

# Taking the Temperature

## COVID-19 Update from ACOSS and its Members

Briefing Paper 3: 6 July 2020

This Briefing Paper series presents the latest data and frontline feedback about the economic, social and environmental impacts of COVID 19 on people on lower incomes or facing higher risks. It seeks to track and monitor what we know about the impacts of government and other actions designed to support people in the community.

### What's working so far?

**Coronavirus-Supplement of \$550 pf & \$750 Stimulus payment is transforming lives and boosting our economy.** Individuals and families are being lifted out of poverty and are able to eat and sleep better. Business groups have reiterated that there needs to be a permanent increase in unemployment payments and St Vincent de Paul Society has said *"snapping back those on JobSeeker to the old Newstart payment will have dire community consequences and make it impossible for those on income support to break the poverty cycle"*.

Low income earners are spending up to 18% more than normal and this is making up for the shortfall in spending by higher income earners. Small business Ombudsman, Kate Carnell said it was *"important for jobseeker not to go back to its previous level"* of \$40 a day, because *"the more money that circulates in the economy the better for business"*.

However the proposed ending of the JobSeeker Coronavirus-Supplement and JobKeeper in late September will coincide with the cessation of many payment and loan deferrals, likely leading to significant financial hardship and a set-back for economic recovery. Financial stress levels among households are varying week to week, *"reflecting the uncertainty in the economy and the uneven incidence of job losses across the sectors"*. Large emergency relief providers such as Foodbank are worried they will not be able to cope with demand. *"We have continued to see a sustained spending retreat by high-income earners,"* said illion chief executive Simon Bligh. *"If you factor that in with low-income earners carrying the economy, it is a clear signal that once stimulus measures end, we are in for the big reveal."*

### What needs urgent attention?

**Lack of any income support for temporary visa holders** – many have been unable to travel home due to lock-down restrictions resulting in severe hardship, homelessness and increased incidents of domestic violence. The Australian Red Cross, Uniting Care and smaller centres are all seeing large increases in demand for assistance from these visa holders. The trauma faced by asylum seekers is being compounded by loss of jobs and ineligibility for government support. At least 16,000 children have a parent on a bridging visa with no access to income support or Medicare.

## What else is the community sector and data telling us?

### Incomes

- During the lock-down and economic shut-down many people had to seek emergency relief for the first time with Foodbank experiencing a 78% increase in demand. Since then, despite restrictions easing by mid-June, nearly 1 in 5 people have said their finances had deteriorated over the past month and one in 14 people that they had been unable to pay one or more important bills due to a shortage of money. Nearly half a million Australians have emptied their superannuation funds and thousands are negotiating payments for their energy bills.

### Employment

- The easing of restrictions is not showing a dramatic increase in employment with payroll jobs barely increasing in the week to mid-June and data for the end of June showing a continuation in the trend of a far greater number of applicants for each available job.
- There has been a 119% increase in the number of people in Victoria needing to claim unemployment payments since December 2019 and a 112% increase in NSW. The numbers needing these payments in these two states alone now exceeds the numbers for the whole of Australia before the bushfires and the COVID-19 pandemic.

### Housing and Homelessness

- The number of Australians who couldn't pay their rent or mortgage on time has more than doubled between April and May. For renters, low income people were more than 4 times as likely to not be able to pay rent on time compared to the highest 20% of households. *"What was a public health crisis has become an economic crisis and has the potential to become a housing crisis in time. Particularly for young people."* Professor Matthew Gray, ANU Centre for Social Research and Methods.

### Young People

- Young people are faring worse in the labour market and this is reflected in the dramatic increase in the numbers needing to rely on unemployment payments – these numbers have increased by 164% for young people aged less than 25 years and by 151% for those aged 25-34 years. This is leading to concerns about a deterioration in mental health for young people.

