sharper decline (4%) in Financial Resilience from the pre-COVID period to September 2020 than those in the highest income quintiles, leaving them more vulnerable to future shocks.
- Disability Support Pension recipients in employment reported a 9% decline in Resilience scores between the pre-COVID and the COVID periods.
- Older people reported sharp declines in Resilience scores, with a 6% fall for those aged over 45 from the pre-COVID to the COVID period.
- For some people, the crisis will have long-term consequences. For example, the proportion of low-income women with superannuation declined by 6 percentage points. Single parents not in employment showed an even larger decline (by 10 percentage points) in the proportion with any superannuation.

Background

Ready for a crisis? New risks and old risks in a growing economy

The decades preceding the COVID-19 crisis included a long period of uninterrupted economic growth. But increasing financialisation accompanied this growth, shifting risk from governments to individuals and leaving many unprepared for a crisis (Banks & Bowman 2017).

Employment has become less secure, leading to increased underemployment (ABS 2021), unpredictable incomes (Banks & Bowman 2019) and a rising number of people working more than one job to make ends meet (ABS 2020d). At the same time, our social safety net has provided less protection from shocks for people who need it. Inadequate payment levels and increased conditionality (Community Affairs References Committee 2020) have resulted in an estimated 85% of households that rely on working age allowances (such as JobSeeker/Newstart) living in poverty by April 2021 (Phillips 2021). Housing affordability challenges have compounded these problems.

These changes have weakened people's protection from existing social risks such as poverty, insecure work, unemployment, illness, disability or single parenthood (Bonoli 2007). As a result, individuals now need to build their own savings buffer to protect against shocks. For those relying on low or variable incomes, this is impossible, with any savings accumulated easily wiped out by unforeseen expenses.

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2 We assume an individual is likely to have had access to at least partial JobSeeker Payment (including the Coronavirus Supplement) if their household income is below the annualised income threshold ($80,200) that applied from April 2020.

3 Single parents are defined as someone not married or de facto who is a parent or guardian to a child (aged under 18) in their household. Most single parents are women.

The big COVID-19 shock and big government response

The economic impact of the pandemic has been described as the sharpest economic contraction since the Great Depression. Lockdowns caused unemployment to spike, reaching a peak of 7.5% in July 2020, up from 5.3% in January 2020 (ABS 2021). Underemployment also increased sharply, reaching 13.8% in April 2020 (ABS 2021).

In response to these challenges, the federal government implemented a package of supports, including:

- **JobKeeper –** an employment subsidy, set at $1,500 per fortnight to the end of September 2020, for employees of businesses affected by the pandemic
- **Coronavirus Supplement –** an additional payment, initially $550 per fortnight, to recipients of JobSeeker, Youth Allowance, Austudy and Parenting Payment from the end of April 2020 to the end of September 2020 (DSS 2020)
- **Economic Support Payments –** two (initial) $750 payments for people on Age Pensions, Disability Support Pensions, Carers Payment and Sickness Allowances[4] by July 2020
- **early access to superannuation –** provision from late March 2020 for people impacted by the pandemic to withdraw up to $10,000 per financial year from their superannuation.

Nevertheless, the number of people on unemployment payments soared to 1,614,412 in June 2020 from 813,721 in December 2019 (DSS 2021).

The study

Given the established link between the economic environment and financial wellbeing, we can expect COVID-19 to impact financial wellbeing in several ways (Friedline, Chen & Morrow 2020; Kempson, Finney & Poppe 2017). Firstly, many people experienced reduced incomes, which was likely to limit their ability to meet regular expenses and costs, impacting financial resilience and long-term economic security. The uncertainty created by the pandemic was also likely to impact people's perceptions of financial wellbeing as their control over financial choices and outcomes weakened, increasing stress and making it harder to plan for the future (Hsu, Tam & Howell 2016; Salignac et al. 2019). These effects are expected to be particularly severe for people with low or variable incomes (Salignac et al. 2019).

To understand these impacts, we draw on Roy Morgan Single Source survey data from April 2018 to September 2020.[5] The total sample for this period includes 41,050 respondents aged 18 and older, with around 4,100[6] individuals surveyed each quarter on average. The ANZ Roy Morgan Financial Wellbeing Indicator[7] we use in our analysis uses regression analysis to bring together several survey items to create scores from 0 to 100 for each of the three dimensions of financial wellbeing (Meeting Commitments, Feeling Comfortable, Financial Resilience). These are based on the three components of financial wellbeing identified by Kempson and colleagues (2017).

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4 The first Economic Support Payment was also available to those receiving the Coronavirus Supplement; however subsequent payments were not. For a full list of eligible payments see <https://www.servicesaustralia.gov.au/individuals/services/centrelink/economic-support-payment>.

5 While the survey data covers the quarters from April 2017 to March 2020, we take an average of the quarters April 2018 to March 2020 as the pre-COVID comparison period for continuity with our previous report All in it together? Financial wellbeing before COVID-19.

6 See footnote 12 for more details of the sample.

7 The methodology used to create measures for the three domains and the overall Financial Wellbeing Indicator is elaborated in The ANZ Roy Morgan Financial Wellbeing Indicator Report December 2019.

Financial wellbeing trends for specific groups

In this report we focus on groups with traditionally higher levels of economic insecurity and reliance on social security, who were expected to be more exposed to the impacts of both the crisis and the government response. They include unemployed workers, single parents and disability support pensioners. All three groups have relatively low Financial Wellbeing scores. We also look at impacts of the COVID crisis by age, focusing on older people who had higher resilience before COVID and were likely to benefit less from COVID policy supports.

Unemployed workers

- For unemployed workers who were likely to be eligible for JobSeeker Payment (and the Coronavirus Supplement), Financial Wellbeing increased by 7% during the COVID-19 period to 45.3, driven by an improved Meeting Commitments score.
- Conversely, for those unemployed workers who were unlikely to receive JobSeeker the ability to Meet Commitments declined by 8%. This led to overall Financial Wellbeing for this group falling to 50.3, still markedly higher than for those likely to receive JobSeeker.
- Improvements in Meeting Commitments scores were strongest for those without savings to fall back upon.
- The stress of being unemployed during a recession appeared to have most effect on those without access to JobSeeker, who experienced a 15% decline in Feeling Comfortable scores.

Single parents

- Financial Wellbeing rose by 5% for single parents during the COVID period, to 46.0.
- For single parents in employment this change was driven by a 15% increase in Feeling Comfortable, more than offsetting their 3% decline in ability to Meet Commitments. This highlights the financial reassurance provided by employment during a recession, particularly for vulnerable groups.
- Single parents not in employment, who were likely to benefit from the Coronavirus Supplement, showed a 7% increase in Resilience scores. Despite this, Resilience scores for this group remained 39% lower than for single parents in employment.

Disability support pensioners

- Financial Wellbeing for disability support pensioners increased by almost 4% during the COVID period to 45.4, driven by an increased ability to Meet Commitments.
- In line with the experience of single parents, gains in the Meeting Commitments dimension for DSP recipients were limited to those who were not in employment. For this group, Meeting Commitments scores increased by a considerable 14%.
- DSP recipients in work showed a 7% increase in Feeling Comfortable scores.
- This occurred even as Resilience scores for DSP recipients in work fell by 9%, and the proportion with a superannuation account fell by 7 percentage points, weakening their financial wellbeing in the long run.

Age and the impact of COVID-19

- During the COVID period, the financial wellbeing gap between older and younger people diminished as older people lost some of their financial advantage. Financial Wellbeing scores for all people aged 45 and over declined by 8%, while those under 45 showed increases in Resilience as savings grew.
- Older age-groups (45 years and over) experienced the most marked decline (15%) in the Feeling Comfortable dimension, accompanied by a 6% decline in the Resilience dimension. Falls in Resilience and Meeting Commitments scores were slightly larger for women.
- Declines in income or savings for those nearing retirement will have a larger impact on their long-term economic security, so these predictably affected their Feeling Comfortable scores.

Investing in resilience

Australia has fared better than many nations in suppressing the virus and reopening the economy. However, unemployment remains above pre-COVID levels and our analysis shows that the crisis has left many with a weakened capacity to absorb future shocks. The removal of temporary measures leaves many exposed to the risks of unemployment.

