



COVID-19

CLOSED

Inequality in Australia 2020

Parting the waters:
Inequality and COVID

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What impact will COVID19, and the policy response, have on household income inequality?

- The steepest fall employment on record was bound to have a large impact on inequality
- From past recessions, both were likely to rise sharply
- Yet COVID19 produced an equally large public income support response - a “parting of the waters” to stop people going under - leaving overall household incomes 2% higher
- We can infer from the available data that:
 - COVID disproportionately impacted low income households,
 - public income supports disproportionately benefited them.
- While those supports remain place, inequality and poverty are likely to be much lower than pre-COVID
- If they are removed before employment recovers, inequality and poverty will rise sharply and many people will go under.

A 'parting of the waters' to allow people to travel safely to the other side of the pandemic



What impact will COVID19, and the policy response, have on household income inequality?

Evidence

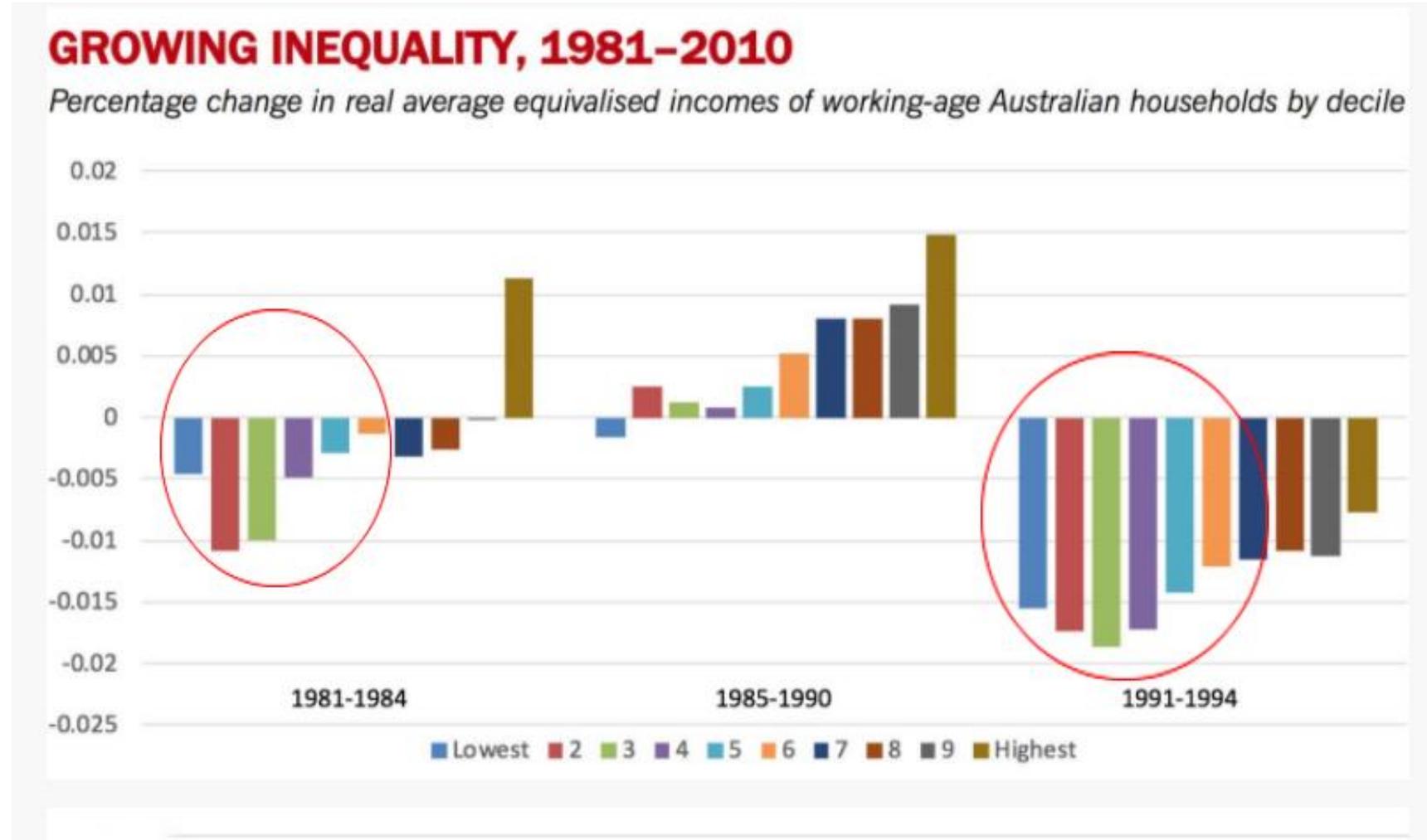
1. The COVID recession increased 'effective unemployment' from 6% to 15%
2. Young people and women were especially impacted
3. Earnings in lower-income households were especially impacted
4. JobKeeper and Jobseeker replaced all or most lost earnings for many of those people
5. As these income supports are removed, it's a race between jobs recovery and withdrawal of income support

Impact on household income inequality

1. 
2. ? But gender & intergenerational inequality 
3. 
4. 
5. ?

