

# Poverty and a reduced Coronavirus Supplement

***If the coronavirus supplement is reduced to \$150 per fortnight, 190,000 people will be pushed below the poverty line including 50,000 children***

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## INTRODUCTION

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As part of the Coalition Government's economic response to the coronavirus pandemic, it announced that it would provide an additional payment to unemployed people called the coronavirus supplement. This supplement was initially paid at a rate of \$500 per fortnight. The impact of this change was a reduction in the number of people in poverty by 425,000. This was discussed in an Australia Institute paper.<sup>1</sup>

On the 21st July 2020 the Government announced it would reduce the rate of the coronavirus supplement from \$500 to \$250 per fortnight. This change began in September 2020. A previous Australia Institute paper looked at the impact of this change on poverty in Australia.<sup>2</sup>

On the 10<sup>th</sup> November 2020 the Coalition Government announced that it was again cutting the coronavirus supplement from its rate of \$250 per fortnight to \$150 per fortnight. This is due to come into effect in January 2021. This paper will look at the

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<sup>1</sup> Grudnoff M (2020) *Poverty in the age of coronavirus: The impact of the JobSeeker coronavirus supplement on poverty*, The Australia Institute, 20 July, available at <<https://www.tai.org.au/content/poverty-age-coronavirus-impact-jobseeker-coronavirus-supplement-poverty>>

<sup>2</sup> Grudnoff M (2020) *JobSeeker Cut to Push 370,000 into Poverty, Including 80,000 Children*, The Australia Institute, 24 July, available at <<https://www.tai.org.au/content/jobseeker-cut-push-370000-poverty-including-80000-children>>

impact this reduction will have on the number of people living in poverty, including the number of children.

## IMPACT ON POVERTY

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Reducing the coronavirus supplement from \$250 per fortnight to \$150 per fortnight will push an additional 190,000 people into poverty. This includes an additional 50,000 children aged 0 to 14.

## IMPACT ON POVERTY BY STATE

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The three largest states are worst hit. 53,000 Queenslanders including 17,000 children will be pushed into poverty. Victoria will see 52,000 people including 16,000 children pushed into poverty. NSW will see 51,000 people pushed into poverty including 10,000 children.

The smaller states are not spared with 19,000 additional Western Australians being pushed into poverty including 5,000 children. South Australia will see an additional 12,000 people pushed below the poverty line including 2,000 children. Tasmania will see an additional 5,000 people pushed into poverty including 1,000 children.

A summary of these impacts' can be found in Table 1.

**Table 1 – Additional people in poverty because of a reduction in the coronavirus supplement from \$250 to \$150 per fortnight**

State	Increase in total poverty	Increase in children in poverty
NSW	51,000	10,000
VIC	52,000	16,000
QLD	53,000	17,000
WA	19,000	5,000
SA	12,000	2,000
TAS	5,000	1,000
<b>Australia</b>	<b>190,000</b>	<b>50,000</b>

Source: Communities in Numbers commissioned modelling. See Appendix A

## APPENDIX A

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The method used for this project was microsimulation modelling. This type of modelling uses unit record data from a survey (i.e. household by household), allowing incomes to be recalculated; welfare payments and tax to be calculated; and changes to

be made at the individual level. The method also allows different scenarios to be tested, and the impact of each scenario on different sub-groups of the population can be calculated.

For this analysis, we were calculating poverty rates for a number of scenarios. The poverty rate used is the set of Henderson poverty line prepared by the Melbourne Institute.

As a starting point for any analysis of poverty rates, any households with incomes that are less than or equal to 0 are removed from the analysis at the start. There is extensive research to suggest that these households have expenditure beyond that suggested by their incomes, so the incomes are either mis-reported; or not representative of the household's regular income.

The Henderson poverty lines are calculated for a number of income units (families) and are therefore applied at an income unit level. The latest numbers are for December 2019, and they are shown in Table 5. For this analysis, we used the poverty line which excludes housing cost, and have removed housing costs from the total family income. This reflects that a household with a relatively higher income, but high housing costs experiences the same kind of financial stresses as a household with lower income and lower housing costs. The result of this methodological decision is that capital cities experience higher poverty rates than using the poverty line including housing costs and income spent on housing, as housing costs are a significant cost in cities.

For Henderson poverty lines, there is no need to equalise incomes (take into account the number of people in the household) as separate lines are given for different family sizes. Equalising adjusts income to take into account the fact that larger families need to spend more, so need higher incomes to maintain a set standard of living.

The poverty rates are calculated by assessing whether a household is below the poverty line; and then counting the number of people in the household/income unit to get the number of people living in households/income units in poverty. All the estimates are weighted by the household/income unit weight on the survey.

**Table 2 – Henderson poverty line**

**Table 1: Poverty Lines: Australia, December Quarter, 2019 a, b**

Income Unit	<i>Including Housing \$ per week</i>	<i>Other than Housing \$ per week</i>
<b>Head in workforce</b>		
Couple	726.27	531.19
Couple plus 1	873.01	660.29
Couple plus 2	1019.75	789.39
Couple plus 3	1166.49	918.49
Couple plus 4	1313.24	1046.16
Single person	542.92	365.38
Single parent plus 1	697.00	501.82
Single parent plus 2	843.64	630.92
Single parent plus 3	990.38	760.02
Single parent plus 4	1137.13	889.12
<b>Head not in workforce</b>		
Couple	623.58	428.40
Couple plus 1	770.32	557.60
Couple plus 2	917.06	686.70
Couple plus 3	1063.81	815.80
Couple plus 4	1210.55	943.47
Single person	440.23	262.69
Single parent plus 1	594.21	399.13
Single parent plus 2	740.95	528.23
Single parent plus 3	887.69	657.33
Single parent plus 4	1034.44	786.43

Notes: (a) Based on seasonally adjusted household disposable income per head per week for the December quarter 2019 of \$866.76.

(b) All figures refer to income after tax.

Source: Melbourne Institute (2020) *Poverty Lines: Australia*, December Quarter 2019, available at <<https://melbourneinstitute.unimelb.edu.au/publications/poverty-lines>>

The scenario used in this model was comparing the poverty rates in September 2020 with the coronavirus supplement set at \$250 per fortnight with the poverty rates in September if the coronavirus supplement was set at \$150 per fortnight. Note that the coronavirus supplement is not set to drop to \$150 per fortnight until January 2021. Using September 2020 rather than January 2021 is not expected to make a large difference to the number of people in poverty as the unemployment rate in January 2021 is expected to be very similar to the unemployment rate in September 2020.

The base dataset used for this modelling was the 2017-18 ABS Survey of Income and Housing. This dataset includes income by source of income; age; sex; housing tenure; etc.

The SIH is a survey of those aged 15 and over, so it does not include children. The only information for children aged 0–14 on the dataset is the number in the income unit or household. This is enough information to calculate poverty rates for children aged 0–14. For all other sub-groups, the total number of people in the household/income unit is used for the poverty rate.

All other inflators (Wage Price Index, Average Weekly Earnings, CPI and Housing CPI) came from the ABS.