Moreover, underlying challenges in the Australian economy remain. Without reform, low wage growth, increasing underemployment and poor housing affordability are likely to continue. Addressing these challenges requires sustained investment in recovery, including:

- a decent social safety net that protects against shocks
- full employment to provide secure work and wage growth
- well-developed social infrastructure to support future growth.

Our analysis shows the crisis has left many with a weakened capacity to absorb future shocks.

1 Introduction

The year 2020 began in a haze of bushfire smoke, followed by a once-in-a-century pandemic and accompanying global recession. The impacts of these challenges have been profound, with the pandemic ushering changes to work, education, home life and the role of government in ways that might not have seemed possible little more than a year ago.

The COVID-19 crisis has also highlighted existing risks and inequalities. Its effects, and state and federal governments' responses, have been far from uniform. For many vulnerable Australians, the pandemic has had a silver lining, with previously inadequate social security payments increased through the introduction of the Coronavirus Supplement. At the same time, however, the increasing precarity of work and the volatility of financial markets have exacerbated risks to economic security and financial wellbeing, especially for those already doing it tough.

Financial wellbeing and economic shocks

The COVID-19 pandemic is an example of a harmful event with wide-ranging impacts on financial wellbeing. The impact of the economic environment on financial wellbeing and stress is well established (Friedline, Chen & Morrow 2020; Kempson, Finney & Poppe 2017). A fall in income due to loss of employment, work-hours or business revenue will limit people's ability to meet regular expenses and costs. When this occurs, those who are able to rely on savings or affordable forms of credit are likely to experience less severe impacts on financial wellbeing (Friedline, Chen & Morrow 2020).

However, people with low or variable incomes generally struggle to make ends meet, with nothing left over to accumulate savings, leaving them with limited options in the event of a crisis (Salignac et al. 2019). In this context, managing shocks such as a car breaking down or an unexpected illness can have a large impact on financial wellbeing, even without a global pandemic (McKenzie & McKay 2017). Moreover, a lack of savings or assets is also likely to limit access to affordable forms of credit, increasing reliance on high-cost forms (e.g. credit cards or payday loans) in the absence of government support (Bowman et al. 2016).

In addition to material impacts, the pandemic affected perceptions of financial wellbeing. Having control over one's finances is essential to manage everyday commitments and to plan (Hsu, Tam & Howell 2016; Salignac et al. 2019). During a crisis, this becomes challenging, increasing financial stress (Bowman & Banks 2018). These effects are likely to be particularly severe for people who are already in a precarious position. This includes not just those without savings or other assets, but those with limited income or employment security. For example, financial stress is higher for people in insecure work (De Witte 2016; Green 2020) and for those with poor re-employment prospects due to less valuable skills, barriers to work such as disability (Green 2020) or a context of high unemployment (Salignac et al. 2019).

The COVID-19 crisis has also highlighted existing risks and inequalities. Its effects, and state and federal governments' responses, have been far from uniform.

Impacts of the COVID-19 pandemic on financial wellbeing

To understand these impacts, we compared financial wellbeing in the two years prior to COVID-19 (April 2018 to March 2020) to financial wellbeing during the peak of the pandemic (April 2020 to September 2020). Our focus is on Australians who entered the crisis with lower incomes and lower financial wellbeing, potentially making them less resilient to a financial shock. We use a range of financial wellbeing measures developed by ANZ based on data from the Roy Morgan Single Source survey. Our analysis includes the effect of the expansion in government support that occurred because of the crisis. Specifically, we investigated the impact of the crisis and related policy changes on:

- people who were unemployed
- single parents, most of whom are women
- disability support pensioners
- older Australians.

This report

The report is structured as follows. First, we review financial wellbeing prior to the crisis, before detailing the economic impact of the COVID-19 crisis and key government responses. We then describe the dataset and our analytical approach, and present and discuss our findings. We conclude with proposals for a fair and equitable recovery that increases financial resilience to future shocks.

2 COVID-19: the biggest economic shock in a century

The COVID-19 pandemic has been touted as the biggest economic shock since the Great Depression (Cranston & McIlroy 2020), precipitating an expansion of social policies to support the millions suddenly at risk of unemployment. But it is just one of many shocks that will likely affect employment and economic security in the twenty-first century (Balliester & Elsheikhi 2018). Indeed, Australia entered the COVID-19 crisis after decades of increasing financialisation (Hardin 2019), shifting multiple risks from governments to individuals and increasing inequality (Banks & Bowman 2017). Moreover, climate, technological, geopolitical and demographic changes are expected to bring new uncertainties.

Examining the impacts of the COVID-19 crisis on financial wellbeing in this context of changing risks will help us understand how to enable financial wellbeing in uncertain times.

New risks and old risks in a changing economy

Risks that have emerged or increased in recent years meant that many Australians were not well protected against economic shocks.

Insecure work

Employment has become less secure, with the share of full-time jobs decreasing from 74% to 68% in the two decades to March 2020. For young people (aged 15 to 24), this decline has been even greater (ABS 2021). Casual work has also increased, leaving 1 in 4 workers without paid sick leave. This had led to increasing underemployment (ABS 2021) and unstable incomes (Banks & Bowman 2019). In recent years, these changes have been accompanied by low wage growth (Gilfillan 2019), stubbornly high unemployment, especially for young people (Borland 2020), and an increasing number working more than one job to make ends meet (ABS 2020d).

Fraying safety net

The ability of our social safety net to protect people from shocks has also been weakened, while conditionality has increased. Prior to 2020, the rate of JobSeeker (formerly Newstart) had not risen in real terms since 1994 (Thornton, Bowman & Mallett 2020). This left more than half of those on JobSeeker and Parenting Payments living in poverty before the pandemic (ACOSS 2020b), with many skipping meals or forgoing heating (Phillips 2021).This has contributed to more than 1 in 10 Australians being unable to save $500 for emergency expenses (Wilkins et al. 2020).

Unaffordable housing

These changes have been accompanied by housing affordability challenges, particularly for low-income Australians. Home ownership rates for those aged 25 to 34 in the lowest income quintile fell from over 60% in 1981 to just 23% by 2016 (Daley, Coates & Wiltshire 2018). Just 3% of available rental properties are considered affordable (rents under 30% of income) for those on income support (Anglicare Australia 2020). In 2017–18, 44% of low-income renters in the private market suffered from rental stress[8] (ABS 2019).

8 Households in rental stress are typically defined as those in the lowest 40% of incomes that spend more than 30% of gross income on rent (ABS 2019).

The disappearing dream of a comfortable retirement for pensioners

Older Australians have been more insulated from these changes than other groups. Despite this, individual wealth, particularly home ownership, plays an increasingly important role in providing a comfortable retirement. While the superannuation system aims to reduce these risks, many retire with limited superannuation balances. Lower wages and/or gaps in employment due to unemployment or care responsibilities have left older women particularly exposed to financial risk (Hetherington & Smith 2017), and this has contributed to increased workforce participation by women aged over 65 (AIHW 2018). The risk of homelessness among older women has also increased (Bowman, Mupanemunda & Wickramasinghe 2021; Faulkner & Lester 2020).

Weakened protection from the impact of old and new risks

These changes have weakened people's protection from existing social risks such as poverty, insecure work, unemployment, illness, disability or single parenthood (Bonoli 2007). Furthermore, new risks have emerged, including climate change, which has increased the incidence of natural disasters and other crises.

As a result, it has become incumbent on individuals to build their own savings buffer to protect against shocks. For those with low or variable incomes, this is extremely difficult. This leads to strong divides in financial wellbeing. Vulnerable groups, such as single parents and those receiving the DSP, have Financial Wellbeing scores 30% lower than the Australian average (Porter, Bowman & Curry 2020). Moreover, while overall Financial Wellbeing increased in the two years before COVID-19 for most people in Australia, there were limited improvements in Financial Resilience, leaving too many people without adequate buffers against the COVID-19 shock.

The biggest economic shock in a century

In late March 2020, as the scale of the pandemic became clear, a range of restrictions were introduced to stop the spread of the virus (Storen & Corrigan 2020). As lockdowns took effect, unemployment spiked and spending dropped sharply, leading Australia into a deep recession.