1. Recessions breed inequality

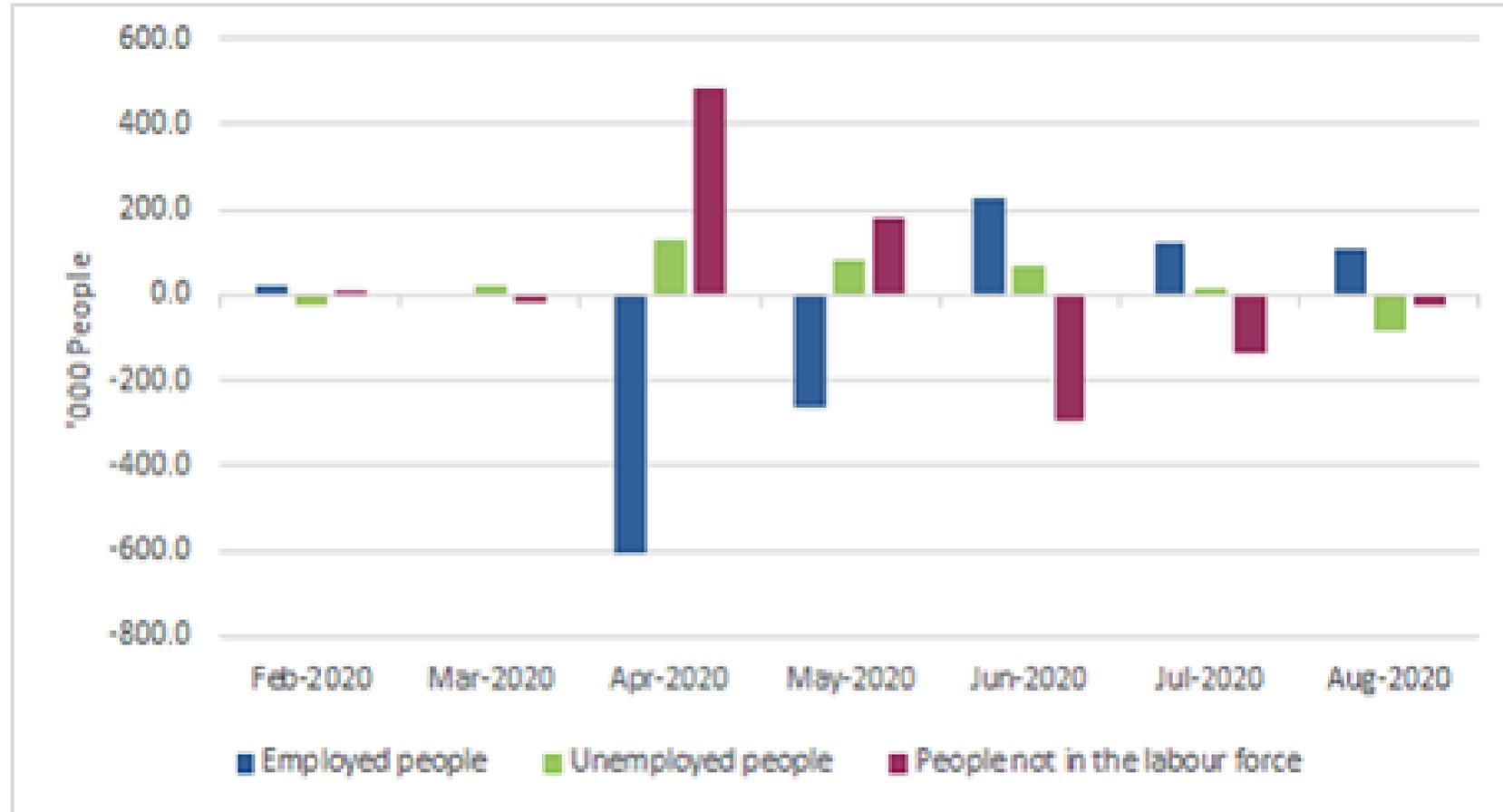
Percentage change in household incomes, by income level between different years



Whiteford P (2018), Good times, bad times, and the growing income gap. Inside story, 5 July 2018.

