Research and Policy Centre

A brief reprieve?

Financial wellbeing after the 2020 COVID-19 lockdowns

Emily Porter and Dina Bowman

2021

Brotherhood of St Laurence
Working for an Australia free of poverty

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Note

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Summary

In Australia, the period from October 2020 to March 2021 was a period of hope. As restrictions eased, many felt that the worst of the COVID-19 crisis was over and COVID normal had been achieved. But even as optimism grew, the effects of the pandemic lingered. Workers in affected industries continued to face challenges making ends meet, with employment and work-hours remaining below the pre-COVID level. At the same time, income support recipients were plunged (back) into poverty as the government wound back crisis supports such as the Coronavirus Supplement. Many who had drawn down upon savings or taken on debt to get through the crisis were left with a long rebuilding process to get back to their pre-crisis financial position.

In this report, the third in our *Financial lives in uncertain times* series, we explore the impact of these trends on financial wellbeing, with a focus on vulnerable groups, during the period between lockdowns of 2020 and 2021. Given the resurgence of COVID-19 in mid-2021, we also consider how prepared these groups were for a second crisis, particularly one with more limited government assistance. Our analysis uses financial wellbeing measures developed by ANZ based on the continuous Roy Morgan Single Source Survey. These measures were 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.

Key findings

'COVID normal' ended the brief respite from financial hardship for income support recipients

- After a strong improvement during the COVID peak of 2020, financial stress returned for unemployed workers on JobSeeker Payment as the Coronavirus Supplement was wound back. Their Meeting Commitments scores fell by 19% from the high-COVID score of 58.2 to 47.3 in the low-COVID period.
- Meeting Commitments scores for single parents not in employment fell by a substantial 17% to 35.1 in the low-COVID period. This left scores for the group around 50% lower than the Australian average of 68.0.
- Ability to meet commitments fell by 15% to 47.4 for Disability Support Pension (DSP) recipients not in employment as the Economic Support Payments were reduced.

There was no relief for low-income workers struggling to make ends meet

- After doing it tough during the 2020 COVID peak, workers continued to face challenges meeting commitments in the low-COVID period. Scores for workers in the lowest 40% of households by income were 10% below their pre-COVID level.
- The decline was even larger for workers in the bottom 20% by household incomes: their average Meeting Commitments scores were 19% lower than the pre-COVID period.
- Young workers (18 to 29 years) in part-time work saw their ability to meet commitments deteriorate further in the low-COVID period, with scores 10% below pre-COVID levels.

COVID-19 will leave long-term financial scars for many, as debt increased and superannuation remained depleted

- Unemployed workers on JobSeeker Payment showed a sharp 14% decline in Resilience scores from the 2020 COVID peak to the low-COVID period, to a score of 34.5.
- By the low-COVID period, female workers in the bottom 20% of household incomes had a 13% decline in Resilience scores from the pre-COVID period, while scores for their male counterparts returned to pre-COVID levels.
- The percentage of women in this group with any superannuation was also 7 points below pre-COVID levels at 82%, while the percentage with loans[1] increased by 11 points.
- The percentage of male workers in the lowest 20% of households who reported having one or more loans increased by 23 points between the pre-COVID and low-COVID periods.

Background

Snap back or chronic COVID?

By late 2020, economic recovery was underway. Unemployment fell, and government supports were reduced. However, the crisis was far from over. Employment and work-hours remained below pre-COVID levels in key industries such as arts, recreation and tourism (ABS 2021d). In addition, many people had used up assets such as savings or superannuation or taken on debt to get through the crisis, leaving them vulnerable to future shocks (Porter & Bowman 2021; Warren, Baxter & Hand 2020).

Therefore, while a speedy snap-back seemed likely, in reality heightened risk and uncertainty persisted, with a resurgent virus just around the corner and other risks such as climate change and geopolitical instability increasing (Balliester & Elsheikhi 2018).

Old risks in a riskier future

Australians entered this new normal with less protection than ever after decades of financialisation had resulted in risk shifting from governments to individuals (Bowman et al. 2016; Hardin 2019).

This has occurred through employment becoming less secure, leading to increased underemployment (ABS 2021b), unpredictable incomes (Banks & Bowman 2019) and many people working more than one job to make ends meet (ABS 2020b). Youth have been particularly affected, with much lower rates of full-time work. At the same time, our social safety net provides less protection to people who need it. Inadequate payment rates and increased conditionality (Senate Community Affairs References Committee 2020) resulted in more than half of those on unemployment and parenting payments living in poverty before the pandemic (ACOSS 2020b). Poor housing affordability compounded these problems.

1 Data on credit card debt carried forward is not yet available for the low-COVID period of analysis. However, our previous analysis found that the proportion of single parents not in employment carrying forward credit card balances increased from 7% pre-COVID to 12% in the high-COVID period (Porter & Bowman 2021).

As a result, it has become more incumbent on individuals to build their own savings buffer to protect against shocks. Yet, this can be impossible for those on low or variable incomes, leaving few options in the event of a crisis (Salignac et al. 2019), increasing their reliance on credit and entrenching poor financial wellbeing (Friedline, Chen & Morrow 2020). In this context, even small shocks such as a car breaking down or an unexpected medical expense can have a large impact on financial wellbeing (McKenzie & McKay 2017).

The return to small government?

As the peak of the 2020 crisis receded, major federal government supports were progressively withdrawn from late September 2020 to the end of March 2021. These included:

- **JobKeeper:** The employment subsidy, originally $1500 a fortnight, was progressively lowered to $1000 for full-time workers and $600 for part-time workers from the end of September, before ending on 28 March 2021.
- **Coronavirus Supplement:** The supplementary payment of $550 per fortnight to recipients of JobSeeker, Youth Allowance, Austudy and Parenting Payment was gradually reduced to $150 before ceasing on 31 March 2021 (DSS 2020).
- **Economic Support Payments:** One-off payments of $750 were paid in March 2020 and July 2020 to people on age and disability support pensions and carer payments, followed by two further payments of $250 paid in December 2020 and March 2021.
- The **early access to superannuation** provision ended on 31 December 2020.
- Consumer protections such as the **eviction moratorium**, utility **disconnection freezes and mortgage holidays** were wound up by early 2021.

The study

Our analysis is based on Roy Morgan Single Source Program survey data from April 2018 to March 2021.[2] The total sample for this period includes 68,603 respondents aged 18 and older, with an average of 5,700[3] individuals surveyed each quarter. Data is compared across three periods to understand the progress of the crisis:

- **pre-COVID** – the two years from April 2018 to March 2020
- **high-COVID** – the 2020 peak of the crisis from April 2020 to September 2020
- **low-COVID** – the period of eased restrictions between the second and third COVID waves, from October 2020 to the end of March 2021.

Financial wellbeing dimensions and trends for specific groups

We focus our analysis on several low-income groups, who were previously observed to be impacted by both the COVID-19 crisis and/or the government response. These include unemployed workers, single parents, disability support pensioners, low-income workers and young people.

Unemployed workers

- The reduction in the Coronavirus Supplement resulted in unemployed workers on JobSeeker spending an additional 5.5% of their income on living expenses between the high-COVID and low-COVID periods. This led to average spending of 105.3% of income in a given week.
- Despite the improving job market, Feeling Comfortable scores for unemployed workers eligible for JobSeeker Payment fell by 10% in the low-COVID period after remaining at pre-COVID levels during the height of the 2020 COVID crisis.

2 While the survey data covers the quarters from April 2017 to March 2021, we use an average of quarterly data from the period April 2018 to March 2020 as the pre-COVID comparison period for continuity with the previous reports in this series (https://www.bsl.org.au/research/our-research-and-policy-work/projects/financial-lives/).