Overall unemployment rose from 5.3% in January 2020 to a peak of 7.5% in July 2020 (ABS 2021), even though this figure did not include employees who were inactive but receiving JobKeeper Payment. Women and youth bore a disproportionate share of the impacts due to their concentration in the hardest hit sectors, such as hospitality, arts and retail, and higher rates of casual and insecure work. The number of people on unemployment payments doubled from 813,721 (in December 2019) to 1,614,412 in June 2020. While there has been some improvement, the number of people relying on JobSeeker payments remains high, with 1,167,392 recipients by 26 March 2021 (DSS 2021). This number is likely to rise with the cessation of the JobKeeper wage subsidy (see page 15) on 28 March 2021.

Many older Australians also saw their financial security eroded. Unemployment for over 55s increased from 3.6% in January 2020 to 5.2% by August 2020, while many more faced underemployment or reduced hours. At the same time, the global downturn impacted financial markets, in some cases shrinking retirement savings. With increasing uncertainty, workforce participation for over 55s increased, even as participation among other groups declined (ABS 2021).

Importantly, the pandemic highlighted the potential public health consequences of insecure and poorly paid work. Many workers without leave entitlements felt financial pressure to attend work while symptomatic or awaiting COVID-19 test results (Harmsen 2020). Compounding these risks, casuals often work multiple jobs to make ends meet, as occurred in the hotel quarantine system (Taylor 2020), increasing the risk of transmission and imposing high costs on the rest of society.

Responses to COVID-19 and the implications for financial wellbeing

As employment fell, household incomes declined, increasing financial stress for many, with research showing 30% of Australians felt financially stressed paying for goods and services by April (Melbourne Institute 2020). The federal government responded with a package of supports worth around 6% of GDP (ACOSS 2020a), with the following key initiatives.

On 30 March, the federal government announced **JobKeeper**, a wage subsidy, set at $1,500 a fortnight to the end of September 2020. The flat-rate payment was available for all part-time and full-time employees of businesses whose revenue had fallen by at least 30%.[9] Casual workers were also eligible if they had been with their employer for at least 12 months. From October 2020, JobKeeper continued with lower, differentiated payment rates based on hours worked.[10] Rates were further cut in January 2021. At the height of the crisis in June, more than 3 million Australians were receiving JobKeeper; this reduced unemployment and allowed households to maintain spending (Smirk 2020). The number had fallen to a still substantial 1.1 million by January 2021 (The Treasury 2021). The JobKeeper scheme ended on 28 March 2021.

The government introduced a **Coronavirus Supplement** of $550 per fortnight in April 2020 payable to those on JobSeeker, Youth Allowance, Austudy and Parenting Payments (DSS 2020). The partner income threshold and taper rate were also raised, and the liquid assets waiting period was suspended, expanding eligibility. These changes recognised the inadequacy of existing payments for many forced to deal with sudden job loss. The Coronavirus Supplement was cut to $250 per fortnight at the end of September, and to $150 from January 2021. At the end of March 2021, the supplement ceased and a permanent increase of $50 per fortnight was introduced for the relevant payments.

Economic stimulus payments known as **Economic Support Payments** were paid to those on Age Pensions, Disability Support Pensions, Carers Payment and Sickness Allowances.[11] The first two payments of $750 were paid in April and July 2020. Two further payments of $250 were made in December 2020 and March 2021.

From late March 2020, people were permitted to apply for **early access to superannuation** if they were negatively impacted by the pandemic. This included those who were made redundant or had their work-hours or business revenue drop by at least 20% (determined by self-assessment). Individuals could access up to $10,000 before 30 June 2020 and the same amount in the following financial year. Some 4.9 million applications were received, 1.4 million of them repeat applications. Average withdrawals were $7,402 for initial applications and $8,268 for repeat applications (APRA 2021).

9 For businesses with turnover over $1 billion, a 50% reduction due to the coronavirus pandemic was required. See <https://www.pm.gov.au/media/130-billion-jobkeeper-payment-keep-australians-job>.

10 See <https://treasury.gov.au/sites/default/files/2020-08/Fact_sheet-JobKeeper_Payment_extension_1.pdf>.

11 The first Economic Support Payment was also available to those receiving the Coronavirus supplement, but subsequent payments were not. See list of eligible payment types at <https://www.dss.gov.au/about-the-department/coronavirus-covid-19-information-and-support#fir>.

3 Data and approach to analysis

We draw on Roy Morgan Single Source survey data from April 2018 to September 2020. This continuous survey, which is packaged quarterly, includes a wide range of questions about consumer behaviours, demographic and socioeconomic background, and attitudes. The total sample includes 41,050 respondents aged 18 and older for the period April 2018 to September 2020, with an average of 4,100[12] individuals surveyed each quarter. The Single Source survey is particularly valuable for tracking financial wellbeing in Australia over time, due to its large, nationally representative sample and cross-sectional interviews.

The ANZ Roy Morgan Financial Wellbeing Indicator[13] we use in our analysis brings together several survey items to measure the combined influence of three components of financial wellbeing identified by Kempson and colleagues (2017), namely:

- the ability to meet everyday commitments
- how financially secure respondents feel
- their resilience to negative shocks.

Regression analyses conducted by ANZ and Roy Morgan on the survey items, and subsequent weighting of each item, result in each respondent being assigned scores from 0 to 100 for each of the three dimensions of financial wellbeing. The average of these three scores is reported as the overall Financial Wellbeing Indicator, which also ranges from 0 to 100.

Financial Wellbeing measures are snapshots rather than measures of sustained economic security. However, with a focus on vulnerable groups, our analysis explores how the three dimensions of short-term financial wellbeing interact with the structural drivers of inequality and insecurity (Brown & Bowman 2020). This can elucidate where increasing financial wellbeing is likely to help build economic security and, conversely, where improvements are likely to be transitory. For example, where a person is more able to meet commitments, they are likely to have a corresponding increase in financial wellbeing. But if their income remains low or variable, improved ability to meet commitments may not be accompanied by improved ability to save or acquire assets, limiting any long-term improvement in economic position (ANZ 2018).

Our analysis explores how the three dimensions of short-term financial wellbeing interact with the structural drivers of inequality and insecurity.

12 The sample surveyed during the September 2020 quarter was substantially larger at 11,119. This larger sample allowed us to explore the impacts of COVID across several groups, though it means that COVID period estimates of financial wellbeing measures are likely to be weighted towards effects seen in the September quarter.

13 The methodology used to create measures for the three domains and the overall Financial Wellbeing Indicator is elaborated in The ANZ Roy Morgan Financial Wellbeing Indicator Report December 2019. See <https://www.bluenotes.anz.com/content/dam/news/articles/2019/December/ANZ-Roy-Morgan-Financial-Wellbeing-Indicator-Report.pdf>.

Further investigation of the three dimensions that make up the overall indicator allows us to examine the processes behind larger trends. In the following analysis, we also consider trends in financial wellbeing across groups that have typically experienced socioeconomic deprivation, including low-income households, unemployed workers, single-parent households, people receiving the Disability Support Pension and older people.

To understand the impacts of the COVID-19 crisis, we compare financial wellbeing data from the 'pre-COVID period' to the 'COVID period'. We define the pre-COVID period as the two years to the end of March 2020, using an average of data from April 2018 to March 2020, to align with our previous report (Porter, Bowman & Curry 2020). We define the COVID period as the six months April 2020 to September 2020 during the peak of the COVID crisis, and use an average of data for that period. To reveal changes within the COVID period, we also look at averages for the June 2020 and September 2020 quarters.

In comparing these periods, we present statistics, cross-tabulations and decompositions that together provide a comprehensive view of financial wellbeing for vulnerable Australians during the COVID-19 global pandemic and the policy lessons arising from this shock.

