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COPING WITH COVID-19: RETHINKING AUSTRALIA

Taking the Pulse of the Nation 2020

Edited by: Barbara Broadway, A. Abigail Payne & Nicolás Salamanca

Acknowledgments

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To draw comparisons with Australian's economic and social outcomes before COVID-19, this report also uses other survey data collected in the years before the pandemic. This report uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA Project was initiated and is funded by the Australian Government Department of Social Services (DSS) and is managed by the Melbourne Institute: Applied Economic & Social Research (Melbourne Institute). The findings and views reported in this report, however, are those of the authors and should not be attributed to either DSS or the Melbourne Institute.

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Foreword

This past year has been one of enormous change in Australia and around the world. COVID-19 has impacted health, wellbeing, and economic circumstances of individuals and households. Our chances of coming out of this pandemic as a better and stronger society will depend on how much we learn from it, how we adapt these lessons going forward, as well as factors that are out of our control. In the early days of the pandemic, researchers at the Melbourne Institute acted quickly to capture key information on attitudes, reactions, and the impact of the pandemic on Australians.

Our key tool for this has been the *Taking the Pulse of the Nation* survey, which we have been regularly using to report on the economic and social impact of the pandemic. As we come to the end of what has been a disruptive year, *Coping with COVID-19: Rethinking Australia* brings together a series of insights into how the pandemic has affected Australia and what we should be thinking about as we head into 2021.

Have we simply experienced a deviation from how we operated in 2019? Or are we observing an acceleration of innovation and practice that previously would have been expected to take years to undertake? The extent to which the pandemic represents a deviation or an acceleration of future change will impact economic recovery as well as have differential effects on the population. Will telehealth become a standard practice in most doctor's offices? Has the pandemic shifted our perceptions of the importance of private health insurance, and what will this mean for our health system? Will working from home become the new normal? How can we help people get the right skill set in a post-pandemic world? Which pandemic controls are needed even with zero or near zero cases and the expectation of a vaccine in 2021?

Many of our findings suggest that in Australia the pandemic has not been the "great equaliser" across society that some thought it would be in the early days. Globally, Australia is far from alone in that experience. Inequality has increased as a result of the pandemic across the world in all spheres of life. There are higher risks of health complications (or death) for the elderly and higher infection rates for ethnic minorities and the poor. Younger workers, women, and low skilled workers have experienced substantial job losses, and disadvantaged students have suffered more from the disruptions and changes in the delivery of educational services. As Dr. Fareek Zakaria stated in a recent opinion piece for the Washington Post, "For those of us using Zoom, things have been a bit disruptive and strange. But for tens of millions of people in the United States — and hundreds of millions around the world — this is the Great Depression."

But some countries have been more successful than others in shielding disadvantaged populations from the worst of the pandemic's economic fallout. How does this play out in Australia? We explore short term effects of the pandemic on incomes and explore further what might happen to poverty rates in Australia. We also explore the role of financial stress and mental distress on several economic measures, across a range of demographic groups, and within the family.

Our insights on the social and economic impact of the pandemic have come at a time of bold government policies and interventions. Overall satisfaction by Australians with government policy has been high, well over 50 percent of the population are satisfied with economic policies to support jobs and keep people at work. But that satisfaction has declined in recent months: by approximately 10 percentage points from 66 percent during the period covering April to June to 56 percent during the period covering September to November. The survey also shows that popular support for pandemic control policies has declined over time. Yet, there is still strong popular support for most government regulations to contain the spread of the COVID-19 virus. What these statistics tell us is that while Australians might differ in their leadership preferences or specific views of what will work to contain the virus, we mostly agree on the importance of making the sacrifices to take care of each other.

The pandemic has had substantial negative effects on Australia's economic growth, leading to this century's first recession. In this new world with less international trade and less migration, our hopes for macroeconomic recovery will rely on internal demand. We show that consumption expectations suggest a change in our internal demand structure, with stronger demand in non-resource-intensive states. This information should help us rethink our economy and adapt to these changing times: a recovery that does not rely on the resources sector, will require us to boost household incomes in the short-term, and labour force participation and productivity growth in the medium-term.

Coping with COVID-19: Rethinking Australia highlights the multitude of ways in which Australians have been impacted in 2020 by the pandemic. When the clock counts down to the start of 2021, can we leave 2020 behind and return to life as it was before the pandemic? Of course not. But we can learn from 2020, not only through our ability to adapt but from the acceleration of policy and practice, a sustained drive to carefully look at the world around us, and to ask ourselves how we are doing and what can we do to be better. If we keep this up, Australia can support a 'fair go' for everyone in moving beyond the pandemic.

Barbara Broadway, A. Abigail Payne and Nicolás Salamanca

Editors of *Coping with COVID-19: Rethinking Australia*

About *Taking the Pulse of the Nation*

The aim of the *Taking the Pulse of the Nation* (TTPN) survey is to track changes in the economic and social wellbeing of Australians living through the effects of the coronavirus pandemic while adapting to various changes in Federal and State government policies.

The survey contains responses from 1,200 persons, aged 18 years and over. The sample is stratified by gender, age and location to be representative of the Australian population.

In 2020, there were 24 waves of the survey, spanning 8 months from 6 April to 6 December. The survey was run weekly in the first three months to provide timely information about how Australians were coping with the immediate effects of the pandemic and the lockdown. Thereafter, it was run on a fortnightly basis to track behavioural responses as restrictions were eased and preventive measures were put in place. In total, there were 13 weekly surveys and 11 fortnightly surveys.

This survey is also linked to the survey of Consumer Attitudes, Sentiment and Expectations (CASiE), which has been running since the mid-1970s. CASiE is the basis for monthly reports about the state of the Australian economy, such as the Consumer Sentiment Index, Expectations of Unemployment Index, House-Price Expectations Index, Consumer Inflationary Expectations and Expectations of growth in total pay.

The TTPN survey has three core questions asked in each wave, each with a 5-point scale of responses. They are:

Financial stress: How would you describe your current financial conditions, in terms of paying for essential goods and services such as bills, rents, mortgages? (a) very financially stressed (b) moderately financially stressed (c) making ends meet (d) moderately comfortable financially (e) very comfortable financially.

Mental distress: During the past week about how often did you feel depressed or anxious? (a) all of the time (b) most of the time (c) some of the time (d) a little of the time (e) none of the time.

Satisfaction with policy: How satisfied are you with the Federal and State governments' economic policies to support jobs and keep people at work as a result of the coronavirus (COVID-19)? (a) very dissatisfied (b) moderately dissatisfied (c) neither dissatisfied nor satisfied (d) moderately satisfied (e) very satisfied.

Each of these survey responses can be broken down by gender, age-group and location to provide information on, for example, how those aged between 18 to 35 years-old are faring. Importantly, the survey examines employment status and the role of JobKeeper/JobSeeker supplements. The survey also captures information on partners and family structure to permit household level analyses.

The survey was also designed to elicit information about a number of specific issues. Each wave of the survey focuses on a selected set of questions that are usually repeated across a few of the waves. Examples include:

Taking care of health during the pandemic: Did you see a health professional when you needed to? Did you use Telehealth? Have you changed your private health cover?

Working from home: Are you working from home? Would you like to continue working from home post-pandemic? Why would you like to continue working from home?

Preventive measures: If a vaccine for COVID-19 is developed and approved for use by the Australian Government, would you be willing to be vaccinated? Do you think that mask-wearing is effective in containing the spread of coronavirus infections?

Safety and spending: How often do you limit activities outside of your house, such as shopping, going to a restaurant or taking public transport, because of concerns about contracting COVID-19? Compared to January 2020, are you spending more, the same, or less?

Training and up-skilling: Will you pursue a program of study and/or training that leads to a new qualification such as a certificate/diploma, in the next 12 months? If yes, is it to: improve existing skills to keep current job, improve existing skills to get a new job, or gain new skills to get a new job?

For more information about the TTPN survey or to interact with core questions from the TTPN, please go to **melbourneinstitute.unimelb.edu.au/data/covid-19-tracker**

1 THE NEW NORMAL: NAVIGATING AN ECONOMIC RECOVERY

Guay Lim, Viet Nguyen, Tim Robinson, and Sam Tsiaplias

Strong household consumption growth is crucial for a domestic-led recovery in the face of a bleak global outlook and low population growth. Actual and expected spending patterns have improved, but consumption growth is likely to be uneven across Australia. Improving wage growth will help the majority of Australians vulnerable to financial stress, but lifting living standards also requires improving productivity and participation.

On the road to economic recovery, a pick-up in household consumption is key, but GDP growth could be weighed down by low growth in population and wages.

Australia is a small-open economy, and is materially affected by developments abroad, through trade in goods and services, financial factors, and the international movement of people.

COVID-19, lockdowns, and the closure of borders have had a massive negative pervasive impact on Australia's economic performance in 2020. Overall, GDP plummeted by a record 7 percent in the June quarter following a small fall of 0.3 percent in the March quarter (Australian National Accounts, June Quarter 2020). Australia entered its first technical recession since 1991, with hours worked falling heavily, and underemployment spiking.

Low expected population growth may constrain the pace of economic recovery

An important consequence of the pandemic is that Australia is expected to have its lowest population growth in 100 years, slowing from 1.2 percent in 2019/20 to an anticipated 0.2 percent in 2020/21, and 0.4 percent in 2021/22 (Parliamentary Budgetary Office, October 2020). This has serious implications for the economic outlook as it will simultaneously reduce growth in demand for housing, goods and services, as well as growth in the labour force (potentially of skilled working age migrants).

In the face of a weak global outlook, and low population growth, economic recovery in Australia during 2021 will rely heavily on domestic conditions. Growth in household consumption, which accounts for around 60 percent of GDP, is critical, given the likely absence of strong growth in business investment amid considerable economic uncertainty.

A household's ability and intention to spend depends critically on current and expected disposable income, however low real wage growth has been a drag on consumption growth for several years (and well before the appearance of COVID-19). This would likely increase the vulnerability of lower and middle-income Australian households to adverse income shocks. Low productivity growth has been a contributing factor to the low real wages growth.

Taking a closer look at how we are spending and working our way to economic recovery is also important for improving the living standards of Australians. In this regard, it is important to identify those who are experiencing difficulties paying for essential goods and services, and who are likely to be in need of additional income support.

The New Normal: Navigating an Economic Recovery.

Consumption, Wages and Financial Vulnerability

In the *Taking the Pulse of the Nation* (TTPN) survey we asked respondents to consider the change in their actual and expected spending relative to January 2020. In particular, whether they have spent more, the same or less, and whether they will spend more, the same or less in six months' time. The questions were asked in three waves: Wave 14 (6-10 July), Wave 18 (31 August-6 September) and Wave 22 (2-8 November).

Figure 1.1 shows that the proportion of Australians spending more has increased, while the proportion spending less has decreased, between July and November. For both actual and expending spending, the response "spending less" outweighed "spending more" until November. In November, when asked about likely spending in May 2021, the proportion expecting to "spend more" outweighed the proportion expecting to "spend less" indicating that household beliefs about economic conditions have improved over the course of the year. Nevertheless, the majority of respondents expect to spend the same or less suggesting that growth in spending over the first half of 2021 will likely be weak.

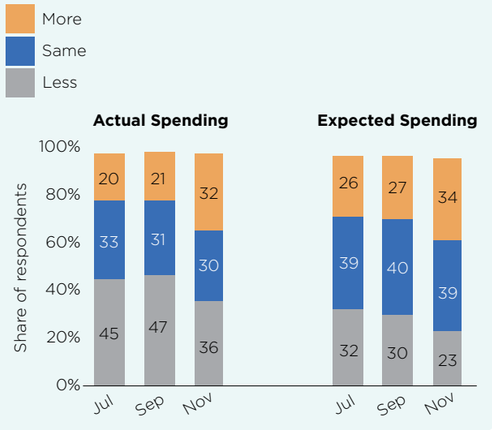
Focusing on the spending prospects across the states, namely the net balance of the responses (i.e. "expect to spend more" minus "expect to spend less" in percentage points), reveals a stark difference between the likely growth paths of consumption in each state.

Figure 1.2, based on Wave 22 about expected spending in 2021, shows that the balances are favourably large for NSW (13 ppts), VIC (15 ppts), and SA (23 ppts), but negligible for QLD (1 ppt) and WA (3 ppts). This suggests a two-speed recovery in domestic spending led by the non-resource intensive states (NSW, VIC and SA).

The pace of economic performance of Australian states often differs markedly reflecting the states' different industry profiles. NSW and VIC are often described as the service states, with sectors such as financial, real estate and insurance-related services, IT and educational services being dominant. WA and QLD are usually referred to as the resource states and are more dependent on trade in commodities and tourism. During the commodity boom years, the resource-rich states outperformed the rest of Australia.