3 The survey sample increased substantially from September 2020, with an average of 12,746 over the quarters September 2020 to March 2021.

Single parents

- As the Coronavirus Supplement was reduced, single parents' average expenditure increased from 106% of their income during high-COVID, to 113% in the low-COVID period.
- The percentage of single parents not in employment with any superannuation also remained 9 points below pre-COVID levels at 46%, with no real change from the high-COVID period.
- Single parents in part-time work showed a 19% decline in Meeting Commitments scores in the low-COVID period after a 5% improvement during high-COVID, as the JobKeeper Payment was reduced for part-time workers.
- By the low-COVID period, 86% of single parents in part-time work reported having any superannuation, remaining 8 percentage points below the pre-COVID period.

Disability support pensioners

- Despite Meeting Commitments scores falling by 15% among DSP recipients not in employment, their Feeling Comfortable scores rose by 10% between the high-COVID and low-COVID periods, returning to pre-COVID levels.

Low-income workers

- Male workers in the bottom 20% of households by income faced a sharp decline in Meeting Commitments scores, which fell by 25% from the pre-COVID period to the low-COVID period.
- Women in the same income group experienced a weaker 14% decline. These changes can be partly explained by differences in outcomes for full-time and part-time workers.
- The percentage of workers in the lowest 40% by household incomes with any superannuation fell by 6 points from the pre-COVID to the low-COVID period for both men and women.
- For male workers in the lowest 40% by household incomes the percentage with any loans increased from 36% in the pre-COVID period to 47% in the low-COVID period.

Youth

- The gap between young part-time and full-time workers (aged 18 to 29 years) increased during the low-COVID period. Part-time workers showed an 8% decline in overall Financial Wellbeing scores, compared to 2% for full-time workers.
- The percentage of young people with any superannuation declined by 9 points between the pre-COVID and low-COVID periods for those in full-time work and 4 points for those in part-time work.
- By the low-COVID period, the percentage of young people in full-time work with loans increased by 7 points from the pre-COVID period, while young part-time workers showed a 13-point increase.

Building financial certainty in uncertain times

Vulnerable groups saw few benefits from the fleeting recovery following the peak of the 2020 COVID crisis. Income support recipients were plunged back into poverty and full-time work remained elusive (ABS 2021b), with existing challenges such as housing affordably, insecure work and inadequate social security all re-emerging.

As economies again reopen after the resurgence of COVID-19 in mid-2021, our findings highlight the need for continued government support as people rebuild their financial wellbeing. In the longer term, with new COVID strains likely to emerge, and increasing risks such as those associated with global instability and climate change, government needs to invest in resilience, fairness and opportunity through:

1. A decent social safety net that protects against shocks
2. Investment in full employment to provide secure work and wage growth
3. A well-developed social infrastructure to support future growth.

1 Introduction

In Australia the period from October 2020 to March 2021 was a period of hope. As states reopened and restrictions eased, many felt that the worst of the COVID-19 crisis was over and a new kind of 'COVID normal' had arrived. But even as optimism grew, the effects of the crisis lingered for many. Workers in affected industries continued to face challenges making ends meet, with employment and work-hours remaining below the pre-COVID level. At the same time, many were plunged (back) into poverty as temporary government supports ceased. Capital scarring, the long-term negative effect of the crisis on an individual's financial position, is also likely to be an issue for many who had drawn down on savings or superannuation or taken on debt to get through the crisis.

We explore how these trends impacted financial wellbeing for low-income workers, unemployed workers, single parents, disability support pensioners and young people. Importantly, given that a third wave of COVID-19 was just around the corner, we also consider how prepared Australians were for another crisis, particularly one with more limited government support.

Our analysis uses financial wellbeing measures developed by ANZ based on data from the continuous Roy Morgan Single Source Survey, which is provided as quarterly updates. These measures have been developed drawing on Kempson and colleagues' definition of financial wellbeing, comprising the ability to meet commitments, feel comfortable and be financially resilient (Kempson, Finney & Poppe 2017).

Trends in financial wellbeing are examined, comparing the pre-COVID period (April 2018 to March 2020) to both the 2020 peak of the pandemic (April 2020 to September 2020) and the low-COVID period (October 2020 to March 2021). We focus on individuals who are reliant on low-paid employment and income support.

Previous research has shown they were disproportionately impacted by the COVID-19 crisis and might be vulnerable to withdrawal of government support measures (AIHW 2021; Porter & Bowman 2021). Moreover, having entered the crisis with already low financial resilience to shocks, these groups may face more lasting consequences of the crisis, with many taking on debt or depleting their superannuation.

This report

The report is structured as follows: First, we recap the challenges that existed at the onset of the COVID-19 crisis in 2020, before outlining the economic and policy changes observed as Australia moved from the 2020 high-COVID to a period of low-COVID. We then describe the dataset and our analytical approach, and present and discuss our findings. We conclude by outlining our proposals for managing risk and creating a resilient society in a time of continued uncertainty.

Many were plunged (back) into poverty as government supports ceased.

2 A remarkable recovery or a brief reprieve?

The initial impact of the pandemic in 2020 was touted as the biggest economic shock in Australia since the Great Depression (Cranston & McIlroy 2020). In response, the federal government implemented a package of expanded social supports worth around 6% of GDP (ACOSS 2020a). Yet by late 2020, as Victoria's second wave of cases receded, the COVID-19 threat seemed largely over. A burgeoning economic recovery saw unemployment fall to 5.7% by March 2021 and underemployment decline to below pre-COVID levels (ABS 2021c). Government supports were progressively withdrawn. Outbreaks were rare and managed by limited public health approaches. With the vaccine rollout approaching, recovery seemed almost certain and the country relaxed into a period expected to be COVID normal.

However, the crisis was far from over. While this was made clear to all by the surge of new COVID-19 cases as the more virulent Delta variant reached the community in mid-2021, for some the effects of the pandemic had lingered throughout the fleeting recovery. Many workers continued to face reduced incomes, with employment and work-hours remaining below pre-COVID levels in key affected industries such as arts, recreation and tourism (ABS 2021b). At the same time, the longer term financial impacts of the crisis became evident. Many people who drew upon assets such as savings or superannuation to get through the crisis faced a long rebuilding process. Others who had taken on debt or deferred repayments faced the challenge of paying off these debts as well as making ends meet. This means many entered the third wave of the COVID crisis in a weak financial position.

Thus, while the low-COVID period appeared to be the first step of recovery, it was underpinned by heightened uncertainty and risk. Moreover, the COVID-19 pandemic is just one of the many global risks to employment and economic security currently facing Australians, along with climate change, technology, globalisation and demographic changes (Balliester & Elsheikhi 2018). A heightened level of risk can therefore be understood as the new normal. Importantly, Australians are entering this new normal with fewer protections after decades of policies that have shifted risks from governments to individuals, thereby increasing inequality (Banks & Bowman 2017; Hardin 2019).

Old risks in the new normal

Over recent decades, individuals have become more exposed to social risks such as poverty, insecure work, unemployment, illness, disability or single parenthood (Bonoli 2007). These risks have been compounded by:

- **insecure work** – In the two decades to March 2020, non-standard work has become much more common, resulting in close to a third of the workforce without paid leave entitlements and with irregular incomes (ABS 2020b). This has led to increasing underemployment (ABS 2021b) and more people working more than one job to make ends meet (ABS 2020b).
- **low wage growth** – Since 2012, wage growth has slowed, reaching its lowest point since the series began (ABS 2021a), with the share of profits going to labour also declining (Productivity Commission 2020).
- **poor youth employment outcomes** – Attaining full-time work has become harder, with only 43.5% of young workers aged 15 to 24 employed full-time in March 2020 compared to 58.5% two decades earlier (ABS 2021c). The quality of jobs (based on occupational scores) has also fallen since 2001 (de Fontenay et al. 2020).