Periods explored in the analysis

Pre-COVID period: An average of data from the 2-year period, April 2018 to March 2020

COVID period: An average of data from the 6-month period, April 2020 to September 2020 during the peak of the crisis in Australia

June quarter 2020 and September quarter 2020: Quarterly averages for the two quarters at the height of the COVID crisis in Australia

4 Financial wellbeing during the COVID crisis

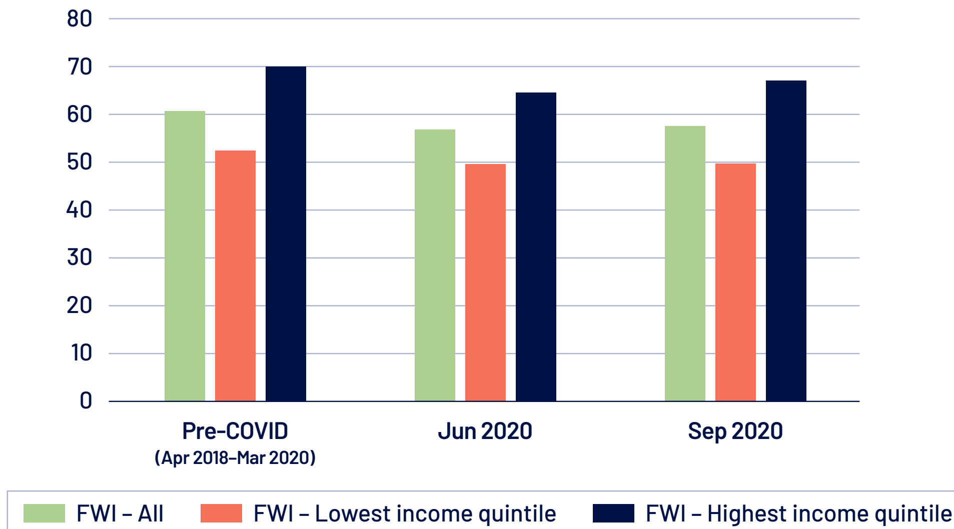
Financial wellbeing fell for most during COVID

From the two-year pre-COVID to the six-month COVID period[14], overall financial wellbeing declined on average. Financial Wellbeing scores declined by 6%, from an average 60.8 in the pre-COVID period to 56.9 in the June 2020 quarter (see Figure 5.1). A small 1% gain followed in the September quarter, as restrictions eased, resulting in a net decline of 5% from the pre-COVID period to the September 2020 quarter.

Unlike the pre-COVID period when changes in Meeting Commitments scores drove shifts in overall Financial Wellbeing scores, the declines observed during COVID-19 were driven by strong falls in the Feeling Comfortable dimension. From the pre-COVID period to the September quarter, average Feeling Comfortable scores fell by 10%. Unsurprisingly, declines in feeling comfortable were strongest in Victoria, with its extended lockdown.[15]

Figure 5.1 also shows average Financial Wellbeing (FWI) scores for the lowest income (quintile 1) and highest income (quintile 5) groups by equivalised household income[16] from April 2018 to September

Figure 5.1 ANZ Roy Morgan Financial Wellbeing Indicator scores, overall Australian and income group averages – pre-COVID and COVID quarters



Source: Roy Morgan Single Source two-year pre-COVID and COVID quarterly averages, April 2018 – September 2020. Base: Australians 18+

14 See explanation of pre-COVID and COVID periods on page 15

15 Detail on the impact of COVID-19 by state and occupations is available in *The ANZ Roy Morgan Financial Wellbeing Indicator quarterly update November 2020* (ANZ 2020).

16 Income quintiles are estimated quarterly. Due to a high number of missing values, the overall sample used to estimate quintiles for the period April 2018 to September 2020 is 33,959.

2020. Over the COVID period, the two groups both reported declines in financial wellbeing, although from differing starting points. Wellbeing scores for the lowest income quintile averaged 52.4 in the pre-COVID period, falling to 49.7 by September. The highest quintile group entered the crisis with much higher wellbeing scores averaging 69.9, which declined to 64.5 in the June quarter but bounced back to 67.1 in the September quarter.

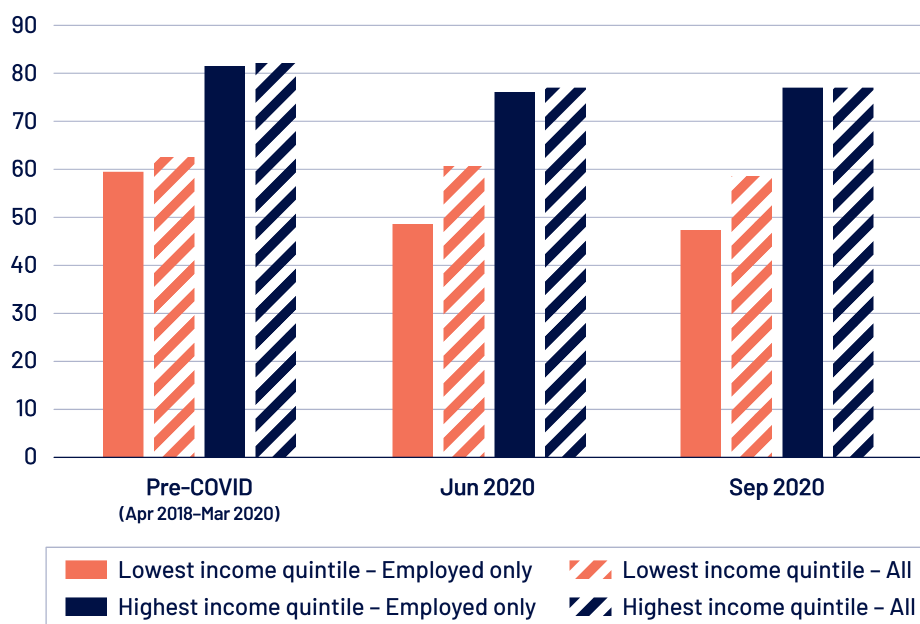
COVID turned the tables on who was likely to face challenges meeting everyday commitments

COVID-19 restrictions left many facing unemployment, reduced work-hours or cuts in income, with these impacts precipitating a 5% decline in Meeting Commitments scores across the whole sample from the pre-COVID period to the September 2020 quarter. Interestingly, the highest and lowest income quintiles experienced similar declines (around 6%) in this dimension, suggesting consistent impacts across the income distribution. However, this obscures important differences in effects by employment status and other characteristics.

The lowest income quintile is dominated by people outside the workforce, many of them older people with more assets and higher financial wellbeing. This means that the differential effect on low-income workers and those on income support is obscured by the quintile average. To address this, we explored Meeting Commitments scores for subgroups, with Figure 5.2 showing both averages for the whole quintiles and only those in employment.[17]

Low-income workers report a much sharper decline in ability to Meet Commitments, with scores declining by 21% from the pre-COVID period to the September quarter. In contrast, the decline for high-income workers (6%) remains consistent with the trend for their quintile. Moreover, the timing of effects also varied by income level. Workers in the lowest income quintile showed a sharp 18% initial drop in ability

Figure 5.2 ANZ Roy Morgan Meeting Commitments scores by income group and employment status – pre-COVID and COVID quarters



Source: Roy Morgan Single Source two-year pre-COVID and COVID quarterly averages, April 2018 – September 2020. Base: Highest and lowest quintile Australians 18+

17 The impact of COVID on other low-income groups (e.g. income support recipients) is explored in subsequent sections.

to Meet Commitments in the June 2020 quarter, with scores continuing to fall in the September quarter. By contrast, workers in the highest income quintile experienced a much weaker initial decline, followed by a slight improvement in the September quarter. This suggests that recovery is further away for lower income workers, increasing the financial impact for a group with lower savings to fall back upon due to both low wages and high rates of insecure work.

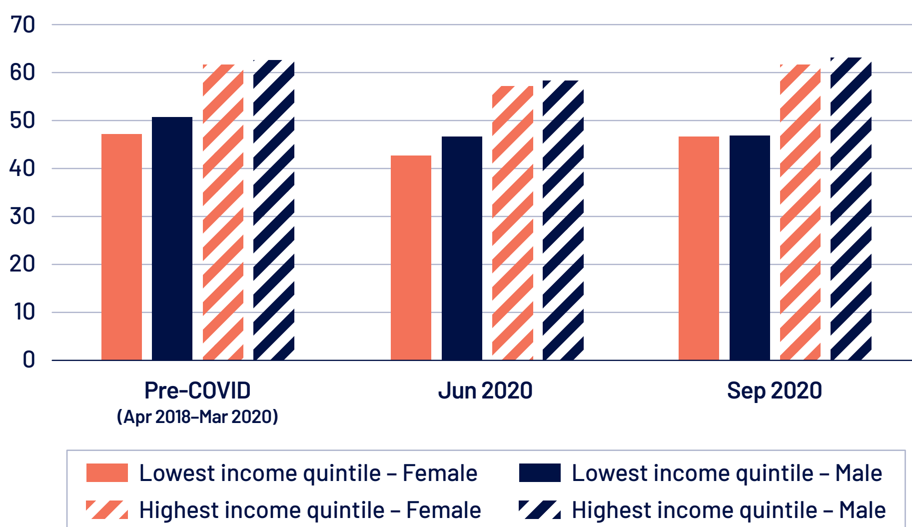
Financial impacts from COVID will have long-term consequences for many on lower incomes

The highest income quintile experienced no net change in Resilience from the pre-COVID period to September 2020, with their scores rebounding to around 62, after a decline in the June 2020 quarter. However, COVID weakened Financial Resilience among those in the lowest income quintile. Resilience scores for the lowest income quintile declined by 4% from an already low 48.6 in the pre-COVID period to 46.8 in September 2020. This suggests COVID will leave an already vulnerable group more exposed to future financial shocks.

