VCOSS OCCASIONAL PAPER

Social policy during the coronavirus recession: a fairytale with an unhappy ending?

A case study of Victoria, Australia.

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VCOSS acknowledges the traditional owners of country and pays respect to past, present and emerging Elders.

This document was prepared on the lands of the Kulin Nation.

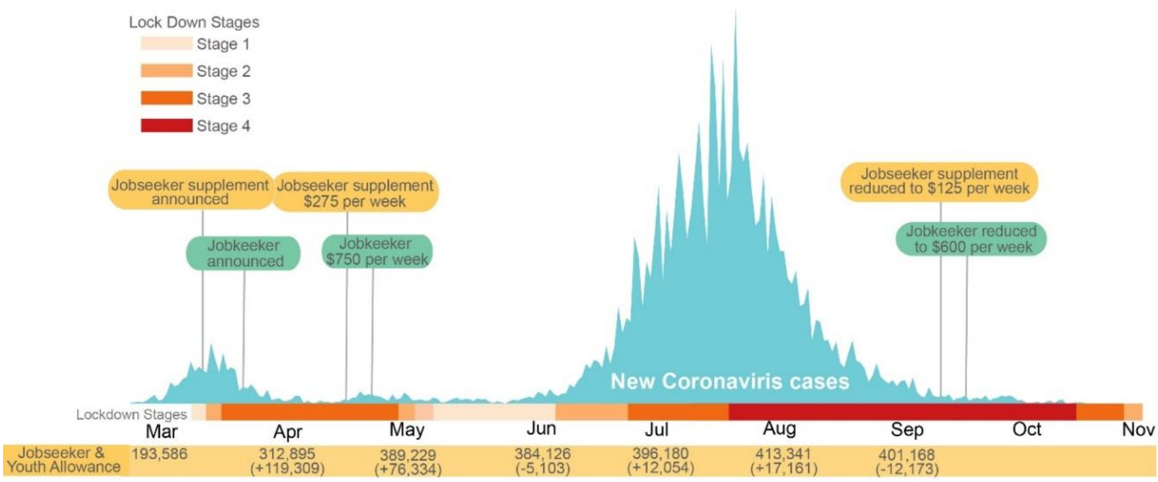
Introduction

This paper is about the social policy response to the coronavirus recession in Australia, during the period from the beginning of March to the end of October, 2020. It is best understood as a preliminary study owing to the lack of detailed data that enable us to explore gender, ethnic and other lines of social division. We use Victoria as a case study because it has borne the brunt of the coronavirus pandemic in Australia as a result of a second wave of infections that occurred there in the last half of 2020.

In addition, Victoria is Australia's second largest state by population and gross state product, so what happens there is of importance to Australia as a whole. Whereas the rest of the country managed to keep infections very low after the first wave — most states and territories reduced their caseloads to near zero — Victoria experienced a second wave that took hold in July.

In response, the Victorian State Government introduced a second lockdown in early July that was tightened a month later to become one of the longest and most severe in the world, spanning almost four months and including draconian restrictions on freedom of movement, social interaction and exchange (Duckett and Crowley, 2020).

Figure 1: Melbourne's lockdown stages and subsidy announcements



The two lockdowns had a dramatic impact on the Victorian economy, with most of the state's macroeconomic measures taking a turn for the worse. The Victorian Treasury has estimated that the local economy will contract by 5.25% during 2020, and unemployment will surge from slightly below 5% to 9% by the September quarter, and to almost 15% if those on various forms of job support were included (Victorian Department of Treasury and Finance, 2020: 1).

The Commonwealth Treasury estimated that the second lockdown in Victoria cost around $100m and 1,200 jobs per day during the September quarter (Senate Economics Legislation Committee, 2020).

This imagery of prolonged economic dislocation and hardship is the main way the impact of the coronavirus has been presented. For example, writing in *The Guardian*, Luke Henriques-Gomes argued that the pandemic's "economic impact has exposed gaping inequities in almost every facet of our lives":

> *"…more than 1 million are jobless and others only technically still "employed" because they are receiving federal government wage subsidies…Another large cohort – including migrants denied government support – had no choice but to keep working insecure jobs. In the manufacturing, food processing, warehousing and care industries they were left exposed and the virus spread among them…In Melbourne, where the pandemic hit hardest, the virus carved a conspicuous path through the most disadvantaged and culturally diverse parts of the city: the west, north and outer south-east."*

Henriques-Gomes went on to quote Stephen Duckett, respected health analyst at the Grattan Institute, who said: "We should not pretend that everybody is in this equally…People who are suffering are less well off, and have poorer, precarious employment. So when people say, 'Look business is hurting,' that may be true, but these people are bearing the brunt of this."(https://www.theguardian.com/australia-news/2020/sep/27/we-should-not-pretend-everybody-is-suffering-equally-covid-hits-australias-poor-the-hardest Accessed on November 10, 2020).

Similarly, drawing on results from the Household, Income and Labour Dynamics in Australia survey (HILDA), Roger Wilkins (2020) argues that those households most at risk of economic dislocation as a result of the recession were those in already marginalised positions:

> *"(The) defining trait of people in vulnerable households – particularly the 650,000 people in directly vulnerable households – is that they tend to be in more socio-economically disadvantaged circumstances. They live in lower socioeconomic status regions (as captured by their SEIFA decile), and they are more likely to be renting their home, and in particular renting social housing – 47.3 per cent of people in directly vulnerable households rent, compared with 29.1 per cent of people in 'non-vulnerable' employed households" (p.6).*

This portrait of hardship and dislocation primarily affecting those in precarious employment or in marginal economic roles is entirely understandable and in many senses true. Traditionally, recessions involve growing ranks of unemployed people struggling to make ends meet, shops and factories closing and homelessness surging. Further, there is no doubt that the impacts of the coronavirus recession unfolded unevenly, typically reinforcing pre-existing social and economic divides. Nevertheless, the coronavirus recession was accompanied by a wave of federal and state government social policy innovations the pace, scale, and breadth of which are unprecedented.