- **a fraying safety net** – Prior to 2020, the rate of JobSeeker Payment (formerly Newstart Allowance) had not risen in real terms since 1994 (Thornton, Bowman & Mallett 2020). Before the pandemic, more than half of those on JobSeeker and Parenting Payments were living in poverty (ACOSS 2020b), with many skipping meals or forgoing heating (Phillips & Narayanan 2021).
- **unaffordable housing** – Home ownership among 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). At the same time, 44% of low-income renters in the private market suffered from rental stress[4] (ABS 2019).

Increasingly, individuals are expected to build their own savings buffer to protect against shocks. Yet more than 1 in 10 Australians are unable to save $500 for emergency expenses (Wilkins et al. 2020). For individuals with low or variable incomes, who generally struggle to meet regular expenses, it is impossible to accumulate savings, leaving them with limited options in the event of a crisis (Salignac et al. 2019).

During the first peak of the COVID crisis, lower income households withdrew superannuation or took on debt to make ends at much higher rates that those in higher income households (Porter & Bowman 2021). Even without further crises, this is likely to diminish their economic security over the longer term. However, with the third wave of COVID resulting in another wave of lockdowns in Australia, individual and social precarity have increased. Without preventative policies to build resilience, inequality is like to deepen as new risks emerge.

Increasingly, individuals are expected to build their own savings buffer to protect against shocks.

Back to small government?

The expansion of government support at the start of the pandemic reversed the trend of past decades, providing a welcome buffer against the crisis for workers and income support recipients. However, all these changes were phased out by early 2021, as follows:

- The **JobKeeper** wage subsidy[5], initially set at $1,500 per fortnight, fell to $1,200 for workers with regular hours of 20 or more per week, and then to $1000 from January 2021 for the final three months of the program (Treasury 2021). For those with less than 20 regular hours, a $750 per fortnight payment fell to $650 from January.
- From the end of September 2020, support for jobseekers was wound back. The **Coronavirus Supplement**[6] was reduced from $550 to $250 per fortnight, plunging recipients back into poverty. It was cut further to $150 from 1 January 2021, before ceasing at the end of March 2021. At this time, a $50 per fortnight permanent increase for the relevant payments was introduced. The suspension of the liquid assets test and mutual obligation requirements of jobseekers began to be wound back after September, while the increased partner income threshold and changed taper rate ended on 1 April 2021 (Cash & Ruston 2020).

4 Rental stress is typically defined as households in the lowest 40% of incomes that spend more than 30% of gross income on rent (ABS 2019).

5 The scheme was available to all part-time and full-time employees of businesses whose revenue had fallen by at least 30%. Casual workers were also eligible where they had been with their employer for at least 12 months.

6 This supplement was introduced in April 2020 at a rate of $550 per fortnight payable to those on JobSeeker, Youth Allowance, Austudy and Parenting Payments (DSS 2020).

- **Economic Support Payments** were paid to those not receiving the Coronavirus Supplement including those on Age Pensions, Disability Support Pensions and Carers Payment[7]. Two payments of $250 were paid in December 2020 and March 2021. These were in addition to the two initial payments of $750, paid in April and July 2020.
- From April 2020, **early access to superannuation** arrangements allowed individuals negatively impacted[8] by the pandemic to access up to $10,000 from their superannuation per financial year. Some 4.8 million applications were approved overall, resulting in $36.4 billion being withdrawn. Average withdrawals were $7,402 for initial applications and $8,268 for repeat applications (APRA 2021). This provision ceased at the end of December.
- In early 2021, eviction moratoriums and disconnection freezes that protected renters and utilities customers unable to pay their rent or bills were removed[9]. While these measures helped people to maintain access to housing and utilities, they also resulted in high rates of debt for many. In Victoria, renters have reported carrying up to $18,000 in rental arrears (Wahlquist 2021), while the average arrears for energy customers in the state increased by up to 35% (Essential Services Commission 2021).

Thus, by the end of March 2021 these crisis measures had been wound back entirely, leaving many more exposed to the risks of the market in very uncertain times.

By the end of March 2021, these crisis measures had been wound back, leaving many people exposed to the risks of the market in very uncertain times.

7 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>.

8 This included those who were made redundant or had their work hours or business revenue drop by at least 20% (determined by self-assessment).

9 A six-month eviction moratorium was agreed by National Cabinet in March 2020, then extended by individual states. Disconnection freezes were implemented on a state-by-state basis.

3 Data and approach to analysis

We draw on Roy Morgan Single Source Program survey data from April 2018 to March 2021.[10] This continuous survey, which is provided as quarterly updates, includes a wide range of questions about consumer behaviours, demographic and socioeconomic background, and attitudes. The total sample includes 68,603 respondents age 18 and older for the period April 2018 to March 2021, with an average of 5,700[11] 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[12] we use in our analysis brings together several survey items to measure the combined influence of three financial wellbeing components identified by Kempson and colleagues (Kempson, Finney & Poppe 2017):

- the ability to meet everyday commitments
- how financially secure respondents feel; and
- 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, our analysis explores how the three dimensions of short-term financial wellbeing interact with the structural drivers of inequality and insecurity. 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 an individual relies on low or variable income (ANZ 2019), improvements in the ability to meet commitments may not be accompanied by improved ability to save, limiting any long-term improvement in economic position.

The key trends in financial wellbeing for vulnerable Australians resulting from the COVID-19 pandemic are explored using a range of statistics, cross-tabulations and decompositions. Data is compared across three periods to understand the progression of the crisis:

- **pre-COVID** – the two years from April 2018 to March 2020
- **high-COVID** – the 2020 peak of the crisis from April 2020 to September 2020
- **low-COVID** – the period of eased restrictions between the second and third COVID waves, from October 2020 to the end of March 2021.

10 While the survey data covers the quarters from April 2017 to March 2021, we use an average of quarterly data from the period April 2018 to March 2020 as the pre-COVID comparison period for continuity with the previous reports in this series (https://www.bsl.org.au/research/our-research-and-policy-work/projects/financial-lives/).

11 The survey sample increased substantially from September 2020, with an average sample size of 12,746 over the quarters September 2020 to March 2021.

12 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.

4 Financial wellbeing trends after the 2020 COVID peak

The shift from the 2020 COVID peak to what was expected to be a 'COVID normal' not only allowed many to return to work or expand their work-hours but boosted confidence that the worst of the pandemic had passed. As a result, average financial wellbeing for Australians aged 18+ increased by 2% to 58.5 in low-COVID (October 2020 to March 2021), which was still 4% lower than the pre-COVID (April 2018 to March 2020) average of 60.8.

The improvement was driven by a strong 8% increase in Feeling Comfortable scores between high-COVID (April 2020 to September 2020) and low-COVID (October 2020 to March 2021), as optimism returned. Yet, many still faced challenges meeting everyday commitments in the high-COVID period, with average scores in this dimension remaining 6% below the pre-COVID period. Resilience scores remained relatively unchanged between the high-COVID and low-COVID periods, at 54.1, around 1% lower than the pre-COVID period.

However, this overall improvement was not universal. People on income support faced a return of pre-COVID challenges, while financial wellbeing stagnated for low-income workers, with capital scarring intensifying for both groups. We investigate these trends and consider the likely long-term consequences of the crisis.

Low-COVID ended the brief respite from financial hardship for income support recipients

The 2020 peak of the COVID-19 crisis in Australia brought a silver lining for some. The Coronavirus Supplement made life easier for those on unemployment and parenting payments, while the Economic Support Payments provided a boost to pensioners. However, as these payments were reduced, financial wellbeing of recipients also fell.