The survey insights about spending across the states suggest the possible re-emergence of a 2-speed economy, but this time, growth in WA and QLD likely lags growth in the rest of Australia.

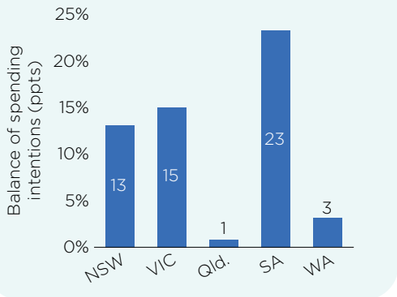
Figure 1.1 Proportions (%) Spending, More, Same or Less (Relative to January 2020): Actual and Expected



Source. *Taking the Pulse of the Nation* (TTPN) survey (Melbourne Institute), Wave 14 (6–10 Jul), Wave 18 (31 Aug – 6 Sep) and Wave 22 (2–8 Nov).

Notes for Figure 1.1. The sample size is 1,200 per wave.

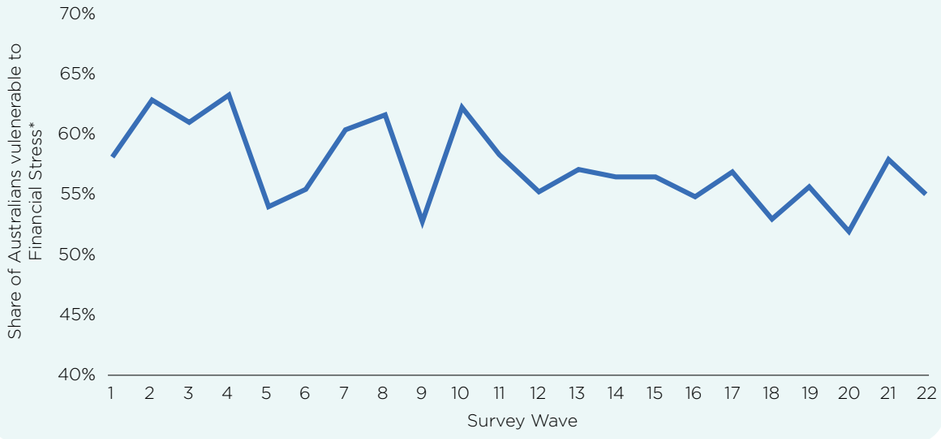
Figure 1.2 Balance of Spending Intentions (ppts) Across the Mainland States



Source. *Taking the Pulse of the Nation* (TTPN) survey (Melbourne Institute), Wave 22 (2–8 Nov).

Notes for Figure 1.2 Balance of spending intentions is defined as 'Expect to Spend More' minus 'Expect to Spend Less'. The sample size is 1,200 per wave.

Figure 1.3 Proportion of Australians who are Financially Vulnerable*



Source. *Taking the Pulse of the Nation* (TTPN) survey (Melbourne Institute), Waves 1–22 (6 Apr–8 Nov).

Notes for Figure 1.3 *Financial stress refers to the situation of having difficulties paying for essential goods and services while financial vulnerability refers to being in financial stress or making ends meet. The sample size is 1,200 per wave.

In general, consumption growth would be facilitated by higher income growth. Since wages and salaries are the main income stream for the majority of Australians, and lowering financial stress is likely to be associated with more spending, it follows that greater wage growth for financially stressed households would likely stimulate additional spending (rather than saving).

A closer look at the TTPN survey data reveals that the majority of Australians are financially vulnerable, and therefore are highly sensitive to adverse income shocks, such as a drop in wages due to reduced hours worked. Figure 1.3 shows that the combined proportion of respondents experiencing difficulties in paying for essential goods and services and the proportion only 'making ends meet' has exceeded 50 percent throughout the 8 months of the survey.

Improving productivity and labour force participation will be crucial to lifting the standard of living of Australians

A weak global outlook and closed borders suggest that any economic recovery will likely be domestic-led, with a focus on household consumption. The TTPN survey provides evidence that spending will improve, although unevenly across Australia, with the possible re-emergence of a 2-speed economy. Policies to boost income growth and mitigate financial vulnerability may be challenging but beneficial as the majority of Australians report difficulty in paying for essential goods and services or report only making ends meet.

While stimulating demand to reduce unemployment is critically important in the near term, Australia also faces medium-term challenges. Lifting the living standards of Australians calls for policies aimed at increasing labour force participation and improving productivity growth (such as creating jobs in high-value industries to help promote real wages growth).

2 CHANGING LABOUR FORCE STATUS: COVID-19 IMPACTS BY GENDER AND AGE

Guyonne Kalb and Jordy Meekes

Women and young individuals have been affected most by the economic crisis arising from the COVID-19 pandemic. This has been the case for Australia and other countries. Understanding how and why will assist in designing policy to transition out of the crisis as well we can.

Changing Labour Force Status: COVID-19 Impacts by Gender and Age

The impact of COVID-19 on the labour market has been, and still is, severe

The *Taking the Pulse of the Nation* (TTPN) survey provides an opportunity to trace developments in the labour market on a weekly to fortnightly basis. Since May, the survey has asked whether respondents were unemployed due to COVID-19 or for other reasons, and whether they were working fewer hours due to the pandemic.

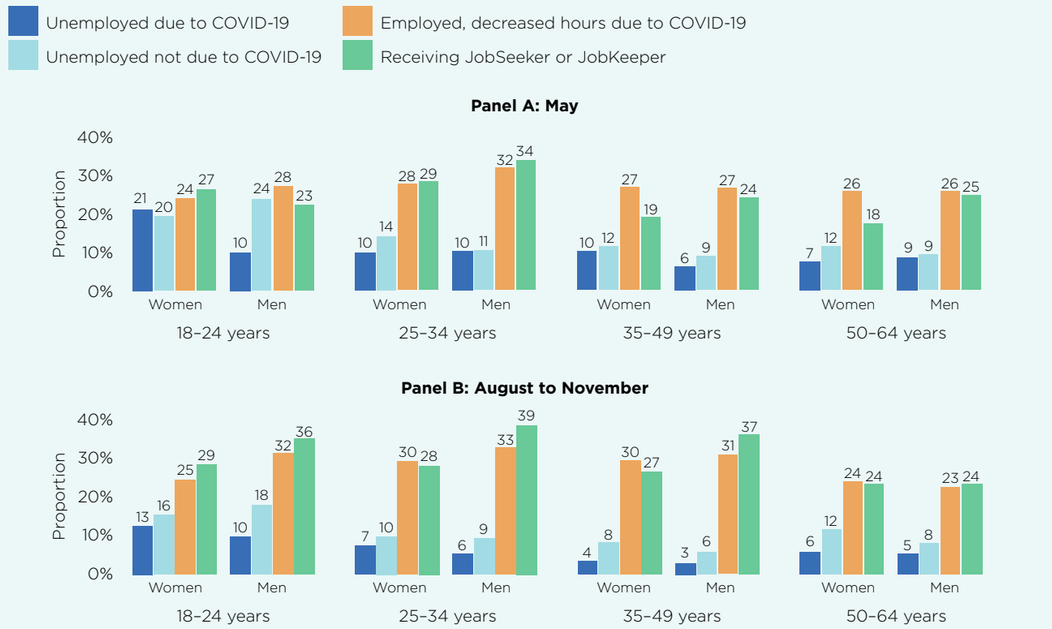
Figure 2.1 presents the proportions of respondents unemployed due to COVID-19, unemployed for other reasons, working reduced hours due to COVID-19, and receiving JobSeeker and/or JobKeeper payments. We do this for May, when most of Australia were in lockdown, and for August-November when only Melbourne/Victoria was in lockdown. As expected, and consistent with observations from the Australian Bureau of Statistics' Labour Force Status data, large labour market impacts of the COVID-19 crisis are observed.

Young men and women are more affected than older men and women, particularly in terms of unemployment. Figure 2.1 shows that this impact is clearest for 18-24 year old individuals, and it is also this group that makes the biggest recovery from May (Panel A) to August-November (Panel B).

Compared to men, women across all age groups have been hit hardest by the economic crisis in the early days of the pandemic. In May, women were 5 percentage points more likely to be unemployed overall but 1 percentage point less likely to face reduced hours than men. By August-November, the gender unemployment gap had narrowed as female unemployment rates dropped more quickly than male unemployment rates. In addition, the proportion who lost working hours increased slightly more for men than for women. Figure 2.1 shows that women's circumstances have improved relative to men's after the first lockdown ended (particularly women in the 18-24 age group).

> *...there is substantial regional variability in the gender difference in COVID-19 impacts on the labour market. Compared to men in regional Australia, women in regional Australia are much more likely to be unemployed due to COVID-19.*

Figure 2.1 Labour Market Impacts by Gender and Age, May 2020 (A) versus August–November 2020 (B)



Source. *Taking the Pulse of the Nation* (TTPN) survey (Melbourne Institute) waves 6–8, and waves 17, 19, 21 and 23. Sample sizes are 1,124 women and 1,086 men in Panel A (waves 6-8), and 1,417 women and 1,562 men in Panel B (waves 17, 19, 21 and 23).

Notes for Figure 2.1 Men and women who are retired or out of the labour force for other reasons have been excluded, so that the proportions are percentages of those in the labour force. The number of observations for JobSeeker and JobKeeper is about 5 percent less than for unemployment and reduced hours due to missing observations.

Kalb, Guillou, and Meekes (2020), however, show that there is substantial regional variability in the gender difference in COVID-19 impacts on the labour market. Compared to men in regional Australia, women in regional Australia are much more likely to be unemployed due to COVID-19 (and, as a result, more likely to be unemployed overall) during August-November 2020.

JobSeeker and JobKeeper have helped, but does it reach those most in need?

JobSeeker and JobKeeper payments have helped many Australians. At the same time, however, many individuals are not eligible for government support: e.g. casual employees with limited work history, or individuals who are not eligible due to visa status, due to a partner's income, or due to their age and the level of their parent's income (Australian Red Cross, 2020; Hérault et al. 2020).

Compared to men, women across most age groups and in both periods were substantially less likely to receive financial support through the JobSeeker Payment or JobKeeper Payment despite similar or worse labour market outcomes as men. Young men and women were also over-represented in the group receiving no financial support. In contrast, those who are in the middle of their career trajectory (35-49) do relatively well in terms of receiving JobKeeper or JobSeeker considering the relatively small impact on unemployment and reduced hours they have experienced. Older Australians (50-64), especially men, experienced the smallest negative labour market effects, but this group may have transitioned into early retirement when losing a job.

Needed: sufficient financial support now and employment policies for the future

The TTPN data suggest that the lower proportion of women (compared to men) receiving JobSeeker or JobKeeper payments is because unemployed partnered men are more likely to have an unemployed partner than unemployed partnered women (Kalb et al. 2020). Similarly, the lower proportion of men and women aged 18-24 receiving payments may be because they are more likely to live with their parents, making them ineligible for Jobseeker. They are also more likely to be a casual worker with less than one year tenure, making them ineligible for JobKeeper. Even if some of them are supported by family, in-kind or financially, that is not certain for everyone, and unemployment and underemployment are likely to cause financial and mental distress for these groups. In light of the increase in mental distress levels among Victorians because of COVID-19, Victoria's 2020-21 budget initiative aimed at improving the mental health system is very welcome.

With JobSeeker set to be reduced and JobKeeper set to be abolished by the end of March 2021, there is further concern for individuals' financial and mental wellbeing. JobSeeker government support superseded the Newstart Allowance in March 2020, and increased the payment amount. Should the JobSeeker payment go back to the rate paid before the start of the pandemic, then many Australian families would end up below the poverty line as was the case with the Newstart Allowance (Azpitarte and Kalb, 2019). This would aggravate the financial stress and mental distress already experienced by many; e.g. Broadway, Méndez, and Moschion (2020) show high levels of mental distress among fathers, and Kalb et al. (2020) show this for single mothers and partnered fathers.

Once adequate income support is in place for those who have lost their jobs/working hours (which is likely to stimulate the economy more than general tax cuts), the focus can turn to setting up employment programs aimed at assisting the groups that were hardest hit by the crisis, to get back into work. JobMaker, which supports the employment of individuals aged 35 or under, is a great start, as the increased unemployment and underemployment for young individuals due to COVID-19 may hinder career opportunities and earning potential in the long term.

JobMaker, however, will not support older individuals who have lost their job, and a minimum requirement of JobMaker should be that it does not hinder them in finding new employment. Furthermore, will JobMaker be sufficient to help single mothers who may also need support in accessing reliable and affordable childcare? Free kinder for Victorians in 2021 (as announced in the state budget) will help.