Interestingly, this effect on resilience was strongest for men during the COVID period, narrowing the gap between men and women. Women have lower Resilience scores (Figure 5.3), due to their higher participation in part-time or casual work resulting in lower and/or variable incomes and making it hard to build resilience. Women are also more likely to have care responsibilities, increasing their costs while limiting employment opportunities. Consequently, women are more likely to enter retirement without their own home and with meagre superannuation balances (BSL 2020), leaving them vulnerable to financial shocks later in life.

Women in the lowest income quintile experienced no real change in Resilience scores from the pre-COVID period, with only a 1% decrease to the September quarter resulting in a score of 46.6. Over the same period, Financial Resilience for low-income men declined by 7% from 50.7 to 47.0. However, while this may seem like good news for women, other indicators suggest that the crisis is likely to bring more long-term challenges for low-income women. From the pre-COVID period to September, the proportion of women in the lowest income quintile reporting that they had

Figure 5.3 ANZ Roy Morgan Financial Resilience scores by income group and gender – pre-COVID and COVID quarters



Source: Roy Morgan Single Source two-year pre-COVID and COVID quarterly averages, April 2018-September 2020. Base: Highest and lowest quintile Australians 18+

a superannuation account[18] fell by 6 percentage points, while their male peers reported only a 2 percentage point decline. This was accompanied by an increase in the proportion of women in the lowest income quintile carrying forward their credit card debts[19], from 18% in the pre-COVID period to 24% in the September quarter.

Overall this suggests the COVID-19 crisis has left low-income Australians with less financial security. As saving is harder for this group, this is likely to have long-term implications, particularly for women, with COVID exacerbating the existing gender inequalities in retirement incomes.

The impact of policy responses to COVID-19 showed the importance of an adequate safety net

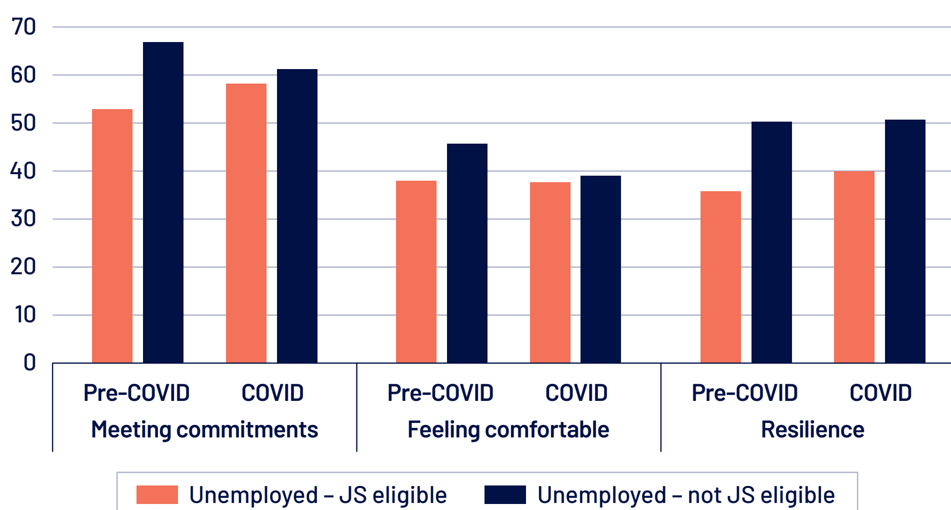
Closer analysis showed that certain low-income groups experienced different effects from the crisis due to their access to work, family type or age. Importantly, we find access to government support and existing resources played the biggest role in protecting financial wellbeing during a crisis, providing important social policy lessons.

The Coronavirus Supplement lifted unemployed workers' ability to meet everyday expenses

While Financial Wellbeing declined for most Australians during the COVID period (April 2020 to September 2020), Financial Wellbeing scores for unemployed workers actually increased by 4% from an average 44.7 in the pre-COVID period to 46.5 in the COVID period. However, these effects were only observed for unemployed workers who were likely to have access to (at least partial rate of) JobSeeker Payment, and so receive the flat-rate Coronavirus Supplement introduced in late April 2020.

To understand the effects of these policy changes, we examine financial wellbeing by whether an unemployed person was likely to be eligible for JobSeeker (Figure 5.4). We assume a person is eligible for part or full payment

Figure 5.4 **ANZ Roy Morgan Financial Wellbeing Indicator scores by dimension and likely access to JobSeeker – Pre-COVID and COVID periods**



Note: JobSeeker (JS) eligibility refers to likely eligibility based on household income below $80,200, when adjusted to September 2020 prices using ABS (2020a) data.

Source: Roy Morgan Single Source, pre-COVID and COVID averages, April 2018 – September 2020. Base: Unemployed workers 18 to 64.

18 Data refers to whether an individual reported having any superannuation. No detail on superannuation balances is available.

19 An individual is assumed to carry forward a credit card debt where they have reported both having a credit card and a carried forward debt.

where their real annual household income[20] is below the annualised partner income threshold. This threshold is estimated by annualising the fortnightly partner income threshold that applied as at the end of April 2020, resulting in a value of $80,200. For simplicity, the same income threshold is used for both the pre-COVID and COVID periods, despite a lower threshold applying in the pre-COVID period. Where household income data is missing we assume that household is eligible for JobSeeker Payment.

Ability to meet commitments increased for those eligible for JobSeeker

For those likely to be eligible for JobSeeker, Financial Wellbeing increased by an average of 7% during the COVID-19 period. This was driven by a 10% increase in the Meeting Commitments score, which rose from 52.8 to 58.2, illustrating the importance of adequate social security payments in enabling unemployed workers to make ends meet. In contrast, for unemployed workers unlikely to receive JobSeeker, the ability to Meet Commitments declined by 8% to 61.3.

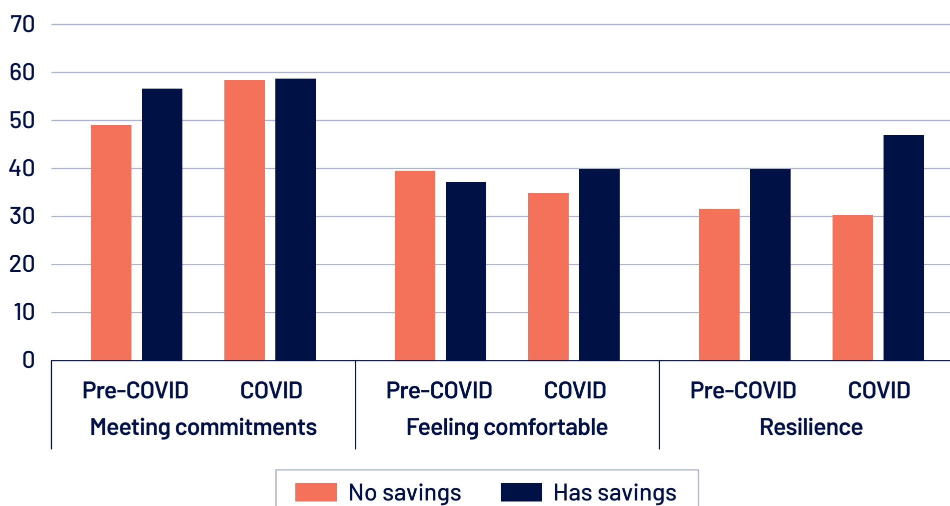
Feeling Comfortable scores fell sharply for unemployed workers not eligible for JobSeeker Payment

COVID-19 negatively impacted Feeling Comfortable scores for both groups: those not on JobSeeker Payment showed a 15% decline from 45.7 to 39.1, much larger than the negligible 1% decline to 37.6 for those on it. These decreases are to be expected given the impact of recessions on the labour market and the resulting uncertainty on individual control and ability to plan (Friedline, Chen & Morrow 2020; Salignac et al. 2019).