People on income support faced a return of pre-COVID challenges, while financial wellbeing stagnated for low-income workers.

The diminished Coronavirus Supplement left many unemployed workers struggling

To understand the effects of the tapered withdrawal of the Coronavirus Supplement on unemployed workers, we examine financial wellbeing by whether an individual was likely to be eligible for JobSeeker Payment. We assume an individual is eligible for the JobSeeker Payment where their real annual household income[13] is below the annualised partner income threshold. This threshold is estimated by annualising the fortnightly partner income threshold that applied at the end of April 2020, resulting in a value of $80,200. For simplicity, the same income threshold is used for the three periods examined despite a lower threshold applying in the pre-COVID period. Where household income data is missing, we assume that an unemployed worker is eligible for the JobSeeker Payment.

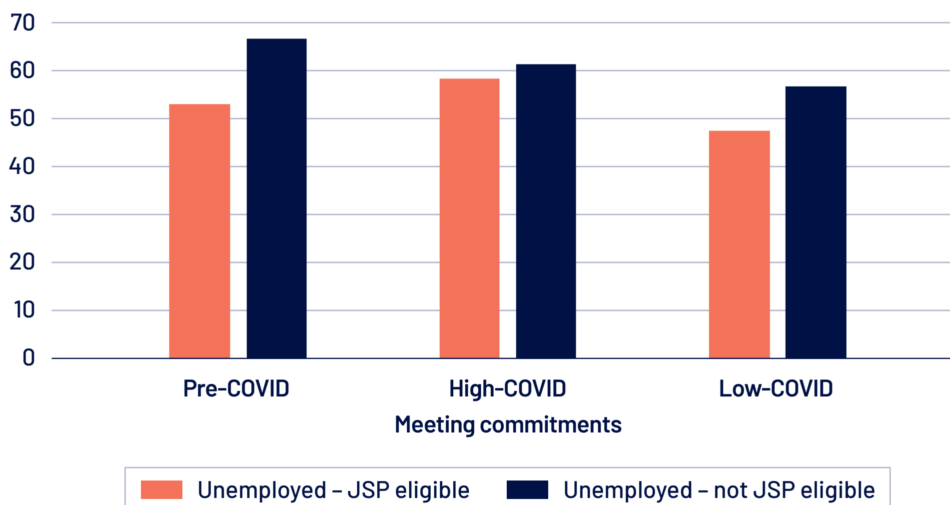
Meeting Commitments scores fell for unemployed workers, with those likely to receive JobSeeker Payment most impacted

During high-COVID, unemployed workers with likely access to JobSeeker Payment (JSP) experienced a 10% increase in their ability to meet commitments. However, as the Coronavirus Supplement was progressively cut during the low-COVID period, Meeting Commitments scores fell by 19% to 47.3. This is around 11% lower than the average for the pre-COVID period (**Figure 4.1**).

Unemployed workers without access to JSP experienced a continued fall in their ability to meet commitments. After falling by 8% from 66.6 pre-COVID to 61.3 in the high-COVID period, their scores in this dimension fell again by 8% to 56.6 in low-COVID, a considerable 15% fall overall.

The weakened ability to meet commitments was accompanied by a higher proportion of income going to living expenses. Unemployed workers who were likely to receive JobSeeker Payment reported an additional 5.5% of their income going to living expenses in the low-COVID period compared to the peak, so they were on average

Figure 4.1 ANZ Roy Morgan Meeting Commitments scores by likely access to JobSeeker – pre-COVID, high-COVID and low-COVID periods



Note: JobSeeker Payment (JSP) eligibility is based on household income below $80,200, when adjusted to March 2021 prices using ABS (2020a) data.

Source: Roy Morgan Single Source, pre-COVID, high-COVID and low-COVID averages, April 2018 – March 2021. Base: Unemployed workers 18 to 64.

13 Household income is used as no data for partner income is available. Real household income is adjusted to March 2021 prices using data from the ABS (2020a).

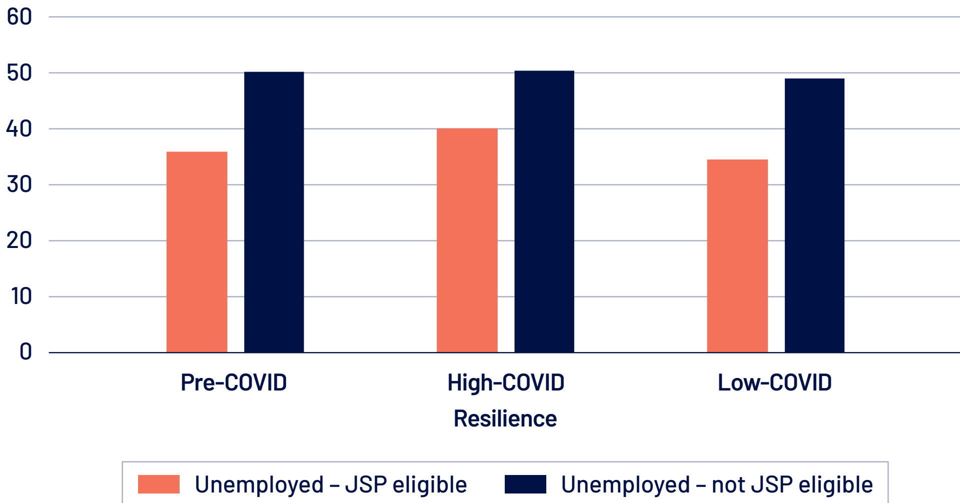
spending 105.3% of their income in a given week. This marked increase is likely to be driven by the reduction in the Coronavirus Supplement. Also, the cohort of JSP recipients expanded as a result of the crisis. Many of this broader group would have entered the crisis with housing costs or other expenses that would be unmanageable on current JobSeeker Payment rates, putting them at risk of losing homes or other assets. This illustrates the inadequacy of the current JSP levels, with the social security system failing to provide a real safety net for people who have lost work.

As government support declined, so too did resilience

In addition to facing renewed challenges meeting commitments, unemployed workers on JobSeeker Payment showed a sharp 14% decline in Resilience scores to 34.5 in the low-COVID period (**Figure 4.2**). This decline was from 40.1 in the high-COVID period. At the same time, the proportion reporting having any superannuation declined to 49% of likely JSP recipients, from 52% in the pre-COVID period. Given these changes, it is not surprising that Feeling Comfortable scores fell by 10% in the low-COVID period after remaining at pre-COVID levels during the height of the crisis in 2020. This suggests that even with the (reduced) Coronavirus Supplement, unemployed workers in this group still had to draw on savings or other resources through the crisis period. This is likely to result in capital scarring over the longer term while these workers try to rebuild lost savings. Moreover, weakened resilience left them particularly vulnerable to further shocks such as occurred in mid-2021 with Australia's third COVID wave (Eddie 2021).

Declines in Resilience scores were much weaker (only 3% from the high-COVID to low-COVID period), for unemployed workers who were likely to be ineligible for income support. This suggests less capital scarring over the longer term for those with greater household resources.

Figure 4.2 ANZ Roy Morgan Resilience scores by likely access to JobSeeker – pre-COVID, high-COVID and low-COVID periods



Note: JobSeeker Payment (JSP) eligibility is based on household income below $80,200, when adjusted to March 2021 prices using ABS (2020a) data.

Source: Roy Morgan Single Source, pre-COVID, high-COVID and low-COVID averages, April 2018 – March 2021. Base: Unemployed workers 18 to 64.