Another important question is whether there is sufficient support for women in regional Australia who have been more likely to remain in unemployment than men (Kalb, Guillou and Meekes, 2020)? This suggests a need for a closer look at the businesses and sectors that these women were employed in, to understand what more could be done to assist them. Women's employment in regional areas may eventually return once we are in a COVID-normal situation, but the question remains whether there are other opportunities that could be created through re-skilling, upskilling and providing employment pathways specifically for women in regional areas?

3 WORKING FROM HOME: IS IT HERE TO STAY?

Mark Wooden and Guay Lim

The COVID-19 pandemic has seen a dramatic transformation in how people work, with many required to work from home. While the incidence of working from home will decline as the economy recovers and restrictions on businesses are eased, this 'experiment' with working from home may have fundamentally changed work practices in some businesses forever. At a minimum, it has created a taste for remote working among many Australian workers.

Working from Home: Is It Here to Stay?

Pre-pandemic, working from home was the exception

A commonly held view before the pandemic was that work was being increasingly undertaken in the homes of workers rather than in conventional workplaces. The reasons for this view was tied to changing technology that makes it easier to communicate and access the internet from home.

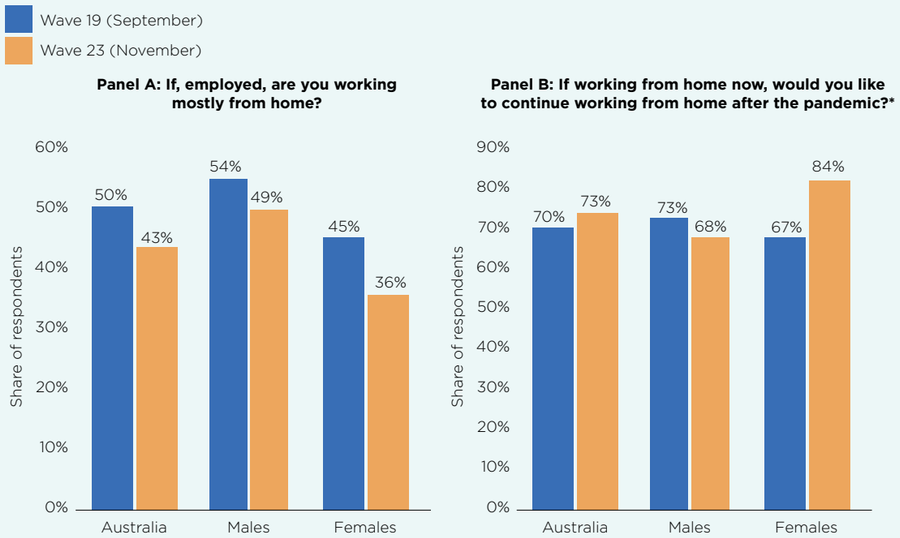
The reality, however, was very different. Data from Release 19 of the Household, Income and Labour Dynamics in Australia (HILDA) Survey, for example, indicate that while one in four Australian workers in 2019 worked at least some hours at home, only 5.3 percent worked mostly from home, and most of these were self-employed. Similarly, data from the 2016 Population Census on how people travel to work finds just 4.7 percent of employed persons reporting working at home on the day of the Census. Furthermore, there is no evidence of growth over time, with the proportion working mostly at home in 2019 equal to the average over all 19 years covered by the HILDA Survey.

But then came COVID-19 and working from home became the norm for many

The nature of work, including where we work, has been seriously disrupted by the pandemic, with working from home adopted as one of the key response strategies. This, together with the loss of many jobs in sectors where working from home is not possible, has seen the proportion of employed persons working from home surge to levels previously unseen.

Working from home was explored in two waves in the *Taking the Pulse of the Nation* survey – in wave 19 (September 14-19), and two months later in wave 23 (16-20 November). Figure 3.1, Panel A, shows the high proportion of the employed reporting working mostly from home – 50 percent of all employed persons in September. As business restrictions are eased, many workers can be expected to return to their usual workplace, and hence we should expect the share working from home to fall. This is already reflected in data collected in November. Nevertheless, the percentage working from home in November is, at 43 percent, still far more than pre-pandemic levels.

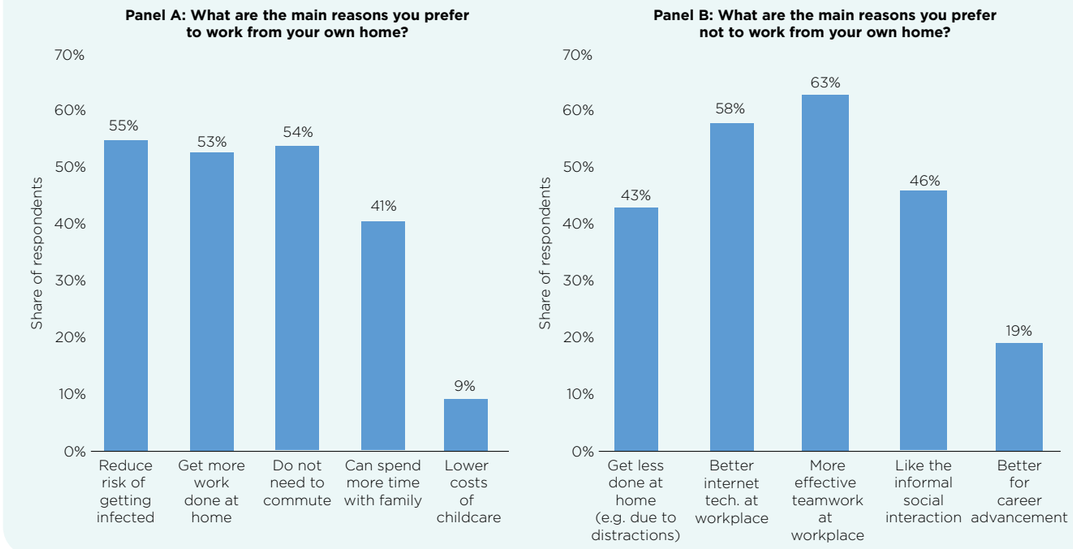
Figure 3.1 Working From Home: Actual and Preferred



Source. *Taking the Pulse of the Nation* survey (Melbourne Institute).

Notes for Figure 3.1 Conditional proportions based on wave 19 (657 responses from employed persons and 313 responses from currently working from home) and wave 23 (647 employed, and 274 working from home). *About 10 percent of this group responded 'Don't know' (or refused to answer).

Figure 3.2 Reasons for Preferring/Not Preferring to Work From Home



Source. *Taking the Pulse of the Nation* survey (Melbourne Institute).

Notes for Figure 3.2 Conditional proportions based on wave 23 (274 responses of which 205 were for working at home and 47 were not in favour). Respondents were also invited to nominate 'other' reasons, but only 3 percent selected this option.

Perhaps even more striking than the large number of persons reporting working mostly from home is the large proportion of this group who report that they would prefer to continue to work from home. As shown in the Figure 3.1, panel B, 70 percent of those who identify as working from home indicated they would prefer to continue to work from home in September. By November, even though the share working from home has fallen, preferences to remain at home have not changed; indeed, among women workers the percentage has increased: from 67 percent in September to 84 percent in November.

> *...many Australians would like to continue working mostly from home once the pandemic is over*

What drives an interest to continue working from home? Figure 3.2 shows the stated reasons for preferring and not preferring to continue working from home. It was expected that reducing the risk of COVID-19 infection would be the commonly cited reason for a preference to continue working from home. This proved correct, with 55 percent of this group nominating this reason. Almost as commonly cited, however, were the reduced commuting time (54 percent) and getting more work done at home (53 percent). The inference we draw is that many Australians would like to continue working mostly from home once the pandemic is over.

On the other side, the top two reasons for not continuing to work from home were more effective teamwork and better internet technology at the workplace. Clearly, working from home does not suit everyone.

What if working from home becomes the new normal?

Is the observed rise in working from home a temporary adaptation to social distancing or will this be a permanent feature of the new normal? This remains to be seen, but our data suggest that if the decision were left to workers then working from home for many would become permanent. Employer preferences, however, will play a critical role. Will employers view the benefits to them from remote working to outweigh the costs? This is a calculation that will vary widely across individual businesses and industries, but nevertheless we speculate that, because of the pandemic, this is a calculation that many businesses will now be making.

But should working from home become part of the new normal, it will have fundamental effects on the nature of cities, infrastructure needs, and policies concerned with connecting where people live to where people work. CBDs will be less important as places of business activity, commuter travel will decline, the demands on communication technology will only increase, and the role of the workplace in creating and fostering social networks will become less important. It may also affect housing choices. Could the increased preference for stand-alone homes with dedicated office space possibly offset policies designed to increase high- and medium-density living?

Furthermore, there is the distinct prospect that some Australian workers may become worse off if proximity / physical distance is no longer relevant. In this case, labour cost considerations may lead to more work being moved offshore, thus leading to job losses and / or downward pressure on wages here.

In short, any marked increase in the incidence of working from home will be a big change, the implications of which have yet to be worked out.

4 HEIGHTENED MENTAL DISTRESS: CAN ADDRESSING FINANCIAL STRESS HELP?

Ferdi Botha, Peter Butterworth, and Roger Wilkins

We use the Taking the Pulse of the Nation (TTPN) data to investigate changes in the prevalence of mental distress since April 2020. The results show that economic circumstances, financial stress in particular, have been an important driver of mental distress during this health crisis. Both mental distress and financial stress declined in April and May of 2020 as Commonwealth Government income support initiatives were announced and implemented. Since August 2020, as financial stress has increased, so has mental distress. As of November 2020, nearly a quarter of all adult Australians reported mental distress. Supporting the financial wellbeing of Australians through income support and job creation initiatives will help mitigate the epidemic of mental distress.

Heightened Mental Distress: Can Addressing Financial Stress help?

Mental distress was a key policy concern before and during the pandemic

There has been great concern among clinicians, policymakers, and the general public about how the COVID-19 pandemic is affecting the mental health of Australians. Holmes et al. (2020) describe the different ways the COVID-19 pandemic can impact individuals' mental health, including direct biological effects, fear of infection, social isolation, unemployment or job loss, and financial hardship.

Even prior to the pandemic, mental health was a pressing concern for the Australian community and policymakers (Productivity Commission, 2020). Using data from the 2017 Household, Income and Labour Dynamics in Australia (HILDA) survey, Butterworth (2020) showed that roughly 9.5 percent of Australian adults were experiencing mental distress.

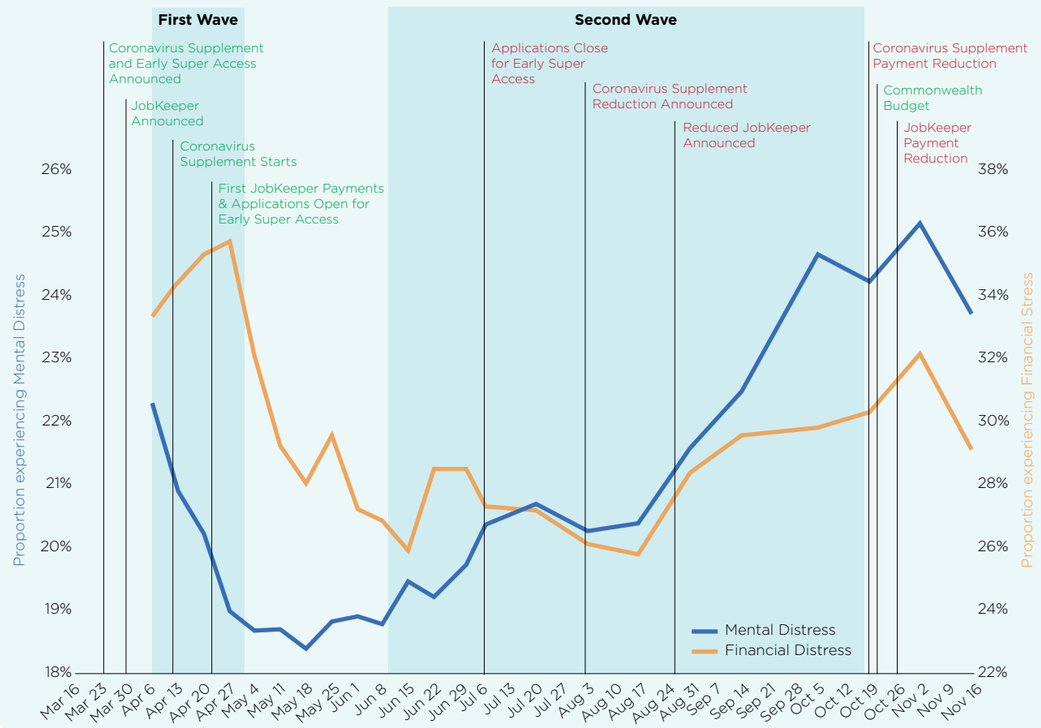
The TTPN data used in this analysis shows how levels of mental distress changed through the pandemic. Figure 4.1 plots the proportion of working-age people experiencing mental distress in each wave of TTPN between April and November. At the first TTPN wave in early April, about 22 percent of Australians were experiencing mental distress: more than double the pre-COVID-19 rate.