## Further detail

### What's working so far?

#### **Coronavirus-Supplement of \$550 per fortnight and \$750 Stimulus payment is transforming lives and boosting the economy**

- Transforming lives:** *"I feel like before Coronavirus we were living in poverty. Always wondering when I wasn't going to be able to scrape enough together to feed the kids again. At the moment, I can breathe and sleep a little easier knowing everything that needs to be paid is, and the kids are fed. I don't have anything left over to save but my children are eating better."* An ACOSS survey of 955 people receiving the Coronavirus Supplement in May show it is allowing people to eat nutritional food, pay electricity and rent.<sup>1</sup> As Pat Turner, National Aboriginal Community Controlled Health Organisation (NACCHO) CEO said *"these are hardly luxuries and are measures every Australian should be able to enjoy. People should be able to live on a decent level of income support while they are looking for work."*<sup>2</sup>
- Business Council of Australia president, Tim Reed, said *"Our longstanding call to review the rate of jobseeker is now more urgent than ever,"* he said. COSBOA's chief executive, Peter Strong, agreed Newstart should be *"a lot higher than before"* to help jobseekers survive and look for work.<sup>3</sup>
- Boosting the economy:** Small business Ombudsman, Kate Carnell said it was *"important for jobseeker not to go back to its previous level"* of \$40 a day, because *"the more money that circulates in the economy the better for business"*.<sup>4</sup> **Essential spending** increased from 87% of normal levels on 20 April to 99% on 27 April (the date the Coronavirus Supplement started to be paid) and it has bounced between 95-99% until increasing to 100% on 21 June. The Coronavirus Supplement has also dragged **total spending** up from 80% on 20 April to 93% on 27 April and it has bounced between 93-97% and was at 101% on 21 June.<sup>5</sup> The spend by those earning less than \$65,000 was 18% greater than normal once the CVS started to flow and has stayed between +14% and +19% since then. The lift in purchases by lower-income earners has been on both essentials, like groceries and utility bills, and discretionary items such as food delivery, cafes, and homewares. Weekly spending by higher-income earners was still 15% below normal in mid-June even though lockdown restrictions had eased.<sup>6</sup> The ABS Household Income Survey 10-15 June found the Coronavirus Supplement and the JobKeeper Payment were most commonly used to pay household bills.
- Deferrals of mortgages, rents, loans, energy and digital bills:** The Australian Energy Regulator said more than 1,000 customers were seeking assistance each week.<sup>7</sup> In March the regulator issued a 'statement of expectations' for energy retailers that includes negotiating payment plans and not disconnecting small businesses and residences, however this is due to cease on 31 July.<sup>8</sup> Most other deferrals are due to finish at the end of September. AMP Capital chief economist Shane Oliver expects there could be as many as 100,000 forced property sales if support measures are suddenly withdrawn by governments and banks.<sup>9</sup>

**The proposed ending of the JobSeeker Coronavirus-Supplement and JobKeeper in late September will coincide with the cessation of many payment and loan deferrals, leading to significant financial hardship and a set-back for economic recovery.**

- The St Vincent de Paul Society has said *“snapping back those on JobSeeker to the old Newstart payment will have dire community consequences and make it impossible for those on income support to break the poverty cycle, particularly if a significant economic downturn occurs concurrently.”*<sup>10</sup>
- Foodbank is feeding a record 1.4 million Australians (an increase of 78% on pre-bushfire and pandemic numbers) and their CEO says *“If we reach do this point that we all term ‘the cliff’, where these additional measures come off, I’m deeply concerned about what will happen to demand for food relief and our ability to keep up with that.”*<sup>11</sup>
- 94% of responses to the ACOSS survey said the removal of the supplement would have a significant or extreme impact on their ability to cover the cost of essentials.<sup>12</sup>
- *“We have continued to see a sustained spending retreat by high-income earners,”* said million chief executive Simon Bligh. *“If you factor that in with low-income earners carrying the economy, it is a clear signal that once stimulus measures end, we are in for the big reveal.”*<sup>13</sup>