Unemployed people with some savings were protected from the worst impacts

While our analysis suggests that increasing payments for unemployed people led to improved financial wellbeing for all recipients, the impacts were stronger where a person already had some economic security. Figure 5.5 shows average wellbeing scores across the three dimensions for those in unemployment with access to the JobSeeker Payment by whether they had a separate savings account. We use a dedicated savings account as a proxy for whether they have savings to draw upon as we do not have

Figure 5.5 ANZ Roy Morgan Financial Wellbeing Indicator scores by dimension and access to savings for unemployed likely to receive JobSeeker – pre-COVID and COVID periods



Note: Savings refers to whether an individual has a savings account separate from their everyday transaction account.

Source: Roy Morgan Single Source, pre-COVID and COVID averages, April 2018 – September 2020. Base: Unemployed workers 18 to 64 with likely access to JobSeeker (JS) payments.

20 Household income is used as no data for partner income is available. Real household income is adjusted using September 2020 price data from ABS (2020a).

information on the amount of savings. During COVID, the liquid assets test was suspended, which meant that more jobseekers could access payments without first depleting their own resources.

For those with access to both savings and JobSeeker Payment, we see modest improvements in the Meeting Commitments score, but a 7% increase in Feeling Comfortable and an 18% increase in the Resilience score. The changed JobSeeker access rules meant that those experiencing unemployment were able to maintain their savings and thus resilience, limiting the potential long-term consequences of unemployment.

Additional income helped unemployed people without savings to meet commitments, but this group remained vulnerable

In contrast, for unemployed workers eligible for JobSeeker but without savings, the Coronavirus Supplement appeared to improve their average Meeting Commitments scores, which increased by 20% from 48.6 to 58.1. However, this group still reported declines in the Feeling Comfortable and Resilience dimensions, with Resilience scores 36% lower than for those who had savings to fall back on.

In line with ABS (2020c) research, this suggests that for the most vulnerable, the Coronavirus Supplement helped them to get their heads above water. For those who had spent long periods on JobSeeker, this may have meant paying down existing debt[21] or being able to afford essentials such as seeing a doctor or replacing old clothes (Ziffer 2021). The increased income reduced the daily stress of making ends meet but did not allow this group to build resilience against unexpected expenses or future shocks or compensate for the stress of being unemployed during a recession.

For those who already had some savings, the increased income allowed them to maintain or even increase resilience. This shows that while adequate social security is vital to protect people against labour market risks and ensure that unemployed workers can continue to meet commitments, it is just one element of a strong system of social protection. Adequate social security must be accompanied by access to secure, decent work and affordable housing that together enable people to build their own savings buffers against risk.

The increased income from the Coronavirus Supplement reduced the daily stress of making ends meet but did not allow this group to build resilience against unexpected expenses or future shocks.

21 While we have information on savings, loans and credit card debts carried forward for this group, the large changes to the sample of unemployed workers during the COVID period mean that an analysis of changes in the proportion with savings or debts is not possible.

Some single parents benefited from increased support in the short term while others just felt lucky to be employed

Single parents[22] entered the crisis in an already weak financial position. In the pre-COVID period, Financial Wellbeing scores for single parents (age 18 to 64) were 28% lower than the Australian average of 43.7.

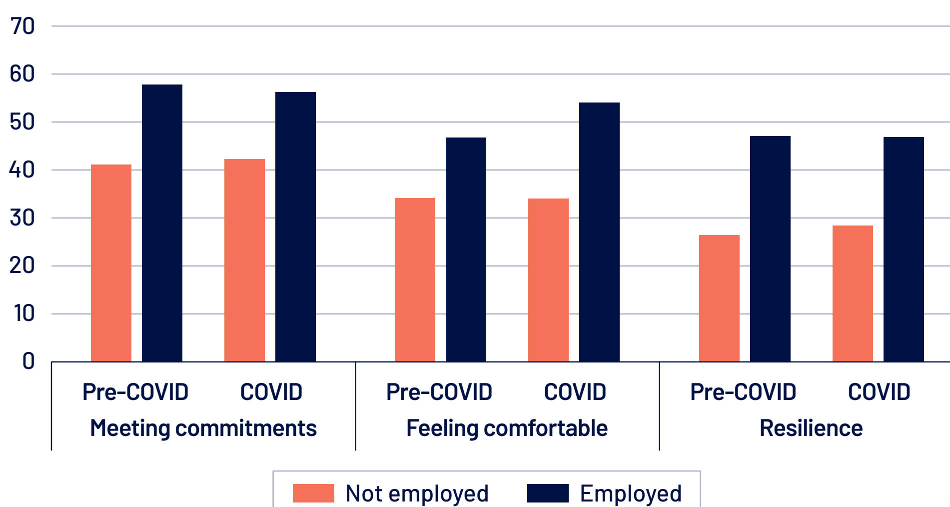
Increased financial wellbeing was driven by Feeling Comfortable scores

However, while Financial Wellbeing for most Australians went backwards during the crisis, among single parents it increased by 5%, to 46.0. Unlike the trends observed for unemployed workers as a group, the increases in Financial Wellbeing for single parents were driven, almost entirely, by gains in the Feeling Comfortable dimension. The latter increased by 13% from 41.5 in the pre-COVID period to 46.8 in the COVID period. There was a weaker 4% increase in Financial Resilience, while Meeting Commitments scores hardly changed.

Employed single parents fared better than those without jobs

Importantly, these effects varied by whether a single parent was in employment (Figure 5.6). Many single parents not in employment are likely to have benefited from the Coronavirus Supplement, since it was available to those receiving Parenting Payments (DSS 2020). This group of single parents includes those already unemployed or outside the labour force at the start of the crisis as well as those pushed out because of the crisis. Single parents, who are predominantly women, faced a disproportionate share of employment effects (including reduced work-hours) because of lockdowns which were concentrated in female-dominated sectors such as tourism, hospitality and education. JobKeeper reduced these impacts, but since women are highly represented in casual work (ABS 2020b), which was partially excluded from the policy, single mothers are less likely to have benefited from it.[23]

Figure 5.6 ANZ Roy Morgan Financial Wellbeing Indicator scores by dimension and employment status for single parents – Pre-COVID and COVID periods



Source: Roy Morgan Single Source, pre-COVID and COVID averages, April 2018 – September 2020. Base: Single parents 18 to 64.

22 Single parents are defined as someone not married or de facto who is a parent or guardian to a child (aged under 18) in their household. Most single parents are women. For the period April 2018 to September 2020 our sample includes 1,452 single parents over 18, 79% of them female.

23 JobKeeper was only available for casual workers if they had been with their employer for at least 12 months.

For single parents in employment, overall Financial Wellbeing scores increased from 50.5 to 52.1, driven by a strong 15% increase in the Feeling Comfortable dimension. Interestingly, this strong increase in Feeling Comfortable was accompanied by a 3% decline in Meeting Commitments scores. This suggests that having a job during a recession provides some reassurance even for those facing financial challenges in the short term.

At the same time, we see no real change in the Feeling Comfortable dimension for single parents not in employment. This comes despite a very small improvement in Meeting Commitments and a 7% increase in Resilience scores to a still very low 28.3, which is 39% lower than Resilience scores for single parents in work.