Since June, we have observed rising rates of mental distress. Mental distress was affected in all states and territories, not simply in those with high numbers of COVID-19 cases. Mental distress is more concentrated among people in the labour force, whether employed or unemployed, individuals aged under 45 years, and among individuals experiencing financial stress.

Financial stress has driven the increase in mental distress during 2020

Levels of financial stress have fluctuated during 2020 (Figure 4.1). During the early days of the pandemic (April) rates of financial stress, as measured by how people describe their financial conditions in terms of paying for essential goods and services (see Glossary), was high (almost 25 percent). Following several government support initiatives, such as JobKeeper and the Coronavirus Supplement, reported financial stress fell to around 20 percent, and then remained relatively constant during June and July. In the second half of 2020, with announcements of plans to reduce income support and the second wave of cases in Melbourne, financial stress rates have increased, even though the economy was starting to reopen. The final week of the TTPN survey showed a drop in financial stress, though the rate of financial stress remained above the low of 26 percent observed in June and July.

Figure 4.1 Proportion of Working-Age Australians Experiencing Mental Distress and Financial Stress (3–week moving average)



Source. *Taking the Pulse of the Nation* (TTPN) survey (Melbourne Institute), Waves 1–23. Sample size is 20,906 working-age adults.

Financial stress is a particularly strong predictor of mental distress (Kiely et al., 2015). The TTPN data show that rates of mental distress were approximately four times higher for people experiencing financial stress, averaging 42 percent compared with 11.5 percent for people not experiencing financial stress. Moreover, the correlation between the average rates of financial stress and mental distress is 0.53; at times of increased financial stress there is increased mental distress.

The rates of mental distress, therefore, show a similar pattern to financial stress over time. Rates of mental distress rose sharply in August following the federal government's announcement of planned reductions in the level of the Coronavirus Supplement and JobKeeper payment. The anticipation of worsening financial circumstances may have increased rates of mental distress, a further demonstration of the uncertainty many have experienced during the COVID-19 crisis. This upward trend in mental distress continued into early November and was not arrested by the new support measures such as JobMaker and income tax cuts announced in the federal budget.

> *Greater mental distress is inextricably linked to greater financial stress.*

Our analysis suggests the increased rates of mental distress in the community since mid-August largely reflect the increasing proportion of Australians who report being in financial stress. That said, Figure 4.1 shows that mental distress has grown relative to financial stress since April 2020, suggesting the accumulated effects of the pandemic and the associated public health measures have also increasingly taken a toll on Australians' mental health.

A worrying observation is that rates of mental distress in November were even higher than in April: about 24 percent compared to 22 percent, corresponding to two and a half times the rate of mental distress in the Australian community prior to the pandemic.

Continued financial support is needed to protect mental health

There are many reasons why Australians reported very high levels of mental distress during the COVID-19 crisis: general uncertainty and fear about the future, job loss, social isolation and loneliness associated with the lockdowns, and the direct effects of the virus. The TTPN data show the importance of financial stress.

The speed and magnitude of the initial policy responses — such as the increase to the level of income support — appears to have alleviated mental distress among Australians. However, the announcement and implementation of reductions in income support (Coronavirus Supplement and JobKeeper) and an end to the buffer provided by early superannuation withdrawals are likely contributing to rising levels of financial stress – and therefore mental distress. The enduring nature of the social and economic restrictions could also be playing a role with their effects compounding over time.

In the short- to medium term, governments must remain focused on supporting the unprecedented number of Australians experiencing mental distress. A focus on effective job creation initiatives is important to help people to reengage with work and increase their self-reliance and self-esteem. However, reducing levels of financial support will likely worsen the already very high rates of mental distress among Australians.

Data from the final week of the TTPN offers reason for optimism. With the end of the second wave in Melbourne and easing of restrictions, Australians may be better placed to take advantage of opportunities as rates of financial stress and mental distress declined. We will keenly track the following waves of data to see whether Australia has also flattened the mental distress curve.

Glossary

Mental distress: To measure mental distress, respondents are asked: 'During the past week about how often did you feel depressed or anxious?' Responses range from 'all the time', 'most of the time', 'some of the time', 'a little of the time', and 'none of the time'. A person is classified as being in mental distress if during the past week they felt depressed or anxious 'all of the time' or 'most of the time'. Mental distress scores in HILDA, as reported by Butterworth (2020), are based on the Kessler Psychological Distress Scale (K10) containing 10 items, whereas the mental distress item used in this analysis is based on a single-item. The single-item measure used here is a valid and reliable measure of underlying mental distress (Botha et al., 2020).

Financial stress: To measure financial stress, respondents are asked: 'How would you describe your current financial conditions, in terms of paying for essential goods and services such as bills, rents, mortgages?' Responses range from 'very financially stressed', 'moderately financially stressed', 'making ends meet', 'moderately comfortable financially', and 'very comfortable financially'. A person is classified as being in financial stress if they describe their financial situation as 'very financially stressed' or 'moderately financially stressed'.

5 HELP! HIGH LEVELS OF PARENTS' MENTAL DISTRESS

Barbara Broadway, Susan Méndez, and Julie Moschion

Of the close to 5 million parents with children under 18 in Australia, 24 percent have reported high rates of mental distress since the start of the pandemic. This has persisted well beyond the end of local lockdowns.

Help! High Levels of Parents' Mental Distress

Almost a quarter of parents are highly distressed

Pre-pandemic, eight percent of parents reported experiencing high levels of mental distress. During the pandemic, this rate has tripled, reaching 24 percent. While mental distress has increased across all populations in Australia in 2020, the rate for Australians without children at home is lower, and has increased much less (from 11 percent to 18 percent). Moreover, the increased level of mental distress is more acute in fathers than in mothers.

The pandemic has generated a new and concerning phenomenon. Having a job used to be a very strong predictor of being in good mental health, but now, employed parents are about as likely to be distressed as parents who are not employed. Especially striking is the increase in mental distress of employed parents who have primary school-aged children. These parents are now more distressed if they are employed, **than if they are not**.

What is more: partner employment has become much more important for one's mental health. For mothers, the difference in rates of mental distress by partner's employment has tripled (from 3 to 9 percentage points). For fathers, it has increased from virtually zero to a six to nine percentage point difference.

How do we make sense of those findings?

The impossible trade-off between family and work during COVID-19

Why has one's own employment become less important, but partner's employment has become more important for a parent's mental health? The answer likely lies in the toll the pandemic took on the job market: not only did we see many job losses in 2020, there are also many more job losses looming next year. Worries about the family's ability to pay for essentials are a great source of mental distress (Paul and Moser, 2009), and even for those who have jobs, greater job insecurity is a threat to mental health (Adam and Flatau, 2006). In that context, being in a dual-earner family provides insurance against financial disaster. As trust in one's own job security has been eroded, having an employed partner can alleviate the worry. The pandemic has further exposed the fault lines of a model in which a sole breadwinner provides for the family; or, in other words, it supports a dual-earner model that can offer protection against mental distress.

Why does the situation look so particularly bleak for fathers? And why is it worse when the children are young? The likely reason is that the pandemic; amplified work-family conflicts (Hand et al., 2020); but this played out differently for mother and fathers, who had made different choices before the pandemic hit. After having children, mothers tended to move on to more flexible jobs, fewer working hours and less managerial responsibility, that allowed them to better solve family-work-conflicts (Laß, 2019). Fathers were less likely to do that: pre-pandemic, there was less pressure for them to do so. When the pandemic hit, fathers had to deal with increased family demands while being in jobs that do not necessarily allow flexible working arrangements, and without the option to change job given the current job market situation. Family-work conflict may also explain why mental distress is particularly prevalent for parents of young kids: as they require more supervision and care than older children the breakdown of social support systems through social distancing and lockdown measures generated greater work-family-conflict. The negative effects of work-family conflict on mental distress, especially for male parents, demonstrate how important it is for workplaces to make family-friendly policies accessible to men.

What do these patterns mean for Australia in 2021 and beyond?

> *Now is the time to incentivise dual-earner families and promote the use of family-friendly policies by both parents.*

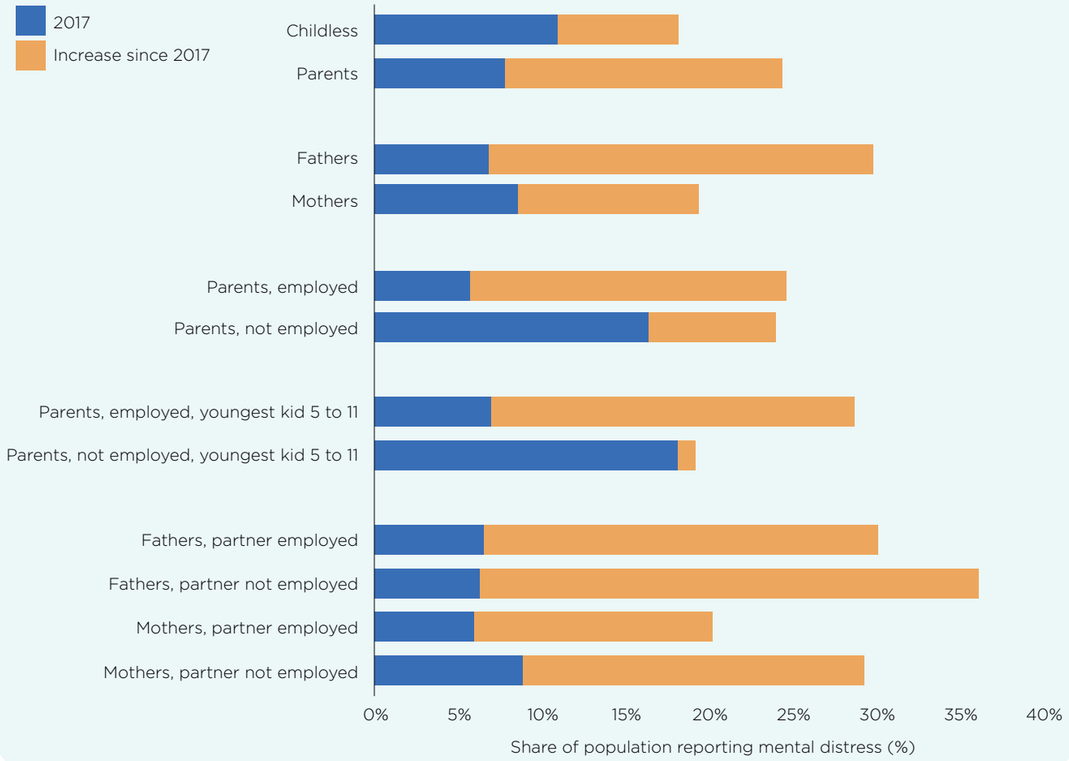
For richer, for poorer, in sickness and in health: Family-work balance in 2021 and beyond

Now is the time to incentivise dual-earner families and promote the use of family friendly policies by both parents. The message is clear: dual-earner family models protect parents' mental health in times of uncertainty, and parents of both genders benefit from family-friendly policies that allow them to achieve a healthy balance between work and family life.

Harmonising family tax benefits "Part A and Part B" into one payment should be at the top of the policy priority list: the current structure often provides greater financial support to a one-earner-family than to a dual-earner-family with the same total income. This sets all the wrong incentives.

The *Taking the Pulse of the Nation* survey includes the question, 'During the past week about how often did you feel depressed or anxious?', while HILDA includes, 'In the last four weeks, about how often did you feel nervous?' as well as, 'In the last four weeks, about how often did you feel depressed?' Respondents can answer: all, most, some, a little, or none of the time. We define an individual to experience high mental distress, if they report to be depressed or nervous or both (HILDA)/ depressed or anxious (TTPN) "all of the time" or "most of the time".

Figure 5.1 Incidence of Mental Distress – Comparison Between 2017 and 2020 for Selected Subgroups



Source. *Taking the Pulse of the Nation* survey, waves 10-21. The sample size is 6,831 observations on individuals aged 25-64. Only 3,422 observations were available for results by partner's employment status. The figure also uses 10,395 observations on individuals aged 25-64 from the Household, Income and Labour Dynamics in Australia (HILDA) Survey, Release 18, wave 17, for 2017 values.