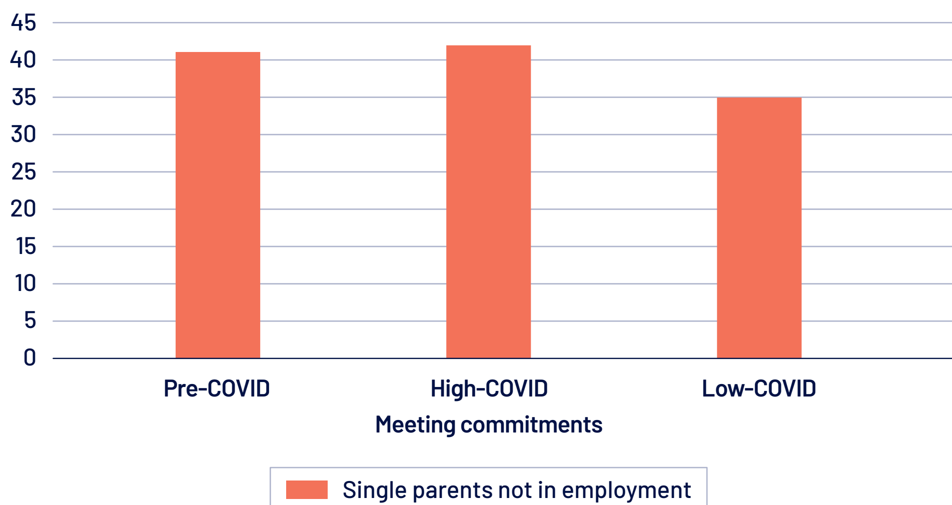
Single parents fell further behind in meeting commitments as long-term challenges remained

After a slight improvement during high-COVID, Meeting Commitments scores for single parents not in employment fell by a substantial 17% to 35.1 in the low-COVID period (**Figure 4.3**). This left scores for this group around 50% lower than the Australian average. The withdrawal of the Coronavirus Supplement is expected to have driven this trend, since there are high rates of Parenting and JobSeeker Payment receipt among this group. This change resulted in an increase in average expenditure relative to income, from 106% to 113%. In the low-COVID period, 54% of this group reported expenditure rates above income.

These very high average rates of expenditure as a proportion of income highlight the precarious financial position of low-income single parents. For many, saving is impossible. Moreover, for those who do manage to put money aside, this is likely to be used to manage future expenses, rather than build economic security for the longer term (Bowman & Wickramasinghe 2020).

A lack of savings can lead to reliance on loans or other forms of credit[14] when unexpected expenses arise, particularly where family support is unavailable. This is likely to contribute to around 27% of this group reporting having loans across the analysis period. The percentage of single parents not in employment with any superannuation also remained 9 points below pre-COVID levels at 46%. These challenges again highlight the need for an adequate social security system for those with care responsibilities and those without work (Salignac et al. 2019). Increasing income support would improve individual control over financial decisions and allow single parents to better plan for the future (NCSMC 2020).

Figure 4.3 ANZ Roy Morgan Meeting Commitments scores by employment status for single parents – pre-COVID, high-COVID and low-COVID periods



Source: Roy Morgan Single Source, pre-COVID, high-COVID and low-COVID averages, April 2018 – March 2021. Base: Single parents 18 to 64 not in employment.

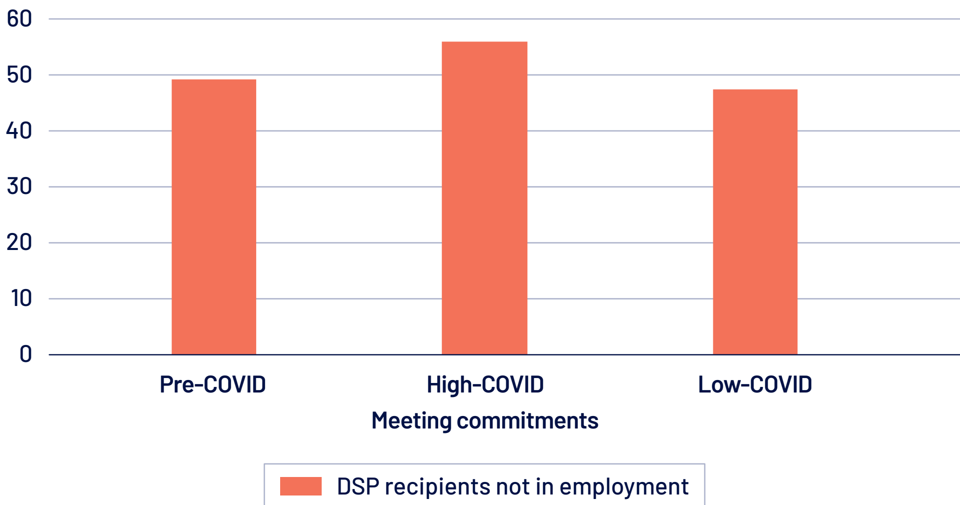
14 Data on credit card debt carried forward is not yet available for the low-COVID period of analysis. However, our previous analysis found that the proportion of single parents not in employment carrying forward credit card balances increased from 7% pre-COVID to 12% in the high-COVID period (Porter & Bowman 2021).

As the stimulus payments were wound back, meeting commitments became harder for DSP recipients

After a strong improvement during the high-COVID period, ability to meet commitments fell by 15% to 47.4 for DSP recipients not in employment (**Figure 4.4**).[15] This is likely to be due to the reduced economic stimulus payments (two payments of $250, compared with two of $750 during high-COVID). This again highlights the inadequacy of base disability support payments.

Despite the fall in their Meeting Commitments scores, Feeling Comfortable scores for DSP recipients not in work rose by 10% between the high-COVID and low-COVID periods, returning to pre-COVID levels. Increased feelings of comfort might be driven by the reduced risk of community transmission of COVID-19 during low-COVID, expanding work and life choices for those with long-term health conditions, and increasing individual agency. While adequate incomes are pivotal to economic security, supporting low-income and vulnerable groups to participate fully in society is also important to enable economic dignity and autonomy.

Figure 4.4 ANZ Roy Morgan Meeting Commitments scores for DSP recipients not in employment – pre-COVID, high-COVID and low-COVID periods



Note: Due to a large increase in the proportion of DSP recipients in our sample aged 65 and over in the low-COVID period, this group were excluded from this analysis. This group tends to have higher levels of financial wellbeing and resilience.

Source: Roy Morgan Single Source, pre-COVID, high-COVID and low-COVID averages, April 2018 – March 2021. Base: DSP recipients aged 18 to 64 not in employment.

15 No analysis of DSP recipients in employment was conducted owing to strong differences in outcomes between those in part-time and full-time work and too small a sample for analysis at this level.