## What needs urgent attention?

- **Lack of any income support for temporary visa holders, especially asylum seekers.**
  - The Australian Red Cross is now supporting more than 14,000 temporary visa holders (compared with 620 at same time in 2019) as many have lost their jobs and are unable to qualify for government financial or medical assistance.
  - Uniting Care have also noted increased demand for support from people on temporary visas especially asylum seekers.<sup>14</sup> In the fortnight to 20 June, the NSW Asylum Seekers Centre provided more than 1,000 food deliveries and nearly half of them – 46% – went to households with dependent children. *“Due to Covid-19, we’ve seen a threefold increase across all our services, specifically because of lack of access to JobSeeker and JobKeeper.”*<sup>15</sup>
  - Dorothy Hoddinott, AO, former principal of Holroyd High School in Sydney from 1995-2018 and refugee advocate says the situation is more dire for asylum seekers than others for a number of reasons. *“Almost everybody who is an asylum seeker has been through significant trauma ... Asylum-seeker children, she says, should not have to carry their parents’ anxiety, but often they do.”*<sup>16</sup>
- Of particular concern are **women in Australia on temporary visas who are seeking to leave a violent relationship.**

## What else is the community sector and data telling us?

### Incomes

- The St Vincent de Paul Society has found that the **profile of their clients needing emergency relief has changed**, with most being new and not seeking charitable assistance before. These clients have limited means of support and do not qualify for the recent government assistance. Many are either casual workers who have lost their jobs, are on temporary visas or both. Demand for assistance from young people and vulnerable families have also increased during the pandemic.<sup>17</sup> Foodbank has confirmed much of 78% increase in demand for their services comes from those never before seeking support.<sup>18</sup>
- The ABS Household Income Survey 10-15 June found that nearly 1 in 5 (19%) of households said their **finances had deteriorated** between the middle of May and mid-June. Households accounting for 3.5 million people had taken one or more financial actions to support their basic expenses over the same period, with 8% drawing on their savings while 2% had cut their home loan payments. One in 14 or 7% said they had been unable to pay one or more important bills over the month due to a shortage of money. The same survey revealed many Australians are not expecting to sharply lift spending. Twenty per cent said they would keep their spending on recreation and leisure activities at their current levels.<sup>19</sup>
- A June survey conducted by the Energy Consumers Australia, the peak body for **electricity bill** payers, found 1 in 5 electricity bill payers had already contacted their retailer for help with their bills and another 21% expected they would have to soon. Almost half (49%) are feeling less able to pay their energy bill than before the crisis and 67% are expecting a higher electricity bill with the impact of social isolation and working from home.<sup>20</sup>
- Almost half a million Australians have completely **emptied their superannuation savings** under the government early access to super scheme. According to Industry Super Australia, 480,000 Australians have taken all their superannuation out, with over 395,000 of them being under the age of 35. These numbers were before 1 July, when eligible members are entitled to release a second \$10,000 from their retirement fund.<sup>21</sup>
- The COVID-19 survey conducted by the University of Melbourne from 15-19 June found 84% expected the effects on the Australian economy to be greater than 6 months. More Australians also expect the impact of the pandemic to affect them personally for longer. Nearly 60% expected their home activities, employment situation and social interactions to be impacted for more than 6 months. These responses are higher than in recent surveys undertaken with the same households. Researchers said that variations in financial stress levels probably *"reflect the uncertainty in the economy and the uneven incidence of job losses across the sectors."*<sup>22</sup>

## Employment

- The ABS Household Income Survey 10-15 June found 61% of respondents had a job working paid hours in mid-June, still lower than 64% in early March. The proportion of people who reported they had a job but were not working paid hours has steadily decreased from 7.6% in early April to 3.5% in mid-June.
- The number of people receiving DSS **unemployment payments** has more than doubled from 813,721 in December 2019 to 1,640,773 on 22 May 2020.<sup>23</sup> There has been a 119% increase in the number of people in Victoria needing to claim unemployment payments since December 2019 and a 112% increase in NSW. The numbers needing these payments in these two states alone (866,013) now exceeds the numbers for the whole of Australia before the bushfires and the COVID-19 pandemic.<sup>24</sup>
- ANZ Research has stated that "*Australia's **labour market recovery appears to have stalled.***" Despite an easing of restrictions, the number of payroll jobs is not on a linear progression. Payroll jobs increased by just 0.1% over the fortnight ending 13 June after averaging 0.9% growth over the previous three fortnights.<sup>25</sup> According to online job marketplace Seek, at the end of June, employers were receiving on average 16% more applicants per job than in February, before the pandemic shut-down much of the economy.