Notes for Figure 5.1 Results are weighted to be representative of the Australian population aged 25-64. High mental distress is recorded if respondents report to be depressed or nervous or both (HILDA) / depressed or anxious (TTPN) "all of the time" or "most of the time"

The case for greater childcare subsidies targeted at low - and middle income families is strong. It would increase employment in the childcare sector, as well as employment of parents (typically mothers) for whom employment would not be otherwise economically feasible, thereby providing economic stimulus on two fronts. In the context of our analysis, this would not only provide mothers with an income they might not otherwise have, but also support fathers' mental health. The introduction of free kindergarten in Victoria is a step in the right direction and an example for the rest of Australia.

There is a risk that fathers' sustained experience of mental distress leads to even more serious mental health problems for fathers down the track, or to mothers' leaving their jobs to alleviate their partner's family-work conflict. This could have even worse consequences for their own financial security and for fathers' mental health long-term. There are a host of flexible workplace policies designed to ease family-work conflict, including carer's leave, flexible access to annual leave, time off in lieu of overtime payments, part-time work, job share arrangements.

Moreover, if the pandemic has proven anything, it is that working from home is, in fact, possible in many workplaces that did not offer the option before March 2020. All this can go a long way in easing family-work-conflict. But more than anything, we are in dire need of a culture change in the workplace. For such policies to have a tangible effect, it is not enough that they exist on paper: it must be genuinely acceptable for men to make use of them.

6 HOUSEHOLD INCOMES: THE REAL TEST IS YET TO COME

Roger Wilkins

Income inequality was broadly stable in the period leading up to the COVID-19 pandemic. Taking the Pulse of the Nation (TTPN) data suggest this stability largely persisted over the course of 2020, although not all members of the community have fared equally well. The prevalence of low household incomes has increased for women, young adults, people employed in the worst-affected industries and the non-employed.

Household Incomes: The Real Test is Yet to Come

Setting the scene: What we knew before TTPN

The main sources of data on the distribution of household incomes in Australia, the Australian Bureau of Statistics (ABS) Survey of Income and Housing, and the Household, Income and Labour Dynamics in Australia (HILDA) Survey, show that household income levels and inequality were broadly stable in the decade up to 2018, although there was some growth in income poverty between 2016 and 2018 (see ABS 2019 and Wilkins et al. 2020).

These data sources only cover the period up until the 2017-18 financial year, and therefore provide no information on what has happened to the household income distribution over the course of the COVID-19 pandemic.

National Accounts data provide a more contemporary picture of household income, although only at the aggregate level. The data show that total household income was not adversely affected as of the September quarter of 2020. This was largely due to Commonwealth Government expenditure measures, including JobKeeper and the Coronavirus Supplement, which saw total subsidies and social assistance benefits surge from $39 billion in the March quarter to over $100 billion in both the June and September quarters (ABS 2020).

However, the National Accounts data do not tell us how the **distribution** of income has changed over the course of the year – for example, whether income inequality increased or decreased, and how different groups in the community have fared.

The TTPN Survey collects information on household incomes monthly and is available up until November 2020 (at the time of writing), along with individual-level demographic and employment data, providing an opportunity to assess how household incomes have evolved over the course of 2020. This chapter presents an analysis of this income data.

What has happened to household incomes over the course of 2020?

To examine what has happened to household incomes using the TTPN income measure (see Box 1), individuals are classified into one of three income groups: low income (less than $30,000), moderate income (between $30,000 and $80,000), and comfortable income (more than $80,000). For reference, note that HILDA Survey data show that the poverty line in 2018 was approximately $24,000 for a single-person household and $50,000 for a couple with two children.

Based on these income categories, the TTPN data suggest that the stability in income levels and inequality evident up to 2018 largely persisted throughout 2020 (Figure 6.1). The stability in 2020 is no doubt in large part due to government income supports. Indeed, in the middle of 2020 there was a slight decline in the proportion of people with low household incomes.

Measuring household income

Studies of the income distribution typically examine 'household equivalised disposable income' of individuals. This is the total income of the household in which the person lives after receipt of government benefits and payment of income taxes, adjusted for household size to provide a 'per-person equivalent income' of each individual (United Nations, 2011).

The household income data collected by the TTPN Survey does not allow us to construct such an income measure. Similar to the personal income question in the census, household income is reported as falling into one of 10 intervals (under $20,000, eight $10,000 intervals up to $100,000, and a final category of more than $100,000) and is for before-tax income. We also do not know how many people live in the respondent's household and therefore cannot adjust incomes for household size.

The TTPN income data is therefore not ideal for income distribution analysis. Nonetheless, we can glean valuable information on how household incomes have changed over 2020 from this data, especially since income taxes and household structures will be broadly the same across the year.

Table 6.1: Proportion of people aged 18 and over in low-income households in 2020, by selected characteristics

	January	June	November
All people	19%	18%	20%
Sex			
Men	17%	18%	17%
Women	20%	18%	23%
Age Group			
18–34	16%	18%	22%
35–54	14%	10%	10%
55 and over	26%	26%	28%
Selected States			
New South Wales	19%	19%	22%
Victoria	17%	18%	20%
Queensland	16%	18%	18%
Employment Status			
Employed in worst-affected industries	6%	6%	16%
Employed in other industries	7%	7%	4%
Not employed	34%	34%	40%

Source. *Consumer Attitudes, Sentiments and Expectations in Australia Survey*, January 2020 and *Taking the Pulse of the Nation* Survey (Melbourne Institute), waves 9 and 23. Total sample size is 3,204.

Notes for Table 6.1 Worst-affected industries comprise wholesale and retail trade, accommodation and food services, and arts and recreation services. The data show that the proportion of employed people working in those industries was 28% in January, 22% in June and 17% in November.

Table 6.1 briefly considers how different groups in the community have fared, showing the proportion of each group with low household income in January, June and November of 2020.

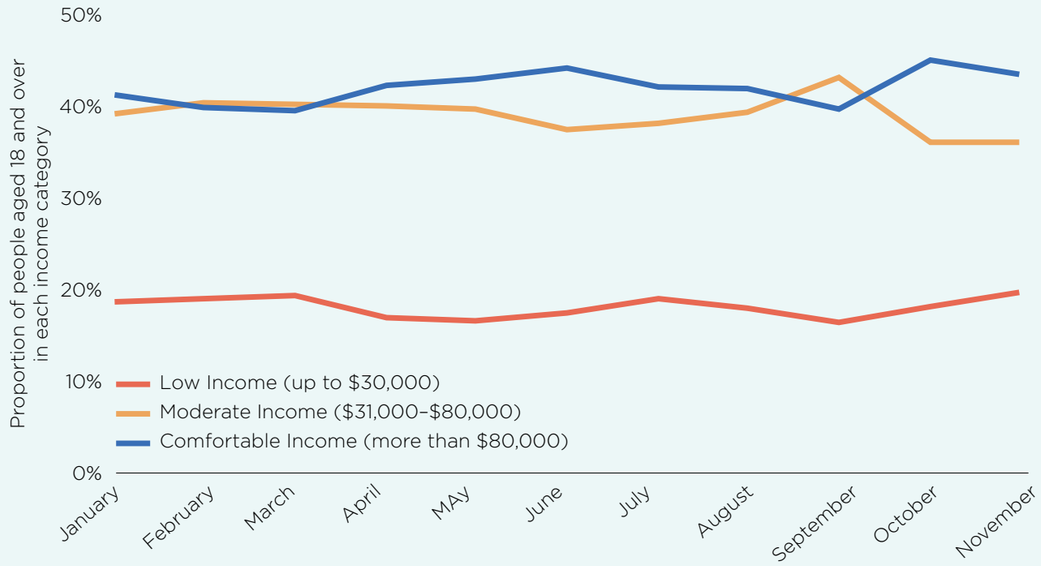
Prior to the pandemic, women were more likely to be in low-income households than men. This gap disappeared in June 2020, but by November had widened considerably, such that women were approximately 35 percent more likely to be in low-income households.

Low incomes were consistently more prevalent among older people (aged 55 and over) during 2020, but young people (18 to 34) experienced a considerable rise in the prevalence of low income from 16 percent in January to 22 percent in November. People aged 35 to 54 are the least likely to have low incomes, and indeed were less likely to have low incomes in June and November than in January.

Across the three eastern mainland states, both New South Wales and Victoria experienced increases in the proportion of people with low incomes between June and November, whereas Queensland did not—although there was some rise between January and June in Queensland.

Low incomes became more prevalent among workers employed in the most adversely impacted industries between June and November (with further analysis showing most of the rise occurred between June and August). Moreover, the proportion of workers employed in these industries declined from 28 percent in January to only 17 percent in November. It is likely this decline involved a rise in non-employment of people previously employed in these industries. The non-employed are more likely to have low incomes, and there was also a significant rise in the proportion of non-employed people with low incomes between June and November.

Figure 6.1 Distribution of Household Incomes In Each Month, January to November 2020



Source. *Consumer Attitudes, Sentiments and Expectations in Australia Survey*, January, February and March 2020 and *Taking the Pulse of the Nation* Survey (Melbourne Institute), waves 1, 5, 9, 13, 16, 18, 20 and 23. Total sample size is 11,765.

So far so good, but dark clouds loom

Perhaps an important reason for Australia's success to date in supressing COVID-19 infections has been the Commonwealth Government income supports that have largely protected Australians economically from the effects of the pandemic and economic shutdowns. Without these income supports, it may have been much more difficult for state and territory governments to pursue the aggressive suppression strategies they have adopted.

The experience of previous recessions suggests that the economy, and hence employment and wages, will not spring back to pre-COVID-19 levels for a long time to come.

The outlook for household incomes is, however, not positive, with the Coronavirus Supplement and JobKeeper being phased out or significantly reduced. The experience of previous recessions suggests that the economy, and hence employment and wages, will not spring back to pre-COVID levels for a long time to come.

Government income support will therefore continue to be important to the economic wellbeing of a larger number of Australians than before the pandemic. In particular, the number of recipients of JobSeeker Payment is likely to remain significantly elevated throughout 2021. A slower phasing out of the Coronavirus Supplement, or indeed a permanent increase to the JobSeeker payment rate, would help mitigate rising poverty and inequality in 2021 and beyond.

7 IS POVERTY IN AUSTRALIA INCREASING? REGIONAL POVERTY AND COVID-19 EFFECTS

A. Abigail Payne and Rajeev Samarage

In 2016, the average regional poverty rate in Australia was 15 percent. Will the pandemic reverse this trend? We show that financial stress is higher in regions with higher poverty rates. Most disturbing are the high rates of financial stress by those employed full time and residing in high poverty regions. This chapter explores the link between regional poverty rates and the economic challenges resulting from the pandemic.

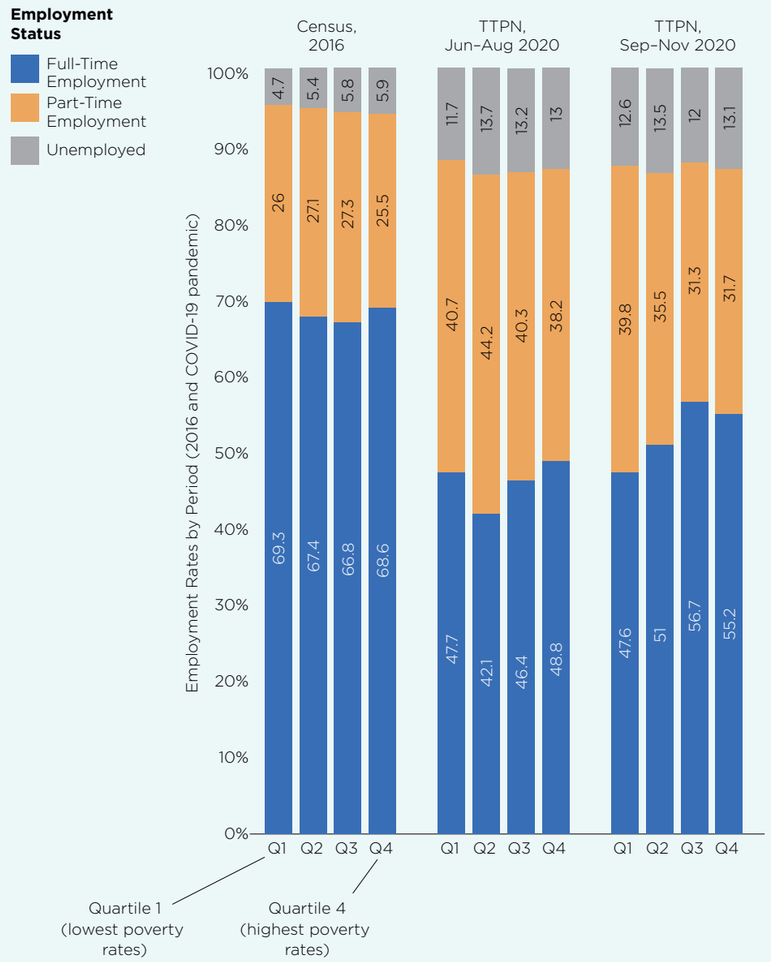
Is Poverty in Australia Increasing? Regional Poverty and COVID-19 Effects

Will the pandemic create bigger divides and increasing poverty rates?

