COPING WITH COVID-19: RETHINKING AUSTRALIA

Taking the Pulse of the Nation 2020

6. Household Incomes: The Real Test is Yet to Come

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

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

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

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 6.3: 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.
References


Coping with COVID-19: Rethinking Australia reflects the endeavour of many Melbourne Institute staff members. Special thanks go to the Taking the Pulse of the Nation (TTPN) Steering Committee (A. Abigail Payne, Guay Lim, Mark Wooden, Anthony Scott, Marco Castillo and Ragan Petrie) responsible for the conception and design of the Survey, to Guay Lim for writing the TTPN Reports, to Viet-Haong Nguyen for the preparation of the survey data for analysis and to Rajeev Samarage for the TTPN tracker. Many academic staff contributed to the Taking the Pulse of the Nation Research Insights, ably edited by Barbara Broadway and Nicolas Salamanca. The work was also efficiently supported by the Melbourne Institute Professional Staff (especially Logan Jacobs and Emily Westman), the University of Melbourne design team and the Faculty of Business and Economics Media & Communications team.

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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## Contents

Foreword

About Taking the Pulse of the Nation

1. The New Normal: Navigating an Economic Recovery
   Guay Lim, Viet Nguyen, Tim Robinson, and Sam Tsiaplas

2. Changing Labour Force Status: COVID-19 Impacts by Gender and Age
   Guyonne Kalb and Jordy Meekes

3. Working from Home: Is It Here to Stay?
   Mark Wooden and Guay Lim

4. Heightened Mental Distress: Can Addressing Financial Stress Help?
   Ferdi Botha, Peter Butterworth and Roger Wilkins

5. Help! High Levels of Parents’ Mental Distress
   Barbara Broadway, Susan Méndez and Julie Moschion

6. Household Incomes: The Real Test is Yet to Come
   Roger Wilkins

7. Is Poverty in Australia Increasing? Poverty Across Regions and the potential for COVID-19 to increase poverty
   A. Abigail Payne & Rajeev Samarage

8. Training for New Skills: Next Steps for Improving Employment Opportunities
   Nicolás Salamanca and Cain Polidano

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

10. Adopting Mitigation Strategies: A Marathon Not a Sprint
    Marco Castillo and Ragan Petrie

References

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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.