2. Employment has fallen – fast

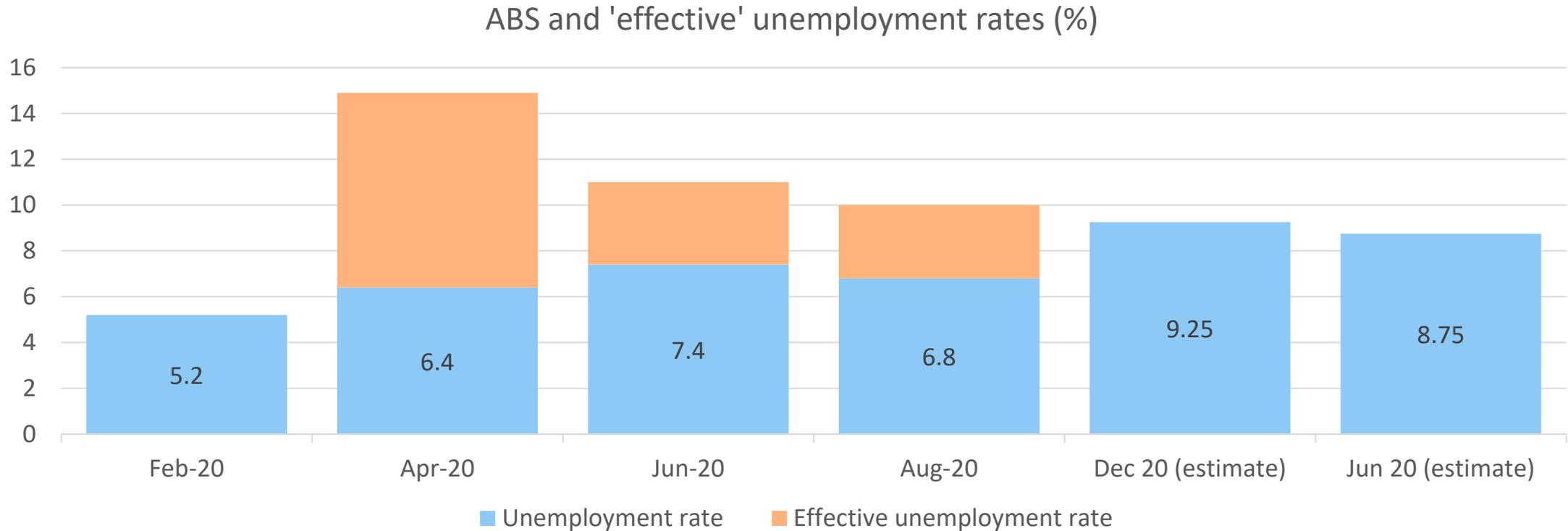
Employment fell sharply in April/May, job losers mostly left the paid labour market
The jobs recovery was strong in June but has since weakened