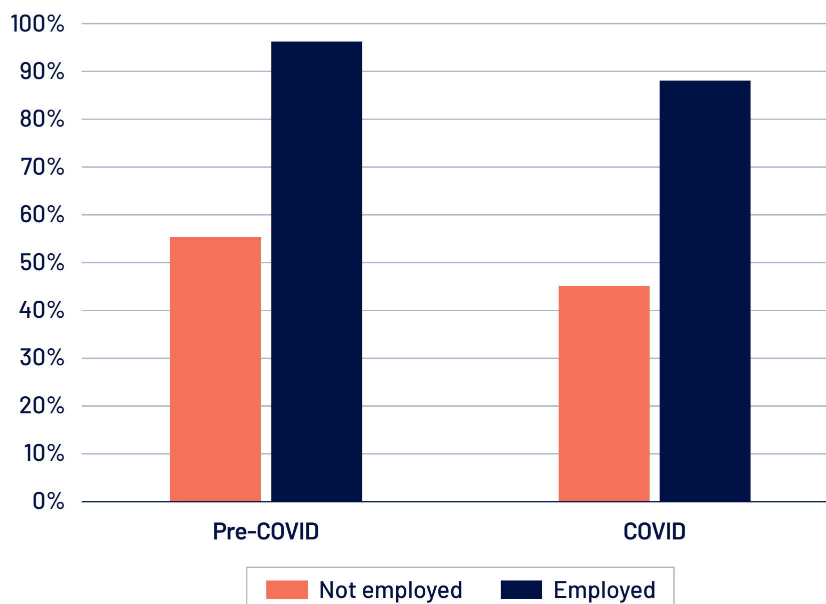
Such low scores suggest that even with the increased social security payments, it can be difficult for single parents to build ongoing economic security.

This analysis highlights the precarious financial position of single parents, particularly those not in the labour force. For this group, while the temporary Coronavirus Supplement made meeting expenses easier, their ability to plan was compromised, given the limited job vacancies and uncertainty about future payments. This effect is intensified by their very low financial resilience, increasing their vulnerability to shocks.

But fewer single parents had superannuation accounts

Single parents faced immediate financial challenges stemming from the crisis without strong declines in Resilience scores. However, there are signs of longer term challenges. As Figure 5.7 shows, the percentage of single parents with a superannuation account declined by 6 percentage points, from an average of 79% in the pre-COVID period to 73% in the COVID period. For those not in employment, a decline of 10 percentage points was observed from a much lower base, leaving just 45% reporting having any superannuation. This is likely to reduce the resources available to them later in life.

Figure 5.7 ANZ Roy Morgan, proportion of single parents with superannuation by employment status – pre-COVID vs COVID



Note: Graph shows whether an individual reported having any superannuation. No detail on superannuation balances is available.

Source: Roy Morgan Single Source, pre-COVID and COVID averages, April 2018 – September 2020. Base: Single parents 18 to 64.

Our findings about single parents, most of whom are women, support the need for investment in both adequate social security and job creation (Salignac et al. 2019), if women are to build economic security for the rest of their lives.

COVID impacts on disability support pensioners varied strongly by employment status

Stimulus payments helped DSP recipients without work to meet commitments Like other vulnerable groups, disability support pensioners saw their overall Financial Wellbeing increase by 4% from 43.7 in the pre-COVID period to 45.4, driven by an 8% increase in Meeting Commitments scores. Interestingly, and in line with the scores for single parents, gains in Meeting Commitments were only observed for DSP recipients not in employment (see Figure 5.8). For this group, Meeting Commitments scores increased by 14% from 50.6 to 57.6, whereas those in employment showed a 7% decline from 54.3 to 50.7.

This suggests that the two Economic Support Payments of $750 paid in April and June enabled those relying solely on DSP to make ends meet, but were not sufficient to offset lost income (e.g. from reduced hours) for those in employment.

These findings are in line with research from the ABS (2020c) which showed that the stimulus payments were spent largely on essentials. Moreover, the impact of spending on essentials is not surprising given the sharp (21%) decline in ability to Meet Commitments experienced by DSP recipients in the two years prior to COVID (Porter, Bowman & Curry 2020).

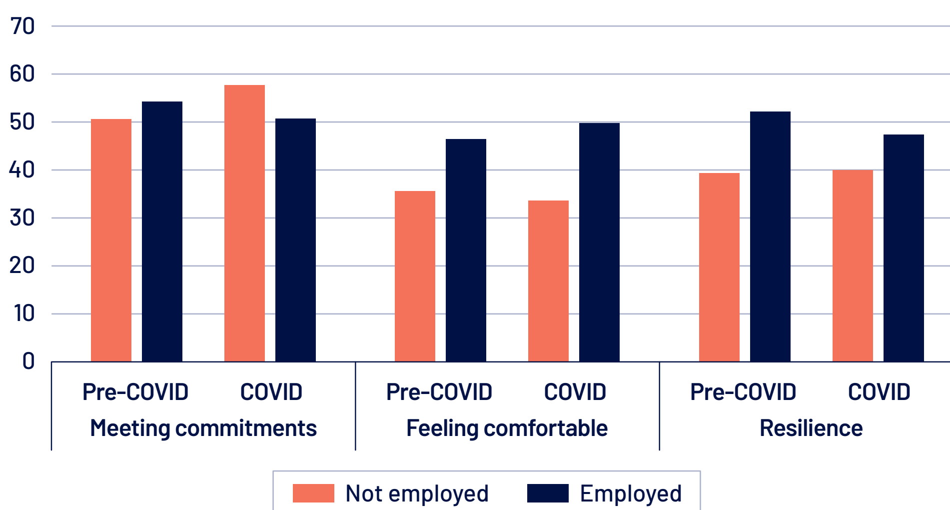
These findings again suggest that for many who rely on the DSP the current rate is inadequate, with many struggling to meet everyday commitments, let alone build savings, before receiving the additional support payments.

Employment status affected how comfortable disability support pensioners felt

Feeling Comfortable scores for DSP recipients without jobs declined 6% to 33.5 in the COVID period. The temporary payments they received failed to provide long-term certainty or gains in economic position. By contrast, DSP recipients in employment saw a 7% increase in Feeling Comfortable scores, from 46.4 to 49.7.

This mirrors the experience of single parents in employment. It again highlights the importance of access to both secure employment and adequate social security to provide some financial certainty, particularly in a crisis.

Figure 5.8 ANZ Roy Morgan Financial Wellbeing Indicator scores by dimension and employment status for DSP recipients – pre-COVID and COVID periods



Source: Roy Morgan Single Source, pre-COVID and COVID averages, April 2018 – September 2020. Base: DSP recipients 18+

Financial Resilience scores fell for those with jobs

In addition to the decline in Meeting Commitments scores, DSP recipients in employment experienced a 9% decline in Financial Resilience scores, from 52.3 in the pre-COVID period to 47.5 during COVID. The proportion carrying forward their credit card debt increased from 20% to 26%. At the same time the proportion of DSP recipients in employment with a superannuation account fell from 83% pre-COVID to 76% during the COVID period.

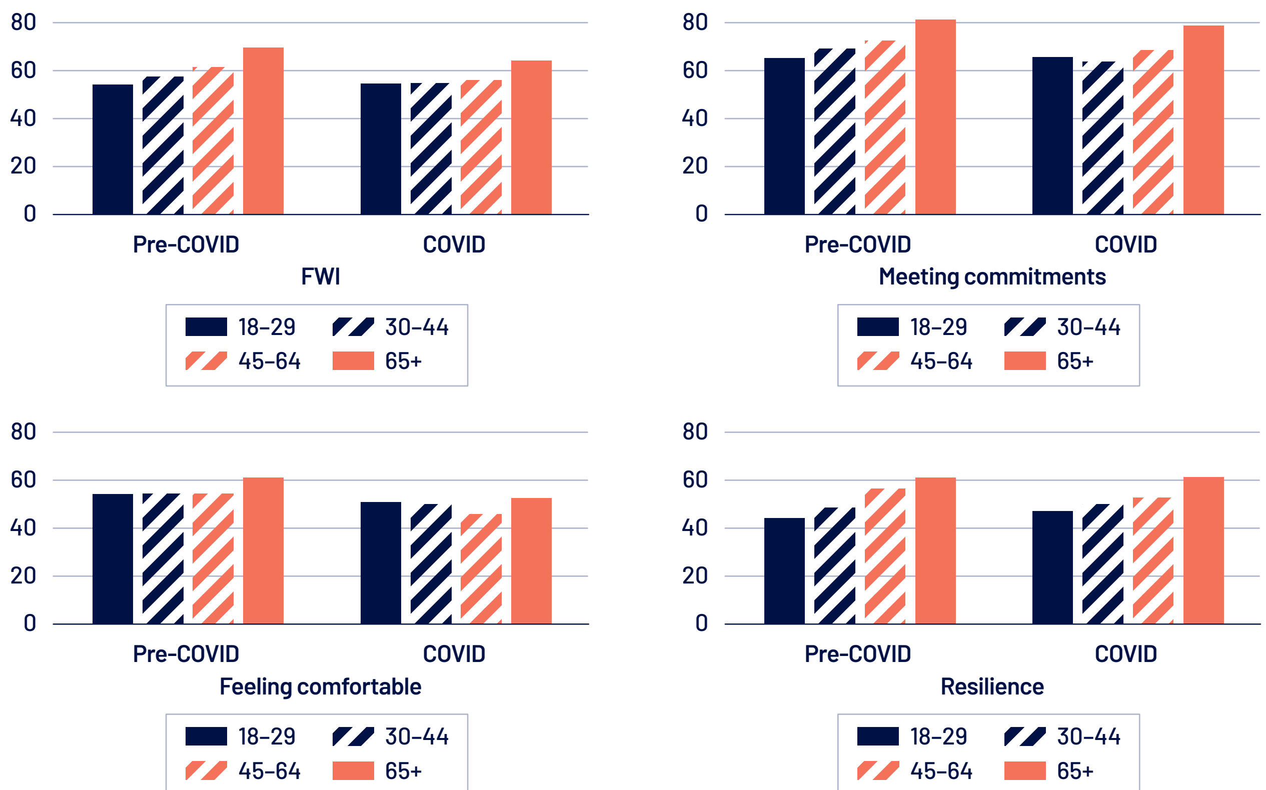
Despite these declines, Resilience scores for DSP recipients in employment remained 20% higher than for those not in work. This suggests that while employment is not a panacea in a crisis it does help people to build a buffer against future shocks.

