



COPING WITH COVID-19: RETHINKING AUSTRALIA

Taking the Pulse of the Nation 2020

4. Heightened Mental Distress: Can
Addressing Financial Stress Help?



A man with short dark hair, wearing a grey t-shirt, is sitting on a dark couch. He is looking out of a large window to his left. The window has a white frame and a metal railing. The background outside the window is a brick wall. The image has a blue tint.

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.

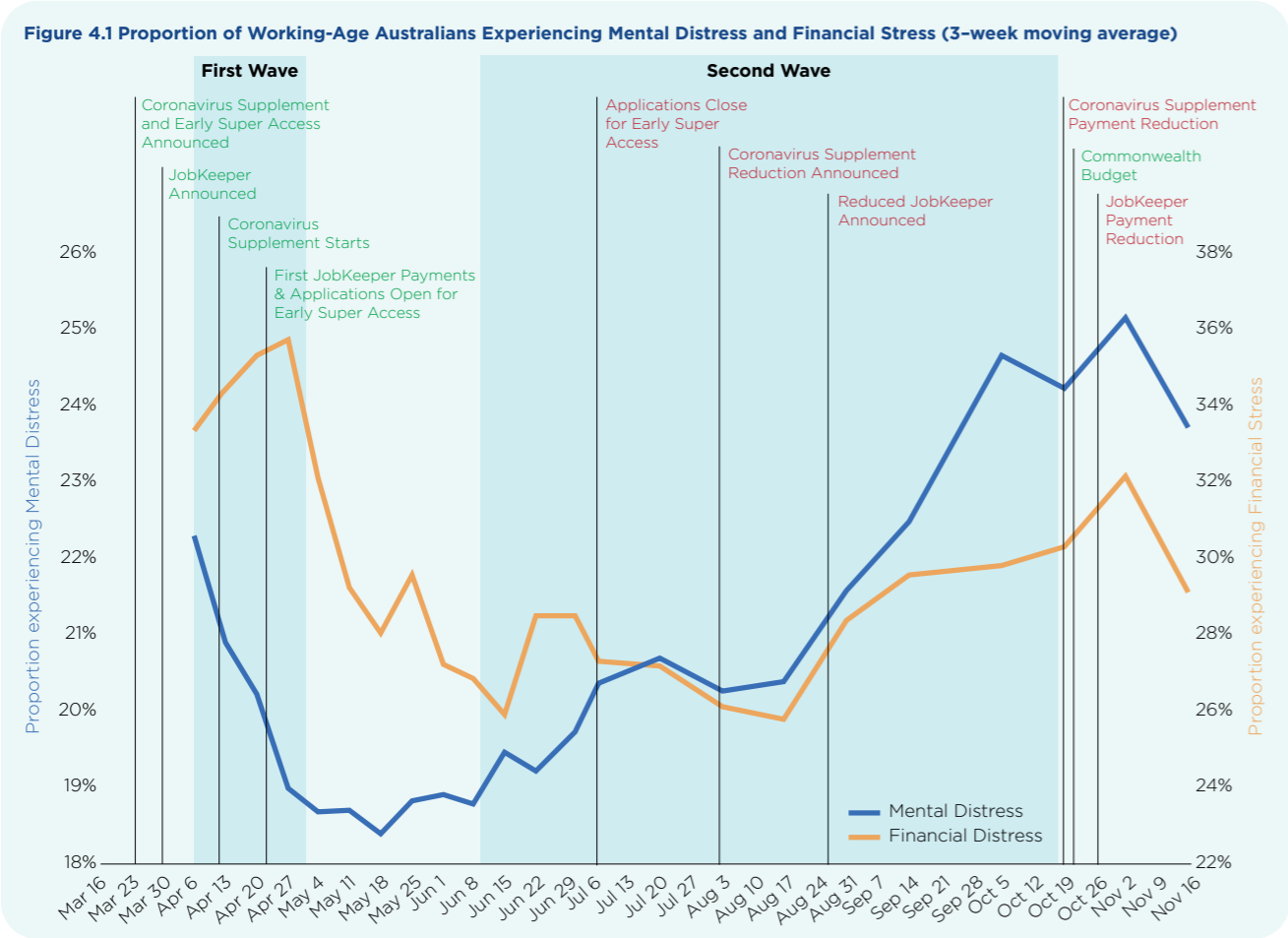
Financial stress is a particularly strong predictor of mental distress (Kiely et al., 2015). The TTPN data show that rates of mental distress were approximately four times higher for people experiencing financial stress, averaging 42 percent compared with 11.5 percent for people not experiencing financial 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.

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.



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

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.

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'.

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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.

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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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