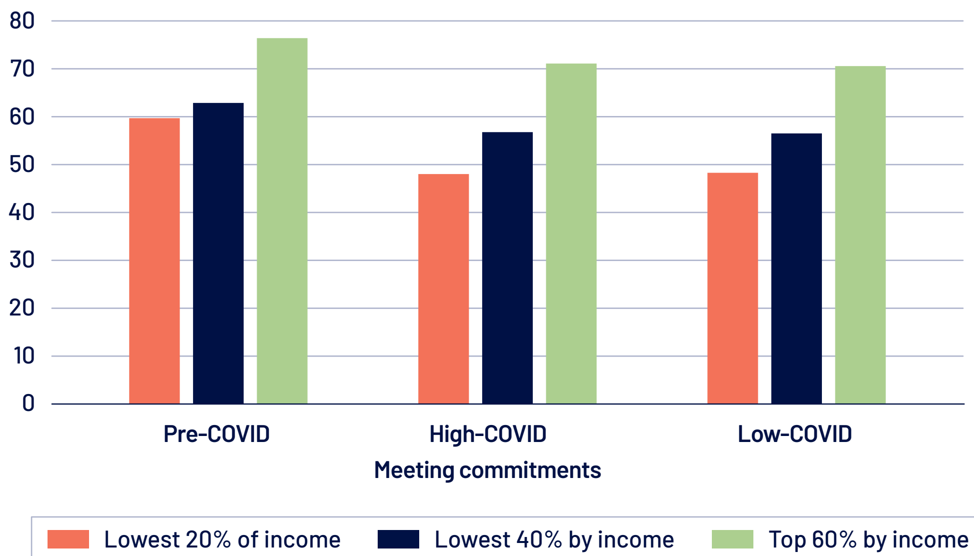
Low-income workers missed out on the short-term gains and will face long-term consequences

Meeting commitments remained a challenge for low-income workers

Despite the general optimism of the low-COVID period, low-income[16] workers continued to face challenges. Meeting Commitments scores in the low-COVID period for workers in the lowest 40% of households by income were 10% below the pre-COVID average (**Figure 4.5**). The gap was even wider for workers in the bottom 20%: their average Meeting Commitments scores were 19% lower than the pre-COVID period. In contrast, workers in the top 60% of households showed Meeting Commitments scores only 8% below the pre-COVID average.

Despite the general optimism of the low-COVID period, low-income workers continued to face challenges.

Figure 4.5 ANZ Roy Morgan Meeting Commitments scores by household income group for those in employment – pre-COVID, high-COVID and low-COVID periods



Source: Roy Morgan Single Source, pre-COVID, high-COVID and low-COVID averages, April 2018 – March 2021. Base: Australians in employment 18 +, by household income groups.

16 Income groups (top 60%, bottom 40% and bottom 20%) are estimated quarterly. Due to a high number of missing values, the overall sample used to estimate financial wellbeing for workers in these groups for the period April 2018 to March 2021 is 29,105. An individual is considered in employment if they report either part-time or full-time work.

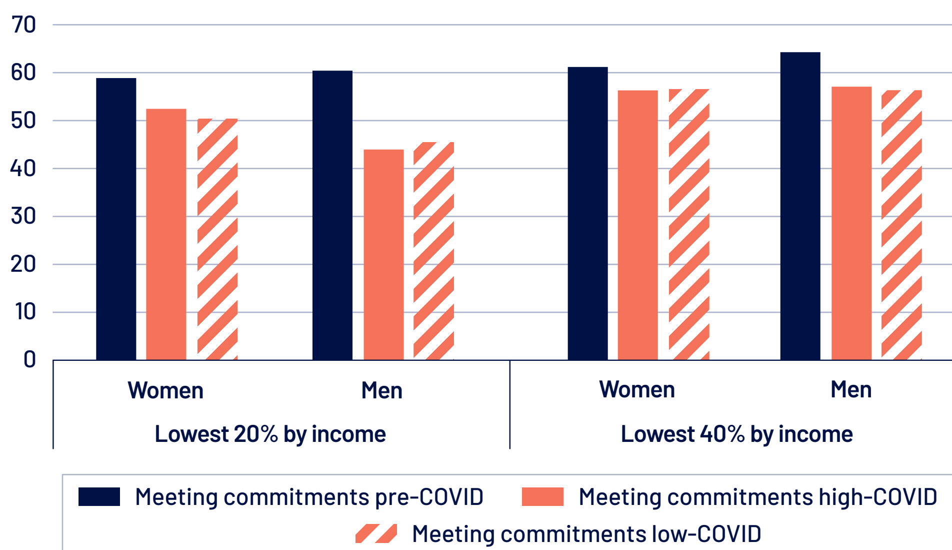
Challenges in meeting commitments remained but effects varied by gender

These differences varied sharply by gender (**Figure 4.6**). Male workers in the bottom 20% of households by income faced a much sharper decline, with Meeting Commitments scores falling by 27% from the pre-COVID period to 43.9 in high-COVID but recovering slightly in the low-COVID period. Women in the same income group experienced only an 11% decline in Meeting Commitments scores between the pre-COVID and high-COVID, albeit from a slightly lower starting point. This was followed by a further 4% decline in the COVID normal period to 50.5. Smaller gender differences were observed for workers in the bottom 40% of households, with overall declines in Meeting Commitments scores of 13% for men and 8% for women.

These changes can be explained in part by different outcomes for full-time and part-time workers. Full-time workers are likely to have higher overall earnings than those that work part-time (ABS 2021a). Many women work in traditionally feminised sectors such as hospitality and care which are characterised by high rates of low-paid, part-time jobs (ABS 2021a). In addition, many women work part-time to balance work and family responsibilities, in some cases as supplementary earners (Baxter 2019). Women are therefore likely to earn less overall and may have more limited or shared regular commitments. Some low-income female workers may have been better able to meet commitments during the high-COVID period when they could access JobKeeper (paid at a flat rate of $1,500 for all workers regardless of hours) or JobSeeker (with its relaxed partner income test).

Full-time workers in the lowest 20% of households by income showed a 32% fall in Meeting Commitments scores from the pre-COVID average of 62.5 to 42.1 in high-COVID, then a 2% increase to 43.0 in the low-COVID period. Part-time workers in the lowest 20% of household incomes were less able to meet commitments initially with a pre-COVID average score of 58.4, which declined less sharply by 12% in high-COVID, before remaining stable at 51.7 in low-COVID.

Figure 4.6 ANZ Roy Morgan Meeting Commitments scores for lower income workers by gender – pre-COVID, high-COVID and low-COVID periods



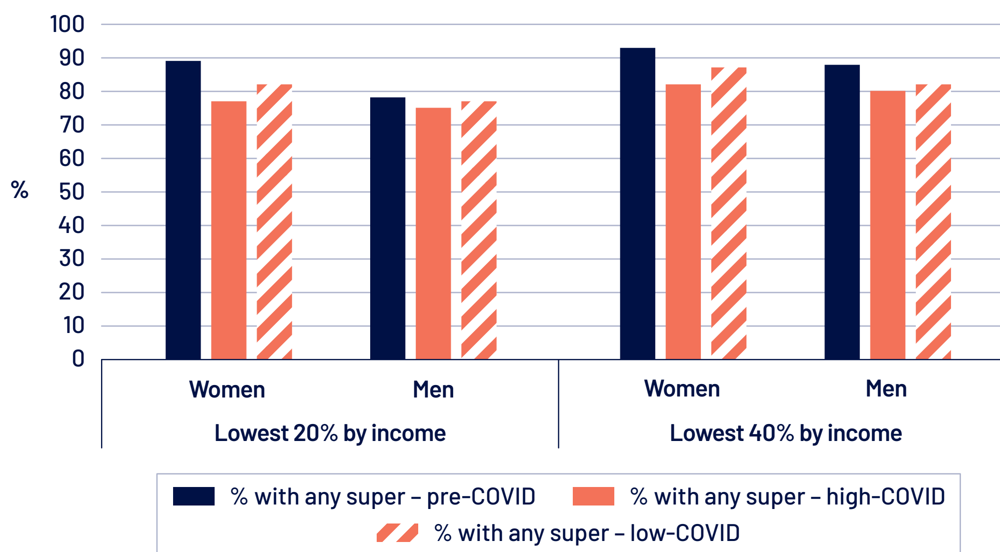
Source: Roy Morgan Single Source, pre-COVID, high-COVID and low-COVID averages, April 2018 – March 2021. Base: Australians in employment 18 +, by household income groups.