COVID left older people much less resilient

In recent decades, financial wellbeing has tended to increase with age as people build wealth and economic security over time. Thus, older age groups showed higher Financial Wellbeing scores on average than young people in the pre-COVID period (Figure 5.9).

During the COVID period the gap narrowed. Unfortunately, this was due to larger declines in Financial Wellbeing scores for older Australians rather than improvements for younger groups, as shown in the first panel in Figure 5.9. The biggest declines (around 8%) from the pre-COVID period were observed for those aged 45–64 and those aged over 65.

Figure 5.9 ANZ Roy Morgan Financial Wellbeing Indicator scores by dimension and age group – Pre-COVID and COVID periods



Source: Roy Morgan Single Source, pre-COVID and COVID averages, April 2018 – September 2020. Base: Australians 18+

Feeling Comfortable and Resilience scores declined sharply for those aged over 45

The decline in overall Financial Wellbeing for older people was driven by sharp 15% declines in the Feeling Comfortable dimension for those aged 45 and over. Both older age groups (45–64 and 65+) also showed marked (6%) declines in Resilience, despite apparent declines in spending. These declines in resilience come from a high base, suggesting older people had more to lose from a crisis.

In contrast, and in line with other research (Warren, Baxter & Hand 2020), those aged under 45 saw modest increases in Resilience scores as their spending declined, increasing their ability to save.

The plunge in Feeling Comfortable scores of older people is unsurprising given the potential impact of a loss of income or assets on their standard of living in retirement. Unlike younger people, they will have fewer opportunities to rebuild their diminished savings.

Similar patterns were observed in superannuation. The proportion of individuals aged 45 to 64 with superannuation decreased from 87% pre-COVID to 77% in the COVID period. A weaker (5 percentage point) decline was observed for those aged 65 and over, leaving just 50% of this group with superannuation. Parallel declines were observed for older men and women holding superannuation, but women of all ages were already less likely to report having superannuation in the pre-COVID period.

Youth benefited from government support, but risks remain

Youth showed limited overall impact on their Financial Wellbeing score because of COVID. However, we know that this is largely due to the temporary impact of the Coronavirus Supplement, available to the high proportion of this group in study or unemployed. Recessions disproportionately impact youth employment outcomes, limiting their job options and leading to possible long-term scarring (Productivity Commission 2020). Moreover, many young people were struggling to find secure, full-time work prior to COVID, restricting their ability to build savings and assets. The crisis exacerbated the labour market risks faced by this group, which means the full impact of the crisis on their financial wellbeing is more likely to be seen in the longer term.

Protecting financial wellbeing in a crisis

Our analysis highlights some clear trends in financial wellbeing during the COVID-19 crisis. Firstly, financial wellbeing remained relatively stable or even improved for cohorts that benefited from extra government support measures throughout the COVID period. Others who were less able to rely on government support had to draw on their own resources as a buffer, thereby weakening their resilience to future shocks. Importantly, harmful impacts from the crisis were less severe where people had access to government support *as well as* their own savings or other resources (e.g. employment). Protecting people from shocks therefore requires both a decent safety net and access to employment that allows people to build their own resilience.

Harmful impacts from the crisis were less severe where people had access to government support *as well as* their own savings or other resources.

5 Creating financial wellbeing for all

Recovery in uncertain times

Australia has fared better than many nations in suppressing the virus and reopening the economy. However, with a weak global economy and employment still well below pre-COVID levels, the impacts of the pandemic can be expected to last well beyond the lockdowns. Over 100,000 more people were unemployed in February 2021 than a year earlier. Young people, particularly those not in full-time education, are facing persistent negative impacts from the COVID crisis (Borland 2021), which comes after a decade of declining full-time jobs for youth since the global financial crisis. At the same time, workers over 55 have been returning to the labour market, perhaps to rebuild savings.

As the major economic supports, including JobKeeper and the Coronavirus Supplement, are removed, the incipient recovery is likely to slow, increasing the risk of recession scarring for many. Withdrawing these supports will also exacerbate long-term challenges, including poor access for youth to full-time work and gender inequalities. As savings and superannuation have been depleted over the past year, many people have been left more exposed to labour market risks, with a limited capacity to absorb future shocks. However, as the bold policy response to the crisis showed, these challenges can be addressed.

Building strong foundations for real recovery

Without reforms, the low wage growth, increasing underemployment and poor housing affordability observed in the decade prior to the COVID crisis are likely to continue. This will leave many low-income households unable to build a savings buffer to protect against shocks, and many more will struggle to build long-term economic security. Moreover, these challenges will be accompanied by new risks such as those associated with climate change affecting lives and livelihoods, as observed already in 2021 with the early closure of Victoria's Yallourn coal-fired power plant (Whittaker 2021) and the flooding across much of New South Wales.

Addressing these challenges requires more than simply reducing unemployment to pre-COVID levels. We need long-term investment in fairness and opportunity, including:

A decent social safety net that protects against shocks

Our findings about financial wellbeing during the COVID crisis showed what happens when social security recipients are provided with adequate income. Increased income support payments allowed unemployed workers, single parents and disability support pensioners to meet their everyday expenses and in some cases build resilience or pay down debt. Removing the liquid assets waiting period and raising the partner income threshold also expanded eligibility, reducing the need to erode hard-earned savings when a shock happens and improving resilience. The Australian Government must immediately increase spending on social security payments by at least 10%, which recent modelling from ANU (Phillips 2021) indicates would enable an increase to JobSeeker Payment of $190 per week,

among other gains. An independent review of the structure and rate of payments should also be established to ensure our payments system provides a real safety net that protects recipients and their families from shocks and social risks.

Investment in full employment to provide secure work and wage growth

Financial wellbeing improves where people have access to secure, well-paid jobs. This was highlighted in our research with single parents and disability support pensioners in employment more comfortable during the COVID crisis and more likely to have savings or superannuation to fall back on. However, for too many, entering the labour market no longer enables them to build savings and economic security (Porter, Bowman & Curry 2020). Government should invest in full employment to improve opportunities for those currently shut out of work. Reform is also needed to improve the security of work and provide pathways for those trapped in casual, contract or part-time work.

Well-developed social infrastructure to support future growth

Empowering people to build their own financial wellbeing requires a strong social foundation. To achieve this government needs to increase investment in social infrastructure and services including housing, education, care, health and career support. Such investment in these services could not only reduce the risks faced by individuals but also improve working conditions in sectors currently characterised by precarity and low pay, including aged care and early childhood education. This will allow workers in these sectors to build financial wellbeing, while reducing social risks for the broader community.

Empowering people to build their own financial wellbeing requires a strong social foundation.

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