ABS Labour Force data

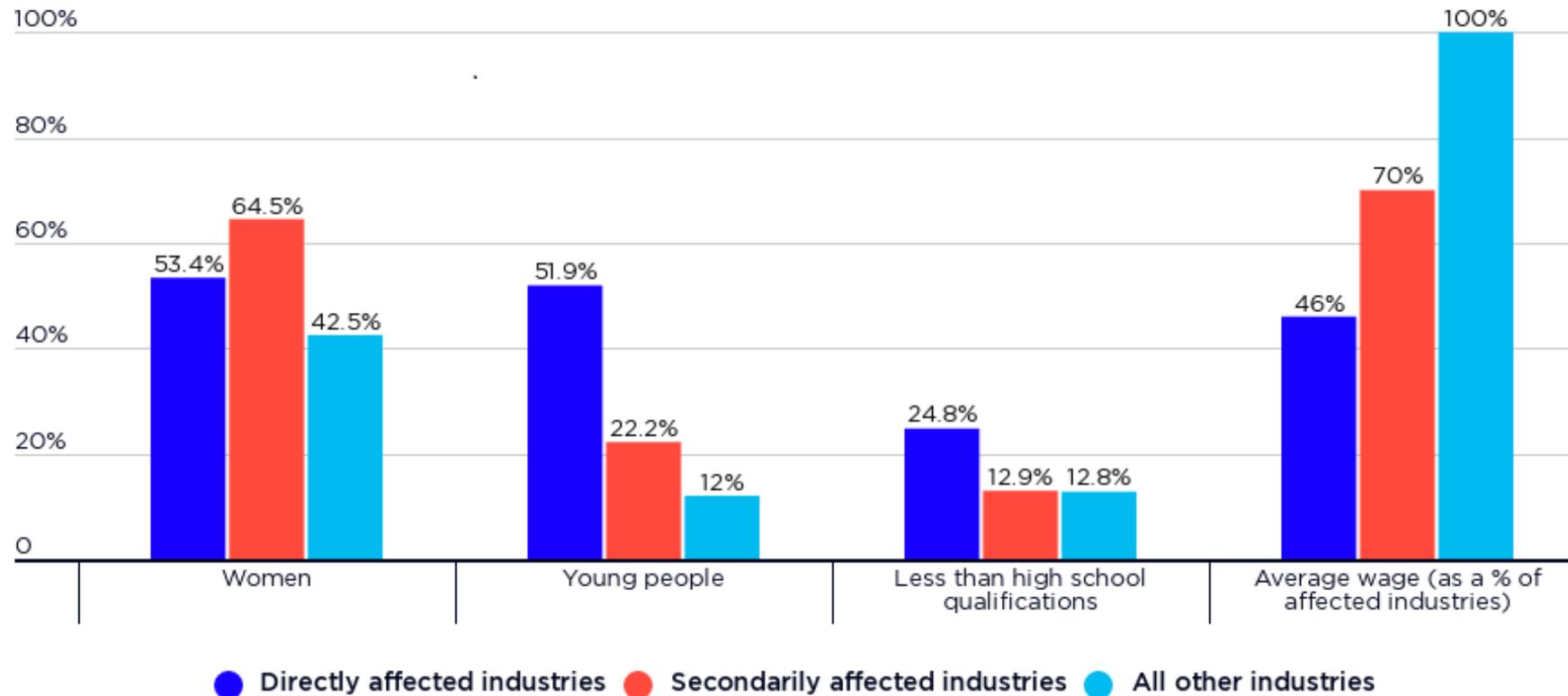
2. Employment has fallen – fast

“Effective unemployment” rose to 15% in April and now sits at around 10%



3. Those most affected: women, young people, low-paid

Percentage of people/wage levels in industries most affected by lock-downs (May 2020)



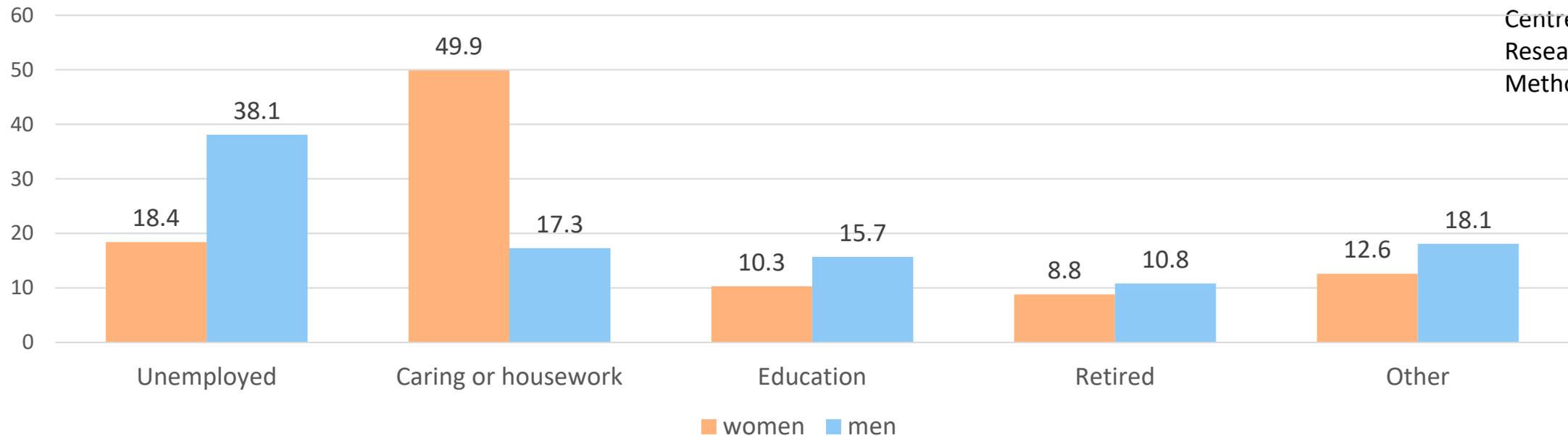
Wilkins (2020),
Who's hardest hit by
the economic effects
of COVID19?
Melbourne Institute.

3. Those most affected: women, young people, low- paid

Back to the fifties!

After losing their jobs, men searched for another & women looked after the kids

What people did after losing their jobs?
(% in May 2020)