Over the last decade, Australia has experienced a slight decline in poverty and strong employment conditions. During 2020, as several *Taking the Pulse of the Nation* Research Insights have documented, we have experienced high rates of unemployment, lower rates of full employment, and have observed higher expressions of financial and mental distress. These are all components for reversing the trend of flattening or decreasing poverty rates.

The economic fallout from the pandemic has resulted in winners and losers. Current government policy has stemmed the negative economic repercussions for those who have suffered job losses and other financial burdens that have resulted from the health crisis. Most of the relief, however, has been focused on the provision of universal programs that are based on specific outcomes. If we focus on the potential for a long-term negative fallout from the pandemic such as increasing poverty rates, can or should we do more now to focus efforts on regions and communities that may be hardest hit?

Figure 7.1 Employment Rates, Aged 25–64



Source. Data used for 2016 are ABS Census Data. Data used for 2020, *Taking the Pulse of the Nation* (TTPN) survey, Melbourne Institute.

Notes for Figure 7.1. Regions are defined based on ABS Statistical Area 4 definitions. Based on their residential postcode, respondents are grouped into regions. The regions are then grouped into four quartiles based on the regions' 2016 poverty rates.

Employment rates have improved in recent months but these rates are nowhere near the pre-pandemic levels. Financial stress is high.

We use 2016 census data to benchmark two characteristics: poverty and employment rates for economic regions that are grouped based on the regions' poverty rates into four equal-sized groups (quartiles). Quartile 1 captures the regions with the lowest poverty rates and Quartile 4 captures the regions with the highest poverty rates. Across quartiles the median poverty rate ranges from 11.6 to 18 percent. We then compare employment rates obtained from the *Taking the Pulse of the Nation* (TTPN) survey to this 2016 benchmark. For 2020, we focus on the last six months of TTPN data: period 1 captures survey responses from June to August and period 2 captures responses from September to November.

As Payne and Samarage (2020) and Ananyev, Payne and Samarage (2020) show, employment is highly correlated (inversely) with poverty. Thus, our starting point to explore is whether there are differences in employment rates across the regional poverty quartiles for those aged 25 to 64. Figure 7.1 focuses on those in the labour force. Across the four quartiles the share aged 25 to 64 not in the labour force is approximately the same.

Figure 7.1 depicts the distribution of the population based on being employed full time, part time, or unemployed. Regardless of differences in regional poverty rates, the employment rates are relatively similar across the four quartiles. Thus, our starting point would suggest that overall regional employment is not strongly tied to regional poverty. In 2020, however, employment rates are substantially lower across all four quartiles. Moreover, a higher share of those in the labour force are reporting working part time. Compared to 2016 rates, those employed full time is lower by approximately 20 percent across all quartiles in period 1 (June – August).

In period 2 (September – November) full time employment rates have improved relative to the period 1 (June – August), although unemployment rates have not moved much between the two periods. We might expect high levels of financial stress during this pandemic based on higher unemployment and part time employment. Given the improvements in full time employment rates, however, we might expect to see a reduction in financial stress between periods 1 and 2.

Regional Poverty Rates

Poverty rates for each region are based on the share of households with reported income < 60 percent of median equivalised household income. The underlying assumption behind equivalised household income is that for many household expenses, the additional cost of including one more person to the household should be less than one dollar. See Payne and Samarage (2020) for more information.

Regions are defined using the ABS geographical area known as a statistical area 4 (SA4) which roughly represents labour markets or groups of labour markets in Australia. There are 89 spatial oriented SA4s. For these 89 SA4s we ranked them based on the observed poverty rate and then grouped into quartiles for this analysis. Only those regions with at least 30 respondents for the period under study are included in the analysis.

Quartile	Poverty Rates			Total Population
	Minimum	Median	Maximum	
Lowest Poverty (Q1)	7.6%	11.6%	13.4%	3,188,486
Quartile 2 (Q2)	13.5%	14.5%	15.3%	3,232,340
Quartile 3 (Q3)	15.3%	15.9%	16.8%	2,734,744
Highest Poverty (Q4)	16.9%	18%	25.9%	3,186,134

Figure 7.2 Reported Financial Stress by Poverty Quartiles, Aged 25–64

Source. Data used for 2020, *Taking the Pulse of the Nation* (TTPN) survey, Melbourne Institute.

Notes for Figure 7.2 Financial stress captured using a narrow definition (severe or moderate challenges in covering essential goods and services) and using a broad definition (severe, moderate or making ends meet). For panels A and B, the denominator is the weighted sum of respondents located in the given quartile aged 25–64. For panels C, the denominator is the weighted sum of respondents located in the given quartile within the given labour force classification (e.g. full-time employment)

We next move to reported financial stress across poverty quartiles. We rely on two measures of financial stress. The first measure captures a narrow definition that captures a self-report of "moderate or severe financial stress" that reflects an inability to cover essential goods and services. The second measure is a broad definition that includes the first measure plus a self-report of "just making ends meet." Figure 7.2 explores financial stress using these two measures. In Panel A, we depict the share of respondents reporting moderate/severe financial stress by poverty quartile for the two TTPN periods. In both periods, the highest rates of financial stress are observed for the two highest poverty quartiles (Q3 and Q4). In period 1, the share of those in financial stress ranges from 23 to 29 percent. Despite improvements in employment rates, however, financial stress increases in period 2 across all quartiles. The reported stress ranges from 25 percent for the lowest poverty quartile to 32 percent for the highest poverty quartile.

If we expand the analysis to capture our broader definition of stress, as depicted in Figure 7.2 (Panel B), a different story emerges. For the lowest poverty quartile (Q1), financial stress (severe/moderate/making ends meet) drops by 3 percentage points, from 58 to 55 percent between periods 1 and 2. For the highest poverty quartile, the stress levels are much higher than for the low poverty quartiles. In period 1, stress is above 62 percent. Between periods 1 and 2 the share reporting stress drops but only by 1.5 percentage points, from 63 to 61.5 percent.

Forty percent of those employed full time and in the highest poverty areas report extreme or moderate financial stress.

We expand the analysis one step further in Figure 7.2 (Panel C), to depict stress by labour force participation of the respondent. For this depiction, we focus on stress as reported in period 2 (September – November). We depict the narrow definition of financial stress (moderate/severe) within each poverty quartile based on labour force participation: full time, part time, unemployed, and not in the labour force. For the low poverty quartile (C.1), the highest level of stress is observed for those that are unemployed. For the second lowest poverty quartile (C.2), there is only a two percentage point difference across those that are not in the labour force, unemployed, or employed full time. For the second highest poverty quartile (C.3), stress is highest for those employed full time and those that are unemployed. The most striking results, however, lies for the regions that are part of the highest poverty quartile (C.4). There is close to a 10 percentage point difference in stress levels between those employed full time and those not in the labour force or unemployed. Forty percent of those employed full time and in the highest poverty areas report extreme or moderate financial stress. We view this statistic as troubling and in need of further exploration.

Mitigating the risk of increased poverty in 2021: let's prevent or stop falls into poverty.

Treating financial challenges as a precursor or proxy for poverty, even with increased government support and measures to help Australians in 2020, the TTPN data present a concerning story. Even with employment rates increasing in more recent months, a high proportion of Australians are reporting financial stress. Moreover, the highest levels of stress are observed for those employed full time and residing in high poverty regions.

These findings paint a potentially ominous story for 2021. Even with signs of the economy rebounding, we should expect that emergency measures introduced in 2020 will end. Given the high rates of stress observed through the TTPN data, we believe it is time to think about longer term strategies for addressing financial stress. Concerning are both the 25 percent plus of working age respondents that report moderate or severe financial stress and the additional 25-35 percent of respondents that report they are just making ends meet. Stress will involve a range of factors, including earning income and meeting a range of expenses such as housing, food, and other necessities.

Outside of Australia, there are a range of programs that provide deeper and more extensive support to those who might be on the brink of falling through the safety net. We should critically understand what makes these other programs successful. Inevitably, given stress (and poverty) is multi-faceted there will not be a "one size fits all" solution. Age, skills, location, and familial and personal demographics all play a role in supporting the design and structure of a program that can support and lift households in a manner that supports addressing financial stress before they fall into an impoverished state. While more analysis is warranted, we believe the statistics depicted in this chapter demonstrate that we should be concerned about poverty rates increasing in Australia. We believe there is more that can be done in Australia, by commonwealth, state, and local governments to help households address the financial challenges they face, be it during times of global, regional, and/or during periods of personal crisis.

8 TRAINING FOR NEW SKILLS: NEXT STEPS FOR IMPROVING EMPLOYMENT OPPORTUNITIES

Nicolás Salamanca & Cain Polidano

Intentions to study have skyrocketed during the pandemic, mostly driven by the unemployed, for whom anxiety and uncertainty matter a great deal.

During the current COVID-19 pandemic, the share of Australians intending to study has sharply increased. Study intentions are high regardless of employment status, but employed, people are far less likely to express an intention to develop new skills than unemployed people. People's beliefs about how the pandemic will affect them going forward and the state of their mental health can explain some of these differences in intentions to study, especially among the unemployed.

Many Australians intend to develop their skills during the pandemic

Australia has consistently had one of the highest rates of participation in adult education across developed countries (OECD, 2016). This is due to a very accessible vocational education and training sector, which is highly subsidised and modularised to cater for individual needs, including adult pathways into university.

During the current COVID-19 pandemic, intentions to study are much higher than participation has ever been. Data from the *Taking the Pulse of the Nation* (TTPN) survey (14-18 September 2020) shows that 35 percent of people aged 25-64 are planning to enrol in education or training that leads to a new qualification in the next 12 months. These intentions are highest for younger people, but one in seven of those 55-64 are still planning to undertake training. Even if not all intentions result in enrolment, these results suggest there will be more people training in the next months than before. Data from the HILDA survey for 2018 shows an enrolment rate of around 11 percent for ages 25-64 (enrolment rates were 11 percent for people employed, 20 percent for those unemployed and looking for work, 9 percent for those out of the labour force).

The intention to pursue further study is highest for those who are self-employed and unemployed (non-COVID-19 related), both 48 percent, with those working for an employer less likely to express an intention (34 percent). Those whose unemployment is COVID-19 related are less likely to report an intention to study relative to those who report unemployment for other reasons (48 percent relative to 42 percent). People engaged in home duties have similar rates of intention to study as employees.

The reasons people give for wanting to study — to strengthen existing skills or develop new ones — differ a lot by employment status. Most employed people with an intention to study (83 percent), especially the self-employed, are motivated to deepen their skills. In contrast, around half of the unemployed and those engaged in home duties are aiming to develop new skills.

Training for New Skills: Next Steps for Improving Employment Opportunities

These differences suggest that employed people are mostly training to retain their job in uncertain times, whereas unemployed people and those engaged in home duties are relatively more likely to seek to develop new skills to find jobs different than the ones they previously have held. The latter group could be searching for better opportunities in other sectors, or seeking careers that better suits their interests or are sharpening their skillset to jump back into the labour force (especially those engaged in home duties).

'Seeing opportunity in adversity' may explain study intentions

The decision to study is closely linked to one's beliefs and perceptions of uncertainty (Flug et al. 1998; Anderberg & Andersson, 2003). The TTPN data provides key insights on the role of beliefs in study intentions during the pandemic.

Regardless of their belief for how long they will be affected by the pandemic, most of those employed intending to pursue study are doing so to develop existing skills (Figure 8.2, left-hand panel). With longer expectations of being personally affected by the pandemic, however, there is a small increase in the interest to develop new skills. Neither intentions to study nor mental distress rates are related to these beliefs for those employed.

In contrast, beliefs and mental distress seem to matter a great deal for the study intentions of the unemployed and those engaged in home duties (Figure 8.2, right-hand panel). Those who believe the pandemic will affect them for less than three months, have very high intentions to study (mostly to acquire new skills) and very high rates of mental distress. These may be people who find themselves in a tight unemployment spot during the pandemic but are confident that investing in a new skill set will land them a new job. For those who believe the pandemic will affect them longer-term, beliefs are closely linked to study intentions and mental distress. Those who believe the pandemic will affect them longer have higher rates of mental distress and lower intentions to undertake study, driven by lower intentions to develop new skills.

> *..beliefs and mental distress seem to matter a great deal for the study intentions of unemployed people and those engaged in home duties.*

Finally, people who are uncertain how long they will be affected or chose not to answer the TTPN question are very different depending on their employment status. Employed respondents who express large uncertainty are the least likely to intend to study and have the lowest mental distress rates; they are likely among the least affected by the pandemic. In contrast, the unemployed who are uncertain are the most likely to intend to study and have much higher rates of mental distress. Without a job, and with no end to the pandemic in sight, they are feeling pressure to turn their situation around through further study.

