

Poverty in the age of coronavirus - Victoria

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Date: July 2020

INTRODUCTION

The Australia Institute modelled the impacts that removing the coronavirus supplement would have on the number of people in poverty. The national results and an explanation of the modelling are available in *Poverty in the age of coronavirus*.¹

IMPACT IN VICTORIA

The coronavirus supplement, announced in late March, almost doubled unemployment payments. This one policy change lifted 95,000 people in Victoria out of poverty.

The coronavirus supplement is legislated to end in September. If it does, then 190,000 people in Victoria will fall into poverty. This is because between March and June, the unemployment rate has increased by 2.2 per cent from 5.3 per cent to 7.5 per cent.² It is expected to increase further in the coming months.³ More people are now on unemployment payments, so decreasing them to levels where many of those people who are reliant on them will be in poverty will push more people into poverty.

If the government removes the supplement but increases the old rate of JobSeeker by \$75 per week, which media reports have suggested the government might be

¹ Grudnoff M (2020) *Poverty in the age of coronavirus*, The Australia Institute, July, available at <<https://www.tai.org.au>>

² ABS (2020) 6202 – *Labour Force, Australia, June 2020*, Australian Bureau of Statistics, July, available at <<https://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/6050C537617B613BCA25836800102753?OpenDocument>>

³ RBA (2020) *Statement on Monetary Policy – May 2020: Economic Outlook*, Reserve Bank of Australia, available at <<https://www.rba.gov.au/publications/smp/2020/may/economic-outlook.html>>

considering, this will see 150,000 people in Victoria fall into poverty. This is 40,000 less than if JobSeeker went back to the old rate.

IMPACT ON VICTORIAN CHILDREN

The introduction of the coronavirus supplement freed 17,000 Victorian children (aged 0 to 14) from poverty. If this reduction in poverty is maintained it will make a significant difference for many children for the rest of their lives.

If the coronavirus supplement is allowed to end in September, then 44,000 children aged 0 to 14 will be pushed into poverty. Poverty in childhood can have crippling lifelong effects on the child’s cognitive development, social, emotional and behavioural development as well as a range of adverse health outcomes.

If the supplement is instead replaced by an increase in the base rate of \$75 per week, about 36,000 children fall into poverty.

IMPACT BY HOUSING TENURE

We will now look at what impact removing the coronavirus supplement might have on housing. To do this we need to look at people who were not previously in poverty but who, if the coronavirus supplement is removed, will be in poverty. These are the people who are most likely to have difficulty paying their mortgage or rent.

Table 1 shows this, split into those in a household buying their home (paying a mortgage) and those who are renting privately.

Table 1 – Additional people falling into poverty in Victoria if the supplement is removed, by tenure

Housing tenure	Additional people in poverty since before the pandemic
Buying	85,000
Private Rental	68,000

Source: Communities in Numbers commissioned modelling in Grudnoff M (2020) *Poverty in the age of coronavirus*, The Australia Institute, July

This means that about 153,000 mortgage holders and renters in Victoria who were not in poverty before the pandemic hit, will be in poverty if the coronavirus supplement is removed in September. This could have a large impact on people’s ability to find housing. Tens of thousands of people might be unable to make mortgage or rent

payments, forcing them to look for alternative accommodation. This would all happen at the same time.

This could also have significant knock on effects for those who own investment properties. In Australia investing in residential property is popular, in part because of favourable tax incentives. Many of these people rely on tenants to pay part of or all their investment mortgages. If many tenants are unable to pay their rent this could impact investors' ability to service their mortgages.

Even before the end of the coronavirus supplement, rents have been impacted. The recent Domain Rental Report for June 2020 shows median rents for units in Melbourne have fallen by 3.5 per cent for the quarter.⁴ Those who are renting out residential property should be concerned about the government's plan to end the supplement.

If the government, at the same time as removing the supplement also increased the base rate by \$75 per week, this would reduce the number of those with rentals and mortgages going into poverty by only 13,000; 140,000 would still enter poverty. This is shown in Table 2.

Table 2 – Additional people falling into poverty in Victoria if the supplement is replaced by an increase of \$75 pw, by tenure

Housing tenure	Additional people in poverty
Buying	78,000
Private Rental	62,000

Source: Communities in Numbers commissioned modelling in Grudnoff M (2020) *Poverty in the age of coronavirus*, The Australia Institute, July

IMPACT IN MELBOURNE

Property investments in Victoria are concentrated in Melbourne. We have further modelled the number of people in poverty by housing tenure in Melbourne. The results for people buying or renting their house are shown in Table 3.

⁴ Domain (2020) *June 2020 Rent Report*, 13 July, available at <https://www.domain.com.au/research/rental-report/june-2020/>

Table 3 – Additional people falling into poverty in Melbourne if the supplement is removed, by tenure

Housing tenure	Additional people in poverty since before the pandemic
Buying	66,000
Private Rental	58,000

Source: Communities in Numbers commissioned modelling in Grudnoff M (2020) *Poverty in the age of coronavirus*, The Australia Institute, July

This means that about 125,000 mortgage holders and renters in Melbourne who were not in poverty before the pandemic hit will be in poverty if the coronavirus supplement is removed in September.