



OPINION

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Pearls and Irritation

Many Australians are in for a difficult time in the months, and possibly years, ahead

Claire Victory,
National President

A new report released earlier this week summarises the extent and effects of income and wealth inequality before Covid-19 and provides a lens through which to assess the effects of Covid-19 as it continues, and governments and businesses respond. The third 2020 publication from the fiveyear Poverty and Inequality Partnership between the Australian Council of Social Service (ACOSS) and the University of NSW is a multi-disciplinary collaboration that has enabled the exploration of the intersection of poverty and inequality with other dimensions of disadvantage – including housing, health and justice.

St Vincent de Paul Society is proud to be one of 12 ACOSS member and philanthropic partners providing financial and other support to allow this important work to be undertaken.

The report's worrying findings should be on everyone's radar, not just those of policy writers and decision-makers.

The report has simplified complex data, and the commentary about levels of income inequality makes it readily accessible to everyday people with an interest in these important issues.

The key findings show that the highest 20 per cent of households has six times the income of the lowest 20 per cent.

Average household wealth has now surpassed \$1m, but it is very unequally distributed with the highest 20 per cent having more than 90 times that of the lowest 20 per cent.

In the last 20 years, income inequality has grown during periods of income growth and flattened during periods of income stagnation.

From 2003 to 2017, the average wealth of the highest 20 per cent grew almost twice as fast as that of the middle 20 per cent and over 10 times faster than the lowest 20 per cent.

And the report concludes that the longer-term impact of COVID-19 and mass unemployment on income and wealth inequality will depend very much on how governments respond.

The supplementary report: The impact of COVID-19 on income inequality shows that the COVID-19 pandemic has already had a profound effect on employment and earnings in

Australia, reducing paid working hours by 10 per cent and employment by 6 per cent between March and May 2020. It notes these income losses have impacted women and young people disproportionately. COVID-19 will likely further exacerbate income inequality due to the spike in unemployment, with the biggest job losses occurring in lower paid industries. Unless economic recovery strategies focus on job replacements, (including in many industries in which women and young people make up the majority of the workforce) and provide an adequate income floor through social security, income inequality is likely to become more severe.

The Australian Bureau of Statistics' National Accounts data released this week confirm Australia is now officially in a recession following a massive fall in GDP of seven per cent in the June quarter. This is the largest quarterly decline since 1990 and comes off the back of a 0.3 per cent decline in the March quarter.

This week, the Federal Government also confirmed that JobSeeker (the rebranded Newstart allowance) will drop to \$800 a fortnight from the end of September. It had initially doubled to around \$1,100 a fortnight with the introduction of the Coronavirus supplement in March this year. A number of other payments will also be affected. The reduced JobSeeker will continue until the end of December for now.

JobKeeper will be extended till the end of March next year, but that payment will also fall dramatically from the end of September. For people working at least 20 hours a week before JobKeeper was introduced, the payment will drop from \$1,500 a fortnight to \$1,200. This will fall further in January to \$1,000 a fortnight. Payments for part time workers will drop from \$1,500 to \$750 a fortnight by the end of the month, then to \$650 in January.

A number of changes will give newer employees access to the JobKeeper scheme. However, some particularly vulnerable groups remain excluded. These include many casual workers who have lost their jobs, asylum seekers on bridging visas and temporary visa holders including refugees, temporary migrant workers and international students.

The Society is currently using mostly its own resources to provide housing and emergency assistance to these people. Based on the amount of total Emergency Relief funds the Society delivered last year, approximately 25 per cent is from Commonwealth grant funds and 75 per cent is from the Society's funds.

The situation has also been made worse by cuts to the Status Resolution Support Service (SRSS), the effect of which was being felt well before the pandemic.

The SRSS was put in place to provide regular payments to help with basic living costs while someone's immigration status is being determined.

Several states have reported an increase in the number of asylum seekers requiring support services. In one jurisdiction, our members have estimated that over 100 additional people have sought assistance as a result of the changed eligibility criteria and funding cuts to the SRSS implemented in early 2018.

In another jurisdiction, our members are telling us that finding sustainable housing and covering rental costs continues to be a significant issue for this group. Research commissioned by the Refugee Council of Australia in partnership with a number of community-based organisations including the Society has found that changes to SRSS have forced people into situations of material poverty, rather than assisting them to find employment.

Almost four in five people seeking asylum are at risk of homelessness. Only one in five are job ready. Removing income and case management support also shifts federal welfare costs and responsibilities to state agencies as well as to community-based organisations, many of which depend on private donations and volunteer support.

The total costs to the states and territories is estimated to be between \$80 to \$120 million per year. The changes represent an unnecessary penalty for a group already rendered vulnerable by the drawn out and unsatisfactory immigration status resolution process.

At July 2020, there was only one job vacancy available for every 13 people on JobSeeker or Youth Allowance. Unemployment increased to almost a million people, or 13 per cent. From March to May 2020, employment fell by 6.5 percent (835,000 jobs) and hours worked by 10.2 percent. Altogether, in both April and May 2020, over 2 million people (20 percent of people employed) either lost jobs or had their paid hours cut. These are truly daunting times for many of our younger community members.

We know that many people on the old Newstart payment who were on the increased JobSeeker payment were finally able to access essentials like prescription glasses, a fridge, warm clothes and school supplies for their children. People benefitted directly – the number of people skipping meals dropped by over half, to 33 percent, while the number of people struggling with medical costs dropped similarly by over 40 percent.

Most concerning is the impact the \$150 per week reduction will have on more than 1.1 million children whose parents receive a qualifying payment for the coronavirus supplement.

The Government would do well to heed the 27 recommendations made by the Community Affairs References Committee's inquiry into the adequacy of Newstart and start by defining poverty, reviewing the income support system to ensure recipients are not living in poverty and increasing emergency relief housing and social housing.

Research has commenced on understanding poverty and measuring inequality in Australia.

The Federal Budget will be delivered in October. Tackling some of these key social policy issues would significantly improve the lives of many people living in Australia and provide a shot in the arm for an economy that will take an even bigger hit if the incomes of the lowest paid people are cut back in line with this week's announcement.

The article was originally published [here](#)



The Society of St Vincent de Paul consists of 60,000 members and volunteers who operate on the ground through over 1,000 groups in local communities across Australia.

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