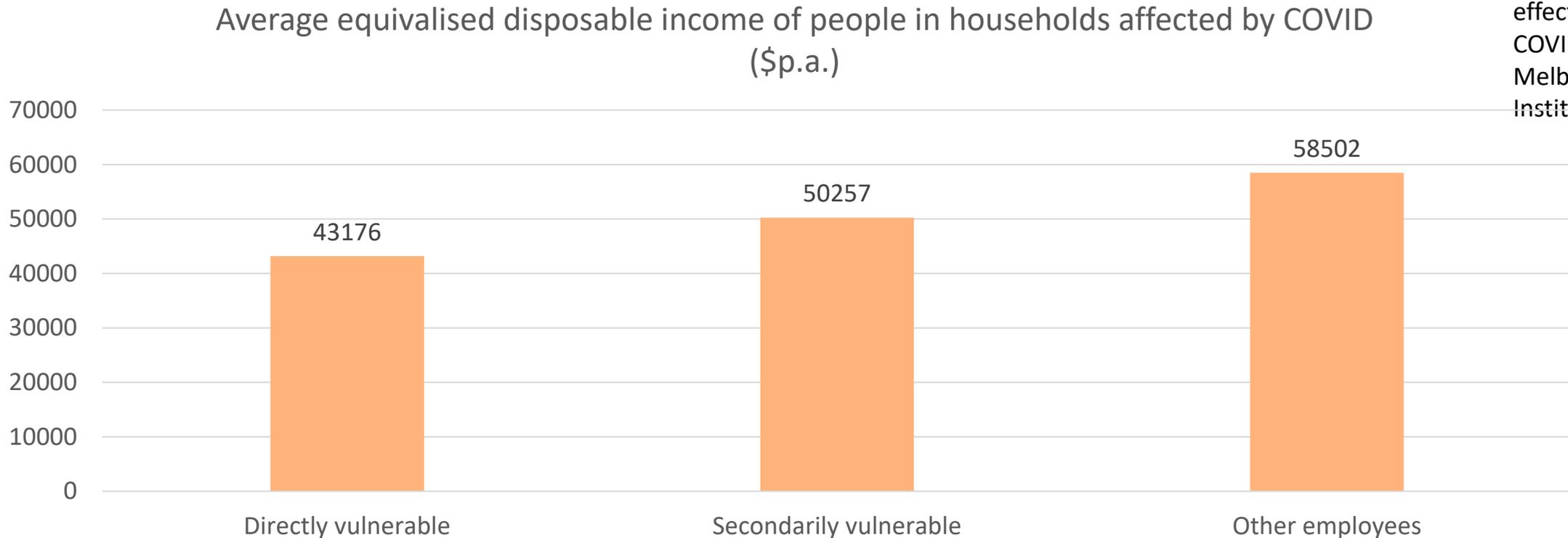


Biddle n et al (2020),
Changes in paid and
unpaid activities
during the COVID-19
pandemic. ANU
Centre for Social
Research and
Methods.

3. Those most affected: women, young people, low- paid

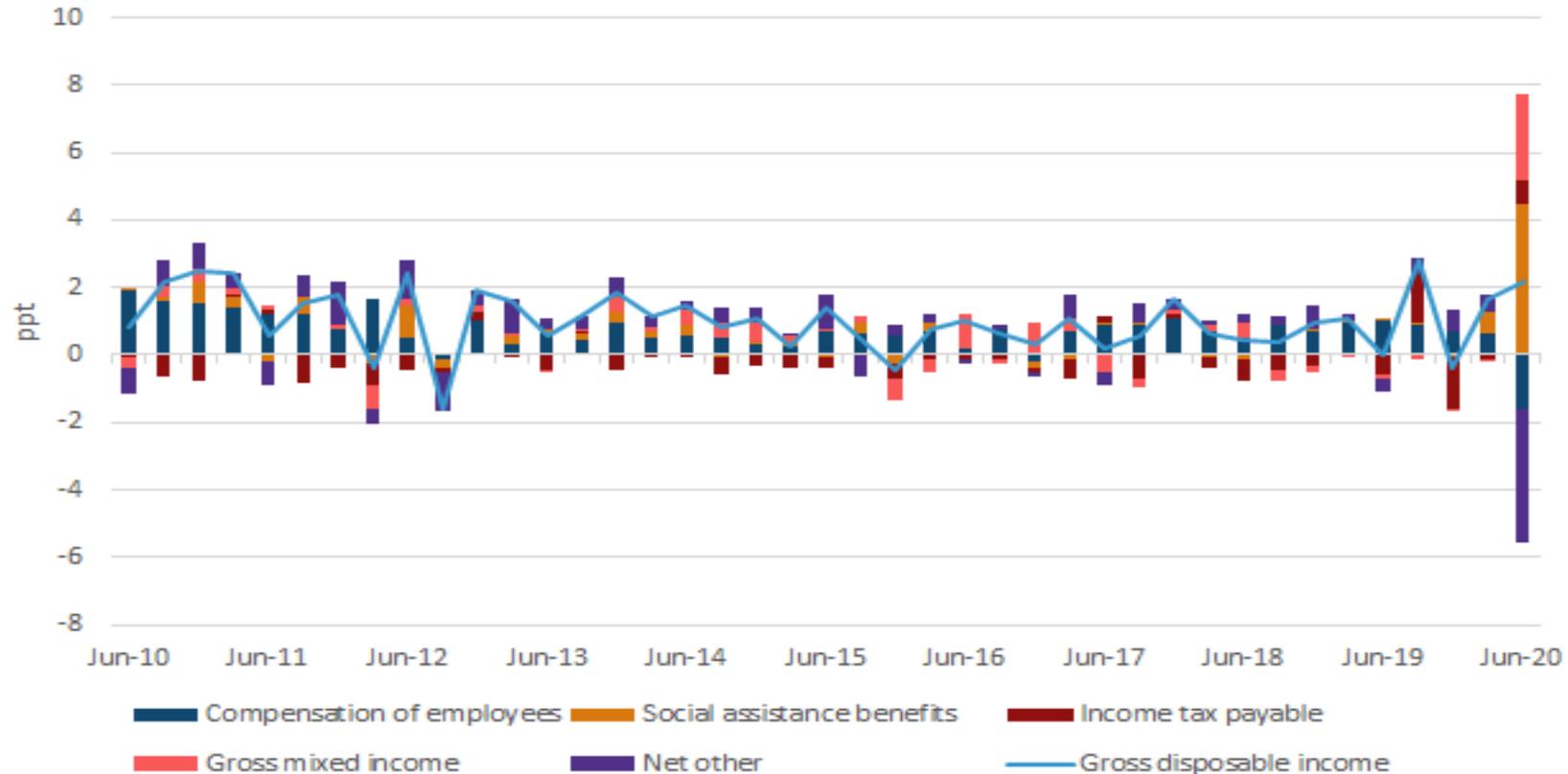
Those whose earnings were most affected by lockdowns came from lower-income households