Capital scarring intensified for low-income workers, with differing effects for men and women

Resilience scores for low-income female workers were more severely impacted than those for their male counterparts, with cumulative declines across the high and low-COVID periods. For female workers in the bottom 40% of households, Resilience scores fell by 7% to 45.9 from pre-COVID to low-COVID periods, while for those in the bottom 20% there was a much steeper 13% decline to 39.3. For men in the lowest 20%, Resilience scores fell sharply during the peak of the COVID crisis but rebounded in the low-COVID period to 45.6, a slight 2% increase over the pre-COVID period. Across the larger group of male workers in the lowest 40% of households, Resilience scores increased markedly over the period of analysis, rising by 9% to 51.0 in the low-COVID period.

However, shifts in Resilience scores need to be considered along with changes in assets (having any superannuation) or liabilities (loans). In addition to reducing their savings, some low-income women also appear to have relied on withdrawing superannuation (**Figure 4.7**). The percentage of female workers in the lowest 20% of households by income with any superannuation initially fell by 12 points from the pre-COVID to the high-COVID period, before increasing to 82% in the low-COVID period as individuals returned to work. This was a net decline of 7 percentage points. A similar pattern was observed for women in the lowest 40% of households by income, with a net 6 percentage point decline over the same period. Male low-income workers reported weaker changes in superannuation. Those in the lowest 40% reported a net 6 percentage point decline between the pre-COVID and low-COVID periods, while those in the lowest 20% reported just a 1-point change[17].

Figure 4.7 ANZ Roy Morgan, proportion of workers with superannuation by gender and income group – pre-COVID, high-COVID and low-COVID periods



Source: Roy Morgan Single Source, pre-COVID, high-COVID and low-COVID averages, April 2018 – March 2021. Base: Australians in employment 18 +, by household income groups.

17 Male workers in the lowest income quintile report much lower levels of superannuation (77% in pre-COVID period) than women in the same group (88%). This is likely to be due to higher rates of independent contracting in lower skill male-dominated occupations such as labourers and machinery operators and drivers (ABS 2020c).

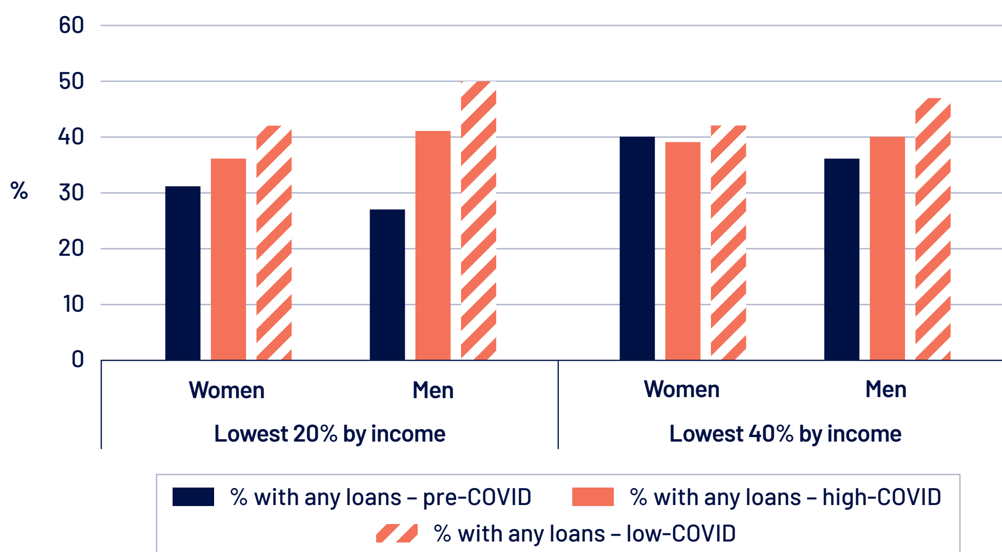
The partial rebound in superannuation coverage observed in the low-COVID period is encouraging. However, with a national average withdrawal of over $7,000 (APRA 2021), for most replenishing lost super is likely to be slow. This is particularly true for women who have higher rates of part-time work and time out of the workforce for unpaid care work (Riach et al. 2018), leading to them retiring with 42% less superannuation on average than their male peers. Moreover, as we do not have data to show how many people reduced their balances without closing their account, these findings are likely to understate the overall impact of the crisis on superannuation.

Among male workers in the lowest 20% of households by income, 50% had loans[18] in the low-COVID period, compared with 27% before the pandemic and 41% in the high-COVID period (**Figure 4.8**). The pattern was similar among male workers in the lowest 40% of households. Female workers in the lowest 20% of households also reported an 11-point increase in loans to 42% in the low-COVID period. Importantly, loans are just one financial product, and might be accompanied by other liabilities such as increasing credit card debt (Porter & Bowman 2021) and buy now pay later debt (Taylor 2021).

These findings suggest the COVID crisis is likely to leave long-term financial scars for both women and men. Reduced savings and superannuation have been accompanied by more debt, increasing risks in the longer term. As a result, low-income workers are vulnerable to further shocks such as the lockdowns that have already occurred during the 2021 COVID peak. The impacts are likely to be compounded by the more limited financial supports offered in the third wave (Terzon & Hutchens 2021).

Considering loan and superannuation rates in addition to the savings-based resilience score highlights the limits of the resilience measure in capturing longer term financial challenges. Indeed, Netemeyer et al. (2018) have recognised the challenge of capturing future security as part of financial wellbeing, highlighting the need to bring together a person's current financial situation and future outlook.

Figure 4.8 ANZ Roy Morgan, proportion of workers with loans by gender and income group – pre-COVID, high-COVID and low-COVID periods



Source: Roy Morgan Single Source, pre-COVID, high-COVID and low-COVID averages, April 2018 – March 2021. Base: Australians in employment 18 +, by household income groups.

18 This excludes amounts owing on credit cards. No information is available on the type of loan or credit provider.

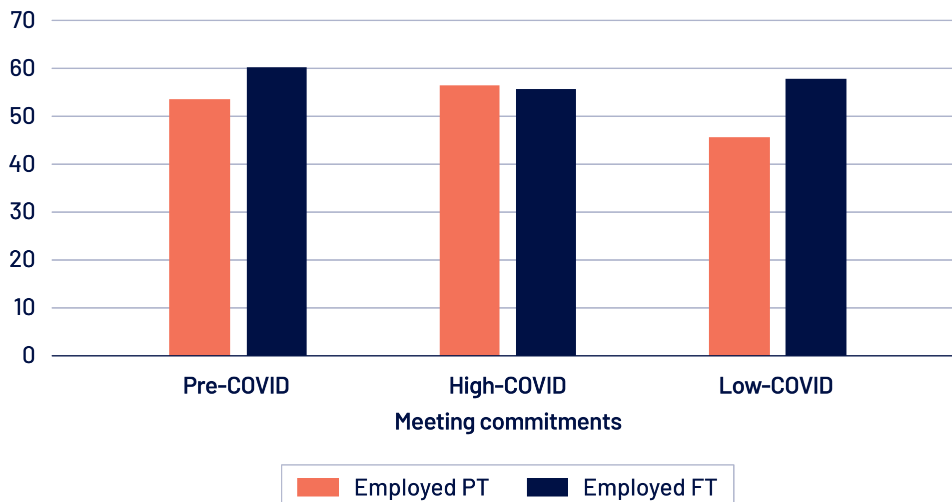
Low-COVID benefited single parents in full-time work while those in part-time work fell behind

Among single parents, who are predominantly female, those in full-time employment fared better than those in part-time work. Their Meeting Commitments scores increased by 4% in low-COVID from the high-COVID period, though remaining below pre-COVID levels at 57.9. By contrast, single parents in part-time work showed a 19% decline in Meeting Commitments scores in the low-COVID period after a 5% improvement in high-COVID (**Figure 4.9**). This reversal might again be due to changes in JobKeeper Payments, from a flat $1,500 payment for all workers to a reduced rate for part-time workers.