## Housing and Homelessness

- The number of Australians who **couldn't pay their rent or mortgage** on time has more than doubled according to data released on 30 June by The Australian National University (ANU). The survey of more than 3,200 people shows the proportion of Australians not being able to meet their regular housing costs jumped from 6.9% in April to 15.1% in May.<sup>26</sup> "*What was a public health crisis has become an economic crisis and has the potential to become a housing crisis in time. Particularly for young people.*" Professor Matthew Gray, ANU Centre for Social Research and Methods.
- "*Our findings show the level of housing stress is substantially higher for renters than mortgage holders.*" For renters, low income people were more than 4 times as likely to not be able to pay rent on time compared to the highest 20% of households. Just over 10% of renters have negotiated a lower rent and 2% a rental freeze.
- 16.1% of mortgage holders have managed to reduce their mortgage payment and 8.0% have had their payments frozen for a period of time.<sup>27</sup>
- The St Vincent de Paul Society and many other agencies working at the forefront of poverty and homelessness have called for a **significant investment in the building of new social housing**. "*It would not only provide secure housing for the homeless and those at risk of homelessness. It would create a significant number jobs, help kick-start the economy and provide long-term benefits to the community as a whole. Every dollar invested boosts the GDP by \$1:30.*"<sup>28</sup>

## Young People

- Between December and May there has been a 164% increase in the number of young people aged less than 25 years needing unemployment payments and a 151% increase for those aged 25-34 years. This compares with an increase of 101% for all recipients.<sup>29</sup>
- May ABS Employment data shows that since March, for those aged under 25, 13% of women and over 12% of men have left the labour force, in addition to those who became unemployed or were not working as many hours as they'd like.<sup>30</sup> This means the unemployment rate for 15-24 year olds of 16.1% under-estimates the actual impact.<sup>31</sup>
- Analysis of HILDA data by Monash University academics shows a link between unemployment and poorer mental health, especially for young women. *"For women in their early-20's every one percentage point increase in the unemployment rate is estimated to increase the number of women with poor mental health by about 7%."*<sup>32</sup>
- The ANU 30 June housing survey found 44% of young people aged 18 to 24 who lived out of home said they could not make rent or mortgage repayments. The number of young people experiencing housing stress increased threefold between April and May - from 10.3% to 27.5%.<sup>33</sup>

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This briefing paper was prepared for ACOSS by Toni Wren at [Cuttagee Consulting](#).

<sup>1</sup> ACOSS, [Survey shows increased JobSeeker payment allowing people to eat regularly, cover rent and pay bills](#), 24/6/20

<sup>2</sup> ABC TV, The Drum, 24/6/20

<sup>3</sup> The Guardian, [Australian business groups warn of coming cliff when free childcare and jobkeeper end](#), 24/6/20

<sup>4</sup> The Guardian, [Australian business groups warn of coming cliff when free childcare and jobkeeper end](#), 24/6/20

<sup>5</sup> [Alpha Beta illion consumer spending tracker](#)

<sup>6</sup> <https://www.smh.com.au/national/pandemic-shift-as-the-wealthy-cut-back-the-less-well-off-keep-spending-20200626-p556ne.html> and [Alpha Beta illion consumer spending tracker](#)

<sup>7</sup> <https://www.smh.com.au/politics/federal/millions-of-households-seek-help-with-power-bills-amid-covid-downturn-20200702-p558dh.html>