Wilkins R (2020),
Who's hardest hit
by the economic
effects of
COVID19?
Melbourne
Institute



4. Public income support

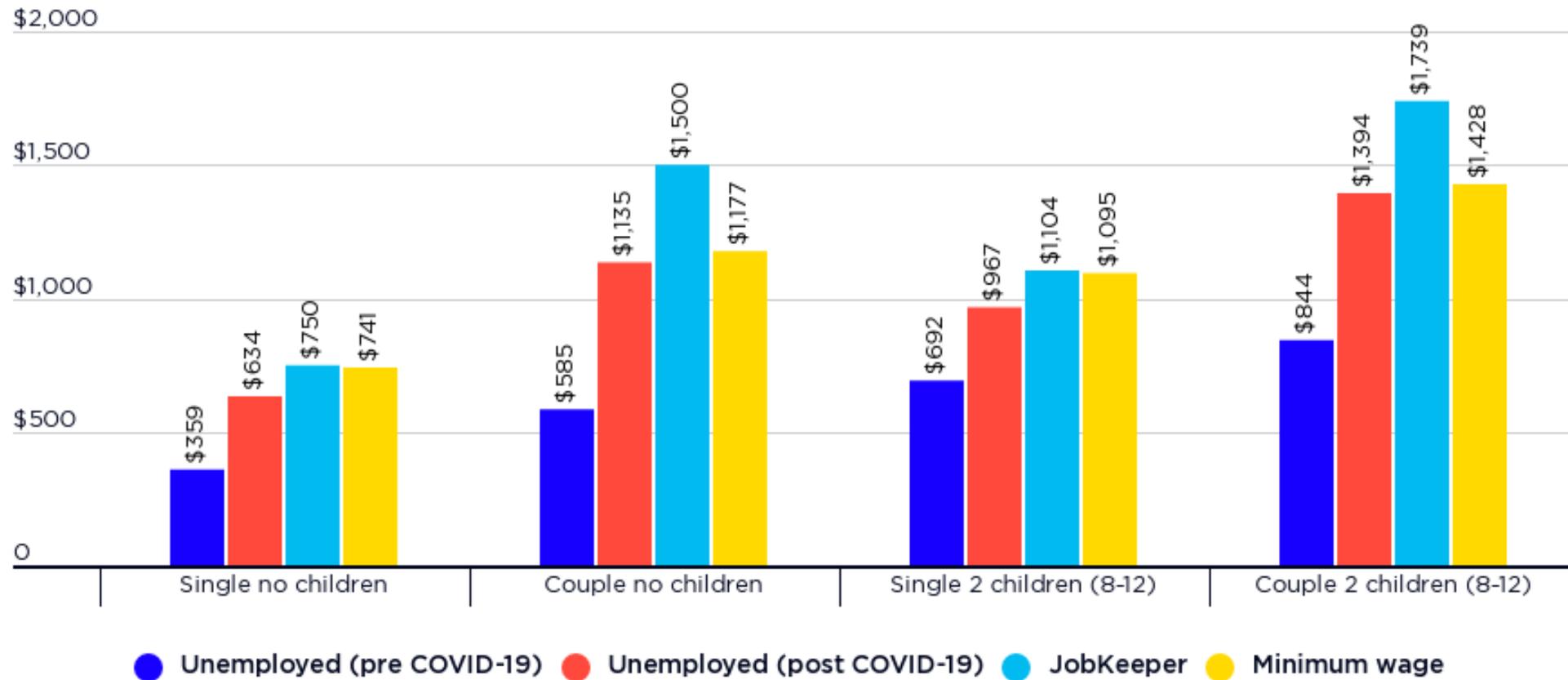
Household income *increased* by 2.2% in the June quarter, despite COVID
- due to government assistance



ABS National Accounts (June 2020)
Note:
Jobkeeper increased compensation of employees & mixed income (self employment).
Jobseeker & household stimulus payments increased Social Assistance Benefits.