Single parents in part-time employment also showed a 24% decline in Feeling Comfortable scores to 39.2 in low-COVID compared to high-COVID, offsetting the previous rise. At the same time, single parents in full-time work showed a weaker decline of 8% to 51.4.

The falls in Feeling Comfortable scores are unsurprising given the ongoing challenges meeting commitments and the declines in superannuation. By the low-COVID period, 91% of single parents in full-time work reported having any superannuation, which was 6 percentage points below the pre-COVID period despite an improvement from high-COVID. Similarly, the rate of superannuation for single parents in part-time work remained 8 percentage points below pre-COVID levels at 86%. It is likely that others made withdrawals from their superannuation without closing their account.

Figure 4.9 ANZ Roy Morgan Meeting commitments scores by employment type for single parents – pre-COVID, high-COVID and low-COVID periods



Source: Roy Morgan Single Source, pre-COVID, high-COVID and low-COVID averages, April 2018 – March 2021. Base: Single parents 18 to 64 years in employment.

The gap between part-time and full-time young workers increased

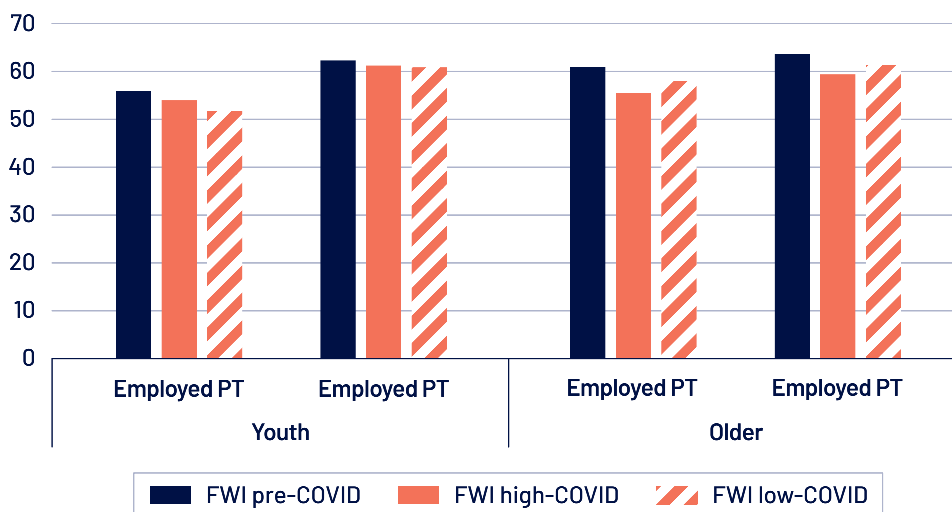
In the pre-COVID period, Financial Wellbeing scores for youth (aged 18 to 29) in full-time work were 62.1 compared to 55.7 for youth in part-time work, a 10% gap. By the low-COVID period this gap increased to 15% for young workers, while the gap between older part-time and full-time workers returned to pre-COVID levels (**Figure 4.10**). Young full-time workers saw their overall Financial Wellbeing score decline by 2% to 60.7, driven by modest declines in the Feeling Comfortable dimension. Yet youth in part-time work faced an 8% overall decline, to a Financial Wellbeing score of 51.5. This was driven by a steep 10% decline in ability to meet commitments during the low-COVID period, likely due to the reduced JobKeeper Payment.

Long-term risks remain for young workers

The gap between older and younger workers also grew during the low-COVID period. This was driven by Feeling Comfortable scores for older workers increasing by 10% while younger workers saw a further decline. This is not surprising given the challenges faced by younger workers attaining well paid, secure full-time work, which intensified after the global financial crisis (de Fontenay et al. 2020). Accepting low quality or insecure jobs can have long-term effects, limiting earnings growth and increasing the likelihood of future unemployment (Altonji, Kahn & Speer 2016; Buddelmeyer, Lee & Wooden 2010). The return of lockdowns in 2021 is likely to have exacerbated these pressures.

COVID added financial scarring to these fraught labour market transitions. Young full-time workers with superannuation declined by 9 percentage points between the pre-COVID and low-COVID periods. Those in part-time work reported a 4-point decline. Loans also increased over the same period, from 34% of young full-time workers to 41%, and from 9% to 22% of young part-time workers. Yet Financial Resilience scores increased between the pre-COVID and low-COVID periods by 3% and 8% respectively for youth in full-time and part-time work, again highlighting the potential benefits of a broader resilience measure. Young workers, especially those working part-time, will face challenges rebuilding superannuation balances and paying off debts.

Figure 4.10 ANZ Roy Morgan Financial Wellbeing Indicator scores by age group and employment type– pre-COVID, high-COVID and low-COVID periods



Source: Roy Morgan Single Source, pre-COVID, high-COVID and low-COVID averages, April 2018 – March 2021. Base: All Australians 18+ in employment, youth (ages 18 to 29), older (ages 30+).

5 Building resilience to the risks of chronic COVID

Chronic COVID is just one of the risks facing Australians

After the 2020 peak of the COVID crisis had receded—the period we have called 'low-COVID'—it appeared as if Australia had survived the pandemic and made a remarkable recovery, but for many this was fleeting. Income support recipients were plunged back into poverty as government supports were wound back. As wage growth remained low (ABS 2021a) and full-time work elusive (ABS 2021b), people faced continued challenges making ends meet, while their savings and superannuation balances remained depleted. These trends left many people even less prepared for the resurgence of COVID.

As economies again reopen after the renewed lockdowns of mid-2021, our findings highlight the need for continued government support as people rebuild their financial wellbeing. In the longer term, with new COVID strains likely to emerge, and increasing risks such as those associated with global instability and climate change, government needs to invest in resilience, fairness and opportunity.

Our findings highlight the need for continued government support as people rebuild their financial wellbeing.

Strong foundations for sustainable recovery

A decent social safety net that protects against shocks

Our findings highlight the benefits to financial wellbeing of providing social security recipients with adequate income, and again illustrate what happens when this is removed. During the COVID high of 2020, increased income support 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 happened, at the expense of long-term economic security.

An independent review should be established to ensure that the structure, rates and conditions of social security payments provide a real safety net that protects recipients and their families from shocks and social risks. ANU modelling commissioned by BSL and SVA shows that a relatively modest 10% increase in social security expenditure could provide JobSeeker Payment recipients with an additional $190 per week and cut their poverty rates from 88% (pre-COVID) to just 34%, while also allowing increases for disability support pensioners and those on parenting and carer payments (Phillips & Narayanan).

Investment in full employment to provide secure work and wage growth

Financial wellbeing improves when people have access to secure, well-paid jobs. Our research found that single parents and disability support pensioners who had employment had higher levels of financial wellbeing during the COVID crisis and were more likely to have savings or superannuation to fall back on.

However, for too many people, entering the labour market no longer results in ongoing work or enables them to build savings and economic security (Porter & Bowman 2021). Importantly, the fleeting recovery showed that economic growth on its own can't deliver quality full-time jobs, with the proportion of full-time workers continuing to decline and more people working multiple jobs to get by (Jericho 2021).

Government should invest in full employment to improve opportunities for those currently shut out of work, focusing on decent work that drives wage growth. Quality, flexible jobs are needed for groups such as single parents and people with disabilities, who face extra barriers to employment. Reform is also needed to improve the security of work and provide pathways for those trapped in casual, contract or part-time work, particularly young workers.

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 will 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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2021

Acknowledgement of Country

The Brotherhood of St. Laurence acknowledges the Traditional Custodians of the land and waterways on which our organisation operates. We pay our respects to Aboriginal and Torres Strait Islander Elders past, present and emerging.

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