<sup>8</sup> <https://www.aer.gov.au/publications/corporate-documents/aer-statement-of-expectations-of-energy-businesses-protecting-consumers-and-the-energy-market-during-covid-19>

<sup>9</sup> SMH Domain, [How coronavirus has snapped Australia's fragile rental system](#), 26/6/20

<sup>10</sup> St Vincent de Paul Society submission #258, [Senate Committee on COVID-19](#)

<sup>11</sup> Brianna Casey evidence to Senate Committee Inquiry into COVID-19, 1/7/20

<sup>12</sup> ACOSS, [Survey shows increased JobSeeker payment allowing people to eat regularly, cover rent and pay bills](#), 24/6/20

<sup>13</sup> <https://www.smh.com.au/national/pandemic-shift-as-the-wealthy-cut-back-the-less-well-off-keep-spending-20200626-p556ne.html> and [Alpha Beta illion consumer spending tracker](#)

<sup>14</sup> Evidence to Senate Committee Inquiry into COVID-19, 1/7/20

- <sup>15</sup> <https://www.thesaturdaypaper.com.au/news/politics/2020/06/20/the-impact-covid-19-asylum-seekers/159257520010002>
- <sup>16</sup> <https://www.thesaturdaypaper.com.au/news/politics/2020/06/20/the-impact-covid-19-asylum-seekers/159257520010002>
- <sup>17</sup> St Vincent de Paul Society submission #258, [Senate Committee on COVID-19](#)
- <sup>18</sup> Evidence to Senate Committee Inquiry into COVID-19, 1/7/20
- <sup>19</sup> <https://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/4940.0Main%20Features110-15%20June%202020?opendocument&tabname=Summary&prodno=4940.0&issue=10-15%20June%202020&num=&view=>
- <sup>20</sup> <https://www.smh.com.au/politics/federal/millions-of-households-seek-help-with-power-bills-amid-covid-downturn-20200702-p558dh.html>
- <sup>21</sup> <https://www.industrysuper.com/media/super-wipe-out-almost-500000-australians-have-emptied-their-nest-eggs/>
- <sup>22</sup> [https://melbourneinstitute.unimelb.edu.au/\\_data/assets/pdf\\_file/0009/3413592/Taking-the-Pulse-of-the-Nation-15-19-June.pdf](https://melbourneinstitute.unimelb.edu.au/_data/assets/pdf_file/0009/3413592/Taking-the-Pulse-of-the-Nation-15-19-June.pdf)
- <sup>23</sup> [Answer to Question on Notice SQ20-00425](#), supplied to Senate Committee on COVID-19, 2/6/20
- <sup>24</sup> APW analysis from [DSS Demographics](#), December 2019 and [DSS JobSeeker Payment & Youth Allowance Monthly Profile, May 2020](#). Note: JobSeeker was called Newstart in December 2019. Youth Allowance Other (YAO) is paid to young people aged 21 or younger and looking for full time work; studying part time and looking for work or temporarily unable to work.
- <sup>25</sup> ANZ Research 1/7/20
- <sup>26</sup> ANU, [Number of Australians facing housing stress doubles](#), 30/6/20, full report [here](#)
- <sup>27</sup> ANU, [Number of Australians facing housing stress doubles](#), 30/6/20, full report [here](#)
- <sup>28</sup> St Vincent de Paul Society submission #258, [Senate Committee on COVID-19](#)
- <sup>29</sup> APW analysis from [DSS Demographics](#), December 2019 and [DSS JobSeeker Payment & Youth Allowance Monthly Profile, May 2020](#).
- <sup>30</sup> <https://www.theguardian.com/business/commentisfree/2020/jun/20/jobkeeper-has-failed-and-its-hitting-women-and-young-people-the-hardest>
- <sup>31</sup> [May ABS Employment data 6202.0](#)
- <sup>32</sup> <https://theconversation.com/young-women-are-hit-doubly-hard-by-recessions-especially-this-one-140943>
- <sup>33</sup> ANU, [Number of Australians facing housing stress doubles](#), 30/6/20, full report [here](#)