4. Public income support

Household incomes before and after COVID-19 (\$ per week before tax in July 2020)



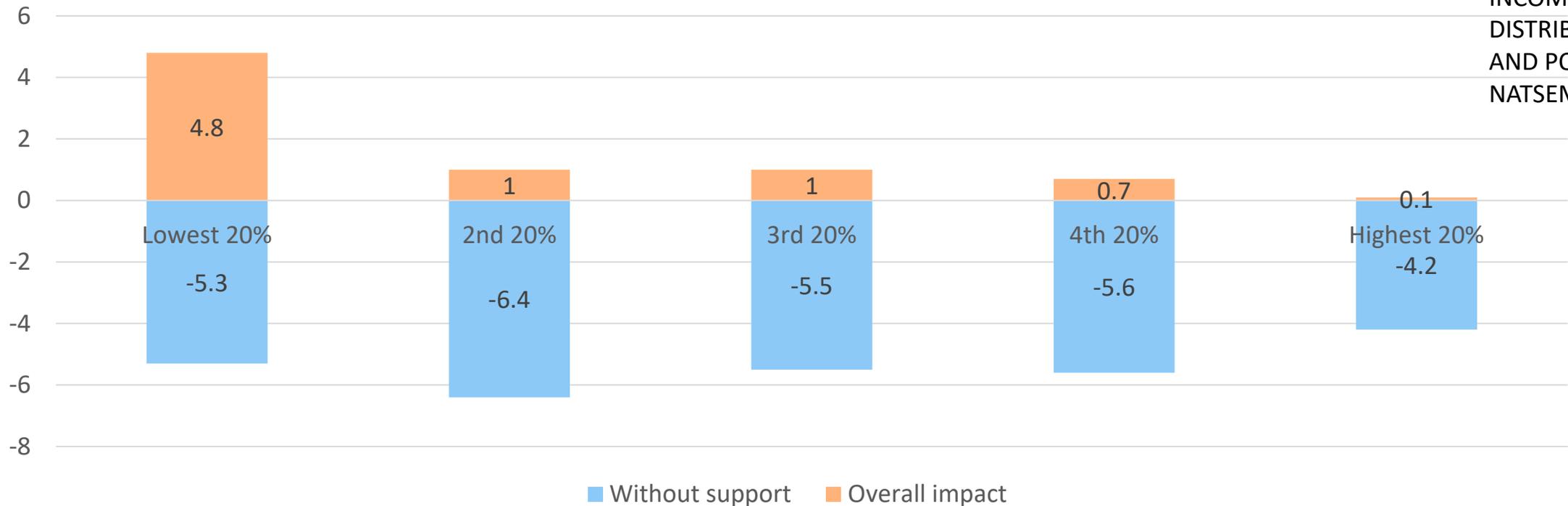
NOTE:
Rent Assistance included where entitled.
Assumes couples on JobKeeper and minimum wage include one employed fulltime and one employed half-time.

5. Outcomes: inequality

Average changes in household pre-tax incomes from Feb to June 2020, with and without Govt income supports

Source:
Li J et al (2020)
THE IMPACT OF
COVID-19 AND
POLICY
RESPONSES ON
AUSTRALIAN
INCOME
DISTRIBUTION
AND POVERTY,
NATSEM.

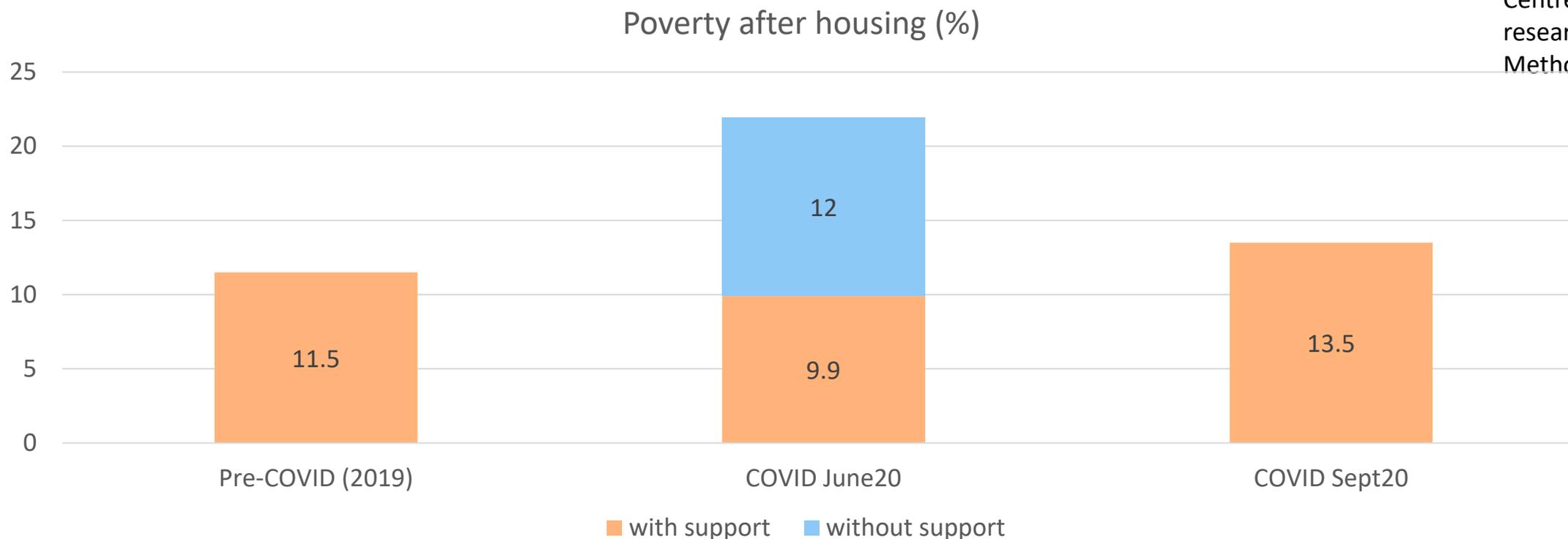
Impact of COVID and income supports on household incomes (% change)