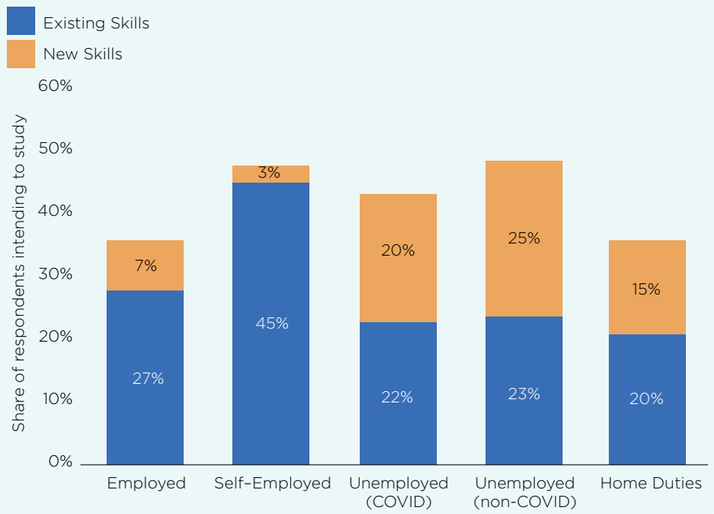
Some people may need more help to see the opportunities

The COVID-19 pandemic will likely have massive effects on the way we organise our jobs; many will disappear altogether, most will be reconfigured to a "new normal", and a few new occupations will be born. To the extent that intentions are realised, our findings suggest that many people are adjusting through further study, which will help maintain their connection to work and improve Australia's workforce productivity and standards of living.

However, for some, help may be needed to see the opportunities of post-COVID-19 Australia. For those who have lost their jobs during the pandemic, our results suggest that despite reporting high rates of intention to study, some remain uncertain about how long they will be impacted, which is associated with high levels of distress. This points to the need for further support for this group to help guide their course selection, involving access to adult career counselling to help them find alternative career paths that have good prospects and are viable given their interests and existing skill set. Career counselling through Jobactive and the Career Transitions Assistance could become particularly useful to this end in the aftermath of the pandemic. However, we stress that for such guidance to be effective in helping people find good pathways after study, and not just alleviate distress, it needs to be based on sound labour market information about job prospects from study.

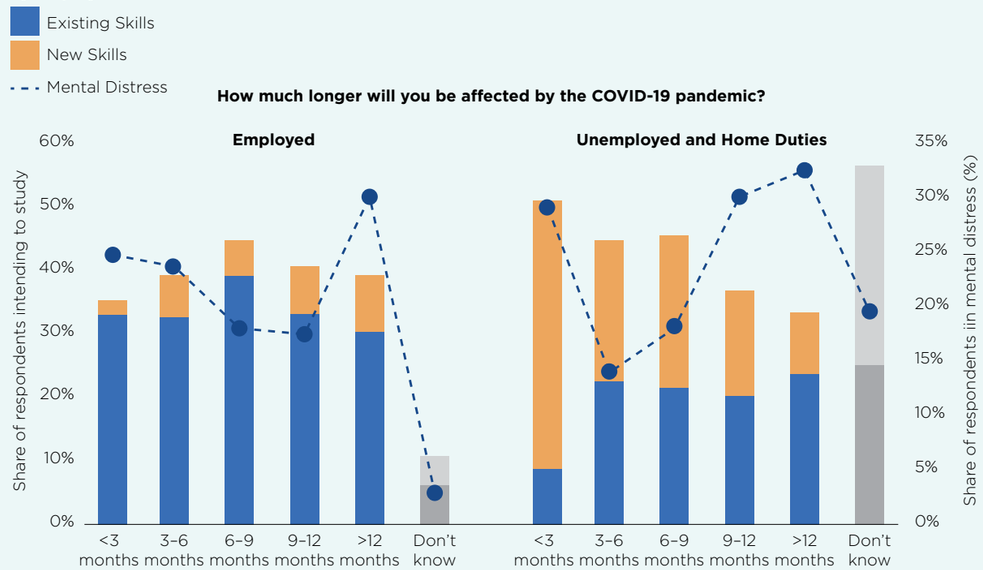
The TTPN question on pandemic beliefs asks, 'How much longer do you think YOU personally will be affected by the effects of the coronavirus pandemic (e.g. as it relates to your home activities, employment situation, and social interactions)?', with those who answer 'don't know' or who chose not to answer combined in the last category. Respondents are considered in mental distress if they answer 'all of the time' or 'most of the time' to the question, 'During the past week about how often did you feel depressed or anxious?' All analyses are weighted to ensure they represent the Australian population.

Figure 8.1 Intentions to Study in the Next 12 Months, by Employment Status



Source. *Taking the Pulse of the Nation* survey (Melbourne Institute), wave 19 (14–19 September 2020). The sample includes 700 respondents who are in the labour force between the ages of 25 and 64.

Figure 8.2 Intentions to Train, Beliefs About the Personal Impact of the Pandemic, and Mental Distress, by Employment Status



Source. *Taking the Pulse of the Nation* survey (Melbourne Institute), wave 19 (14 – 19 September 2020). The sample includes 547 employees and self-employed respondents (left-hand panel) and 153 unemployed respondents and respondents engaged in home duties between the ages of 25 and 64.

9 THE FUTURE OF HEALTHCARE AFTER COVID-19

Yuting Zhang, Anthony Scott, Judith Liu, and Susan J. Méndez

COVID-19 has caused a significant disruption in the use of healthcare, changing the way healthcare is delivered. Innovative models of delivery supported by changes to funding models while reducing waste are key lessons going forward.

How the fall in the use of healthcare during the pandemic has changed how care is delivered.

Australia's health sector is the largest part of the economy at 10 percent of GDP (Australian Institute of Health and Welfare 2020). In early 2020 when Australia recorded the first cases of COVID-19, a priority was to 'protect' the health sector, so it had the capacity to treat a potentially large number of COVID-19 cases. As a result, many non-urgent elective surgeries or routine care (e.g. dental exams) were suspended or delayed. This caused a large fall in utilisation of healthcare, especially hospitals, that has since re-bounded as the backlog is being cleared. In addition, people have been avoiding visiting healthcare providers because of fear of contracting the virus, or from facing new financial hardship and being unable to afford out-of-pocket costs. This has led to continuing falls in the membership of private health insurance and the downgrading of insurance cover (Zhang, Liu and Scott 2020).

The changes in demand and patterns of use during COVID-19 presented significant challenges for healthcare providers who had to rapidly adapt by introducing new models of care and ways of working while being concerned about their own safety. This included sharp increases in the use of telehealth consultations supported by new Medicare funding in March, funding for electronic prescribing, and closer integration between public and private hospitals to ensure sufficient capacity. As we emerge from the pandemic, what have we learned and what are the priorities going forward?

The future of healthcare after COVID-19

What we have learned during COVID-19

By the end of the first wave (June), around 14 percent of Australians reported that they did not seek healthcare when they needed. This trend has continued increasing despite many states and territories having no new cases of community transmission. By October, 20 percent of respondents reported avoiding healthcare when needed (Figure 9.1).

Younger people, especially men, are more likely to avoid needed healthcare. Among men, 28 percent of those aged 18-44 and 12 percent of those aged 65+ avoided needed care in October; among women, 21 percent of those aged 18-44 and 11 percent of those aged 65+ did so. This pattern continued from June to October.

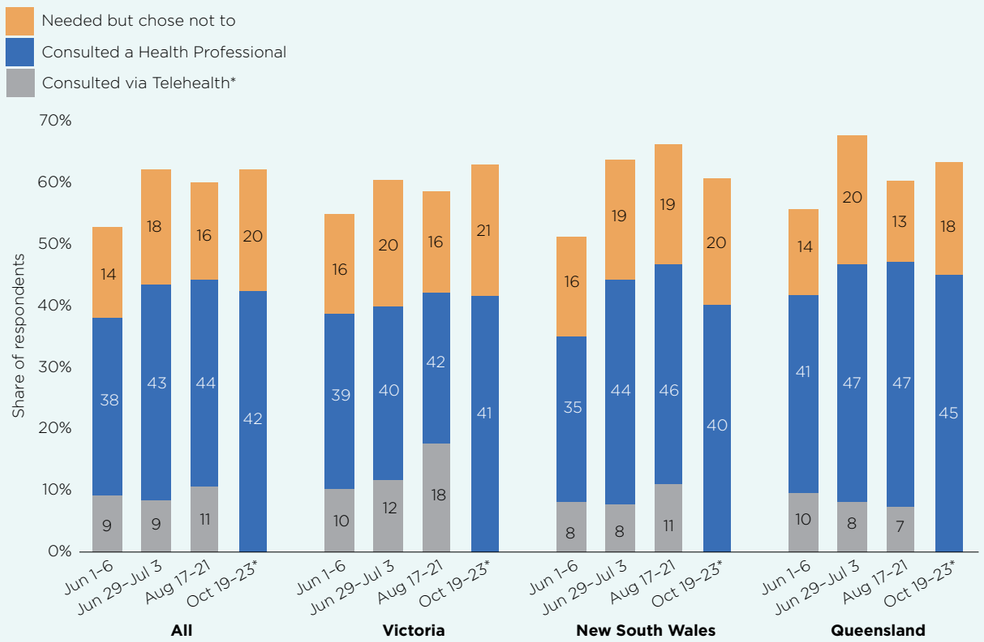
People with financial stress are three times more likely to avoid needed healthcare: 37 percent among those financially stressed, 14 percent among those making ends meet, and 13 percent among those financially comfortable in October. The disparity persisted from June to October.

People with high mental distress were seven times (53.1 percent compared with 8.1 percent) more likely than those with low mental distress to avoid consulting a health professional when needed (Figure 9.2). This disparity worsens over time. In October, 53.1 percent of those with high mental distress avoided seeking healthcare when they needed to. The longer the disparity persists, the more serious the downstream consequences for individuals and for the healthcare system.

The use of telehealth has increased since June 2020. Victoria, in particular, saw a notable increase in the use of telehealth in August when it faced a second surge of COVID-19 cases and imposed strict lockdown policies (Figure 9.1).

At the national level, use of telehealth increased sharply in the second quarter for both GP and specialist services as face to face consultations plummeted. Telehealth accounted for 34 percent of all GP consultations, 33 percent of mental health consultations provided by GPs, and 27 percent of all specialist attendances (Australian Government - Services Australia 2020). Only three percent of telehealth GP consultations were via video with the rest by phone, while 16 percent of telehealth specialist consultations were via video. Use of telephone may be appropriate for some consultations, but not for others.

Figure 9.1 Changes in Healthcare Utilisation Over Time, by State



Source. *Taking the Pulse of the Nation* survey (Melbourne Institute), waves 9, 13, 17, and 21. Sample sizes are 1,200 in each wave. The sample is stratified by gender, age and location to be representative of the Australian population.

Notes for Figure 9.1 The vertical axis indicates the proportions (%) based on weighted responses. *'Consulted via telehealth' was not asked in Oct 19-23.

The future of healthcare after COVID-19

Financial barriers are one reason why people avoid needed care. Job loss and falling wages because of COVID-19 coupled with ever-increasing out of pocket costs is a key issue. Bulk-billing incentives should be targeted at the most vulnerable groups, or at those living in the most disadvantaged suburbs, including those with mental health problems and families suffering financial hardship. Patients need to be able to access better information on out of pocket costs and quality of care. Price transparency is still in its infancy, but doctors should be mandated to publicly post their fees and likely out of pocket costs to consumers.

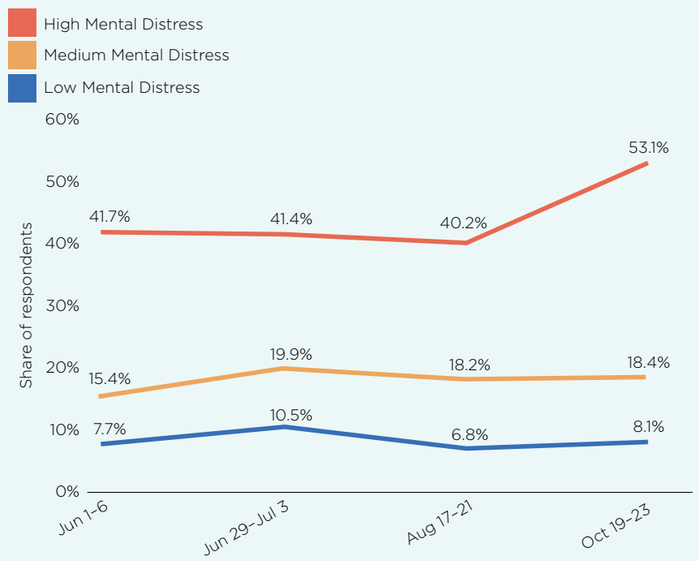
Though telehealth has helped meet the needs for patients during the pandemic, its potential beyond the pandemic has been widely recognised, in addition to other digital technologies (e.g. digital monitoring, electronic prescribing) to support healthcare at home rather than in hospitals. In other countries telehealth has been used and shown to be effective in palliative care, urgent care, behavioural health, after-hours hospital medicine, and emergency room triage (Calton et al. 2020, Hollander and Carr 2020). A key issue, however, is that almost all telehealth services in Australia were provided via phone instead of video, especially for GP consultations. Though using a telephone may be appropriate for some types of care (e.g. follow up and discussion of test results), video is preferable for others where physical examination and non-verbal communication play a key role in diagnosis.

The recent announcement to fund Telehealth permanently is a welcome policy, but funding going forward needs to recognise the potential higher value of video consultations compared to telephone through differential Medicare rebates; now telephone and video consultations attract the same rebate.

During the pandemic, both patients and providers have been forced to re-think what healthcare is necessary and what is not. Others have shown low-value care is common and that there is substantial 'waste' in the system (Badgery-Parker et al. 2019). Governments and private health insurers together need to re-think funding models to support only necessary, high value healthcare, delivered in the right settings including out of hospital where appropriate. Current funding models re-enforce the status quo and encourage high volumes of care that does not always improve patient's health and may cause harm. Taxpayer funding that is used to subsidise care in both the public and private sectors should be removed for low-value care.

Governments and private health insurers together need to re-think funding models to support only necessary, high value healthcare

Figure 9.2 Percent of People With Mental Distress Who Avoided Needed Healthcare



Source. *Taking the Pulse of the Nation* survey (Melbourne Institute), waves 9, 13, 17, and 21. Sample sizes are 1,200 in each wave. The sample is stratified by gender, age and location to be representative of the Australian population.

Notes for Figure 9.2 The vertical axis indicates the proportions (%) based on weighted responses. We categorised mental distress to high, medium and low levels by using answers to the question "during the past week about how often did you feel depressed or anxious?" in the survey. We define those responded with "most" to "all" the time as high mental distress, those responded with "some" of the time as medium mental distress, and those responded with "a little" or "none" of the time as low mental distress.

10 ADOPTING MITIGATION STRATEGIES: A MARATHON NOT A SPRINT

Marco Castillo and Ragan Petrie

A majority of Australians support mask wearing, quarantine if exposed and restricted capacity on public transport when needed. The level of support for these policies, however, has declined significantly over the course of the pandemic. This is cause for concern. The health and economic wellbeing of Australia depends on the acceptance of mitigation measures until a vaccine is widely available and taken by a large majority of the population. Even with a vaccine, the roll out will be slow and effectiveness will be less than 100 percent. Mitigation policies remain vital in the coming months and possibly years.

Adopting mitigation strategies: A marathon not a sprint

Navigating life during the pandemic

With the absence of a viable and widely available vaccine for COVID-19, and a large proportion of the population willing to take it, mitigation measures are needed to keep Australians healthy and the economy open. Extreme measures, such as the July – October 2020 lockdown in Melbourne, are costly for the economy and the mental health of the population.

How have Australians navigated life with COVID-19? To explore this question, we have utilised the data from the *Taking the Pulse of the Nation* survey. Figure 10.1 shows how perception of compliance with physical distancing guidelines and limiting activities due to COVID-19 have changed week by week between April and November 2020.

The percent of Australians who report their neighbours complied with physical distancing requirements all or most of the time started at about 80 percent in April but has declined to roughly 55 percent by the end of June. Out of concern for contracting the virus, the share of Australians who limited their activities outside of the house, such as shopping, going to restaurants or using public transport, all or most of the time has dropped by almost half (60 percent to 35 percent) from the end of May to the beginning of November.

The short answer of how Australians have been navigating life is that it has evolved considerably over the course of the pandemic. Australians are venturing out more, yet about one-third have not fully returned to normal activities, even with a general decrease of COVID-19 cases in most Australian states through the second half of the year and most areas having moved to zero cases. Compliance with physical distancing has declined, and this may affect how willing others are to engage in activities if they feel it is unsafe to do so.

Australians' patience for new policies is growing thinner

Mitigation policies to prevent the spread of COVID-19 are still needed to keep Australians safe and willing to engage in the economy. General availability of a vaccine is not expected until the second half of 2021 (McGuirk (2020). What is the emerging view among Australians on the precautionary policies they are willing to accept to balance health and economic recovery during the COVID-19 pandemic?

The *Taking the Pulse of the Nation* survey asked Australians which mandatory government regulations they would be willing to accept to allow a return to normal activities in the August 3-7 survey and again three months later in the November 2-6 survey (Castillo and Petrie, 2020a).

Figure 10.2 shows the percentage of Australians who would accept various regulations in August and November. For all regulations, at least half of Australians would be willing to accept them. Across both periods, support is high (78 percent or higher) for regulations such as mandatory quarantine if exposed, mask wearing in public places and restricting capacity on public transport. For regulations such as closing non-essential businesses, routine weekly testing and contact tracing with mobile phone data, acceptance drops at least 20 percentage points from August to November.

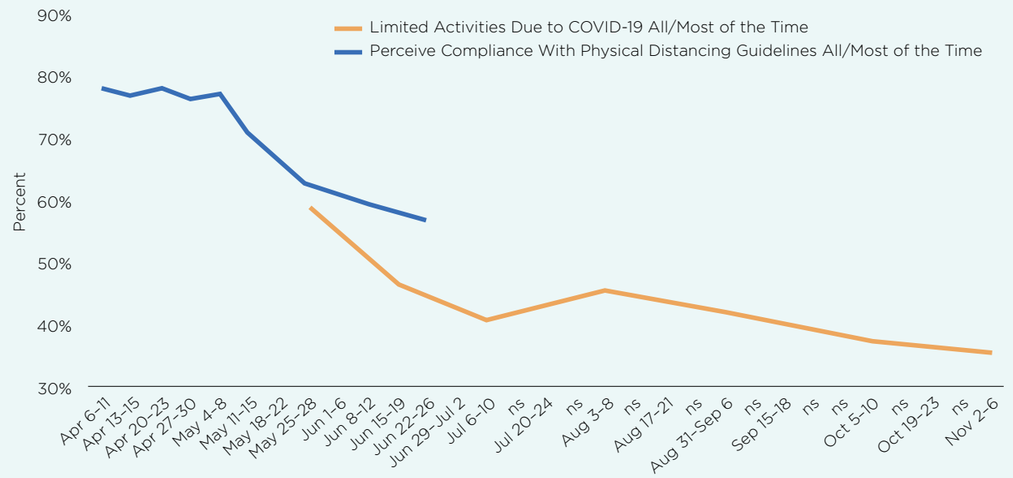
Overall, acceptance of these precautionary policies has fallen from August to November. The largest drops in support are for routine weekly testing (9.8 percentage points), mandatory mask wearing (9.6) and closing non-essential businesses (8.6). There is a slight increase in the willingness to accept contact tracing using mobile phone data.

Holding on until the vaccine arrives

A full return to normal activities in Australia will not be achieved until the population reaches herd immunity (at least 50 percent of the population under optimistic scenarios). The most acceptable path to attain this goal is through vaccination. Roughly three-quarters (73.8 percent) of Australians are willing to take a vaccine for COVID-19 if developed and approved for use by the Australian Government (Castillo and Petrie, 2020b). Unfortunately, full access to vaccines is not likely to take place in the immediate future.

With almost one-third of the population constraining their economic activity under current mitigation policies and no or limited access to a vaccine in the coming months, the Australian economy is likely to face prolonged hardship for the foreseeable future. Given the relative acceptability of some measures (like mask wearing) that have shown to be effective at reducing the spread of the virus, mandating their usage might increase the population's willingness to engage in economic activities. Given that Australians are becoming less and less willing to accept constraints on their behaviour, the window of opportunity for policy changes is closing.

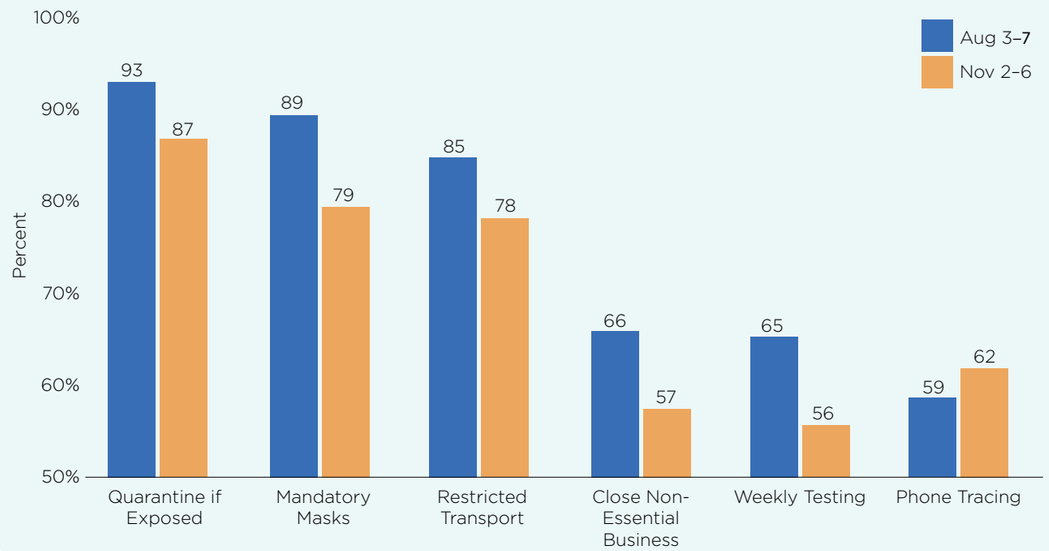
Figure 10.1 Percent Who Limited Activities Due to COVID-19 and Percent Who Perceive Compliance With Physical Distancing Guidelines All or Most of the Time, by Week Since Start of the TTPN Survey



Source. *Taking the Pulse of the Nation* survey (Melbourne Institute), waves 1–22 (April 6 – Nov 6, 2020).

Notes for Figure 10.1 Sample sizes are 1,200 for each week. Surveys were administered weekly for waves 1-14, then biweekly from wave 15 onwards "ns" indicates a week without a TTPN survey.

Figure 10.2 Percent Who Would Be Willing to Accept the Government Regulation in Aug 3–7 and Nov 2–6 Surveys



Source. *Taking the Pulse of the Nation* survey (Melbourne Institute), wave 16 (Aug 3–7, 2020) and wave 22 (Nov 2–6, 2020).

Notes for Figure 10.2 Each week includes a representative sample of Australians (n = 1,200).

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THE UNIVERSITY OF MELBOURNE

MELBOURNE INSTITUTE
APPLIED ECONOMIC & SOCIAL RESEARCH

Melbourne Institute: Applied Economic & Social Research

The Melbourne Institute is a longstanding research-only department in the Faculty of Business and Economics at the University of Melbourne. The Melbourne Institute is home to more than 50 economic researchers that are supported by survey methodologists and data scientists. Their work is recognised internationally by both academic and policy communities and all work undertaken by the Melbourne Institute is independent and impartial.

Researchers at the Melbourne Institute have been informing and shaping economic and social policy in Australia since its establishment in 1962. The Melbourne Institute's list of longstanding accomplishments includes the creation of such things as: the Henderson Poverty line, the blueprint for Medicare, the Household, Income and Labour Dynamics in Australia (HILDA) Survey, the Australian Economic Review, and the Consumer Sentiment Index. Melbourne Institute researchers have engaged in analyses on critical issues such as poverty, economic growth and inflation, housing and family structure, healthcare and wellbeing, employment and skill development, and tax and transfer policies.

Notable conferences and forums run by the Melbourne Institute include the Economic and Social Outlook Conference (which brings together thought leaders and policy influencers to discuss the issues facing Australia today), the Melbourne Economic Forum (led by economic experts from the University of Melbourne and Victoria University), Canberra-based Public Economics Forums, and the Melbourne Institute's Director's Conference, and in 2020, the Melbourne Institute Virtual Colloquium (where researchers from the Institute present their findings on a range of topics that inform and shape Australian economic and social policy).

The *Taking the Pulse of the Nation* survey was created for the purpose of being able to track the economic and social wellbeing of Australians and to provide measures of attitudes and willingness to take on risk given the coronavirus pandemic. These data have been used to provide timely insights that track behaviour and inform policy.

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