5. Outcomes: poverty

Poverty rates before COVID, with and without income support changes, and post September

Source:
Phillips, B et al
(2020) ANU
Centre for Social
research and
Methods



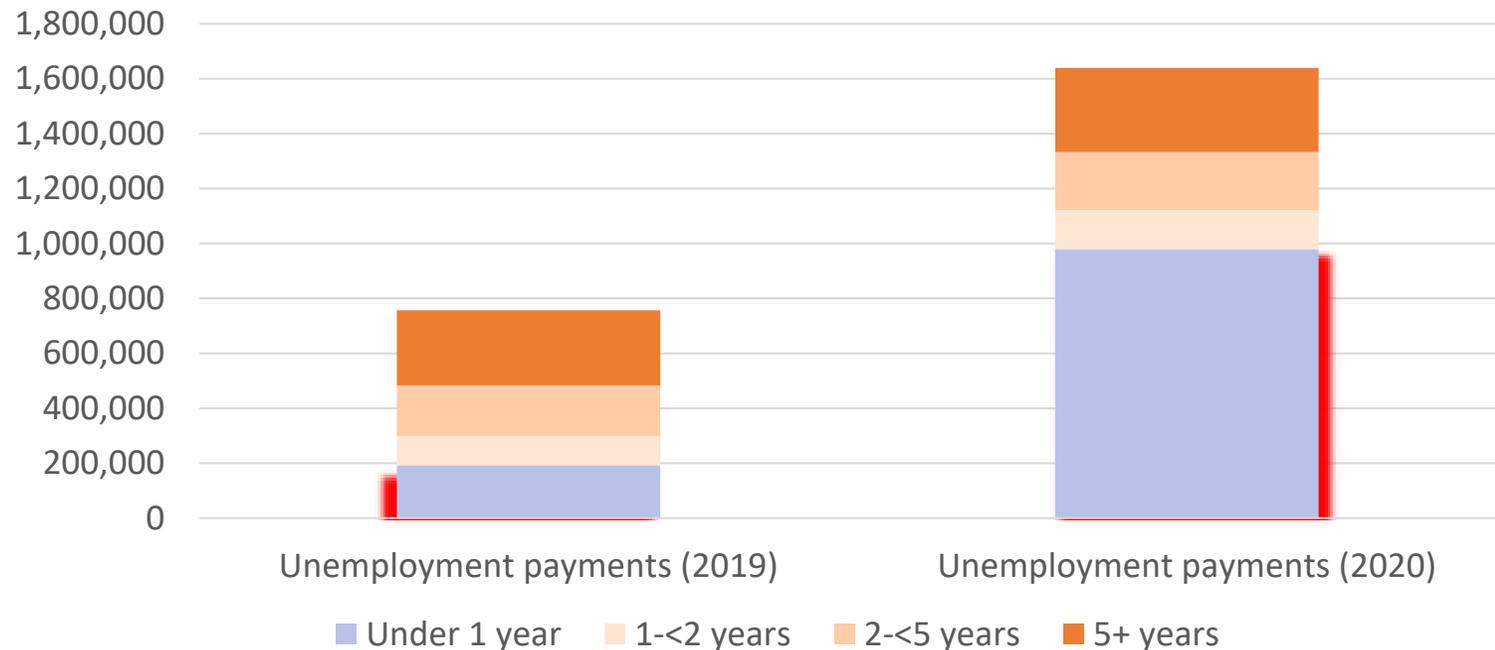
Spare slides

3. Those most affected: Jobseeker payments

The COVID recession doubled the no. on unemployment payments.
The % on payment for less than a year rose from 1/3 to 2/3,
but the *number* of long-term unemployed rose from 500,000 to 600,000

NOTE: Jobseeker Payment and Youth Allowance (Other) from www.data.gov.au.

Unemployment payments by duration:
Sept 19 and May 20



3. Those most affected: Jobseeker payments

The % of unemployment payment recipients under 35yrs rose from 33% to 41%, though the *number* of older people on payments rose by 440,000.

NOTE: Jobseeker Payment and Youth Allowance (Other) from www.data.gov.au.