This includes massive income support programs, as well as new innovations in service delivery to vulnerable populations, including the homeless, those in precarious employment, undocumented migrants and those on temporary visas. Federal social policy initiatives alone amounted to over $200b (Commonwealth Treasury, 2020b), while the Victorian Government's coronavirus support measures amount to over $5.6b (https://pbo.vic.gov.au/Victorian_COVID-

19_policy_tracker accessed on November 5, 2020). These measures have undoubtedly had a strong redistributive effect to help counter the severity of the downturn. From a social policy perspective, this recession is unlike any other.

This raises the question of what happened to living standards during the coronavirus recession, with Victoria serving as our focus? Did living standards in broad terms decline in the way that is suggested by the imagery of prolonged economic hardship? And what was the impact of social policy in ameliorating social distress? How should we understand these outcomes in the broad sweep of the historiography of social policy?

We begin by summarising the impact of the coronavirus on Victoria, and the scale of the Victorian Government's harsh lockdown. We demonstrate that the coronavirus recession was indeed severe and did indeed leave an uneven pattern of costs felt most harshly in Melbourne and the large outer suburban multicultural suburbs. In part two, we turn our attention to Federal and State Government social policy responses. The pace, scale and breadth of the innovations are highlighted, as indeed is the way that the two tiers of government managed to work in tandem to ensure most of the vulnerable populations were supported. In part three we turn our attention to various measures of the impact of these social policy innovations, from where the money went by local government areas, to poverty rates by locality. In part four we discuss the implications of our findings in the context of broader debates about social policy. In our conclusion, we draw attention to the policy implications that come out of the preceding analysis.

Coronavirus in the state of Victoria: a double dose and some very harsh policy medicine

The first wave of the coronavirus hit Australia's shores in late January, leading to the implementation and then progressive tightening of lockdown measures, across the country. Similar to other jurisdictions, Victoria introduced a State of Emergency and then a "Stage 3" lockdown in March, closing shops, limiting reasons to travel and restricting the number of home visitors to two. The lockdown was eased significantly on May 11, with the number of new cases down to zero.[1]

On the 9th of June 2020, Victoria recorded no new cases. A month later the state went into a second lockdown, prompted by a rapid rise in new infections. On July 7th, there were 168 new cases. By August 5th there were almost 700. On August 2nd, the state government declared a State of Disaster, and announced Stage 4 level restrictions involving a suite of strict measures limiting daily exercise to one hour, a curfew from 8pm to 5am, the restriction of movement within Melbourne to a five kilometre radius from home, the closure of all but essential shops, as

[1] The data used in this and the following two paragraphs all come from https://www.dhhs.vic.gov.au/victorian-coronavirus-covid-19-data, accessed on November 1, 2020 (PAEC Inquiry into the Victorian Government's response to the COVID-19 Pandemic)

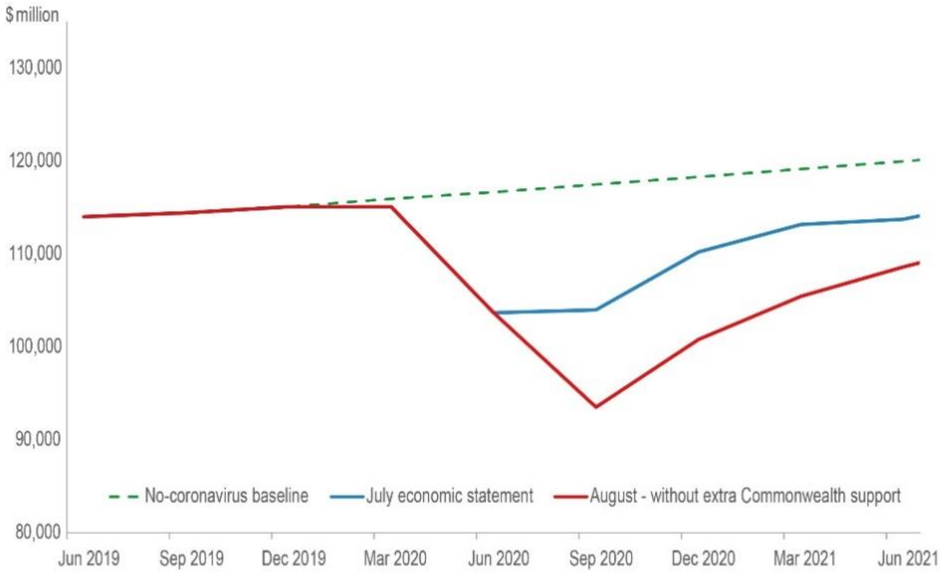
well as gymnasiums, theatres, sporting clubs and arenas, and the banning of home visits other than in an emergency.

In early August, Melbourne and regional Victoria were cut by a “Ring of Steel” composed of police officers and military personnel preventing Melburnians from travelling outside the metropolitan area. This was in addition to a ban on interstate and international travel.

The coronavirus spread unevenly throughout Victoria, hitting large outer-suburban working class and multicultural communities in Melbourne especially hard. Of the 20,300 cases recorded in Victoria through to early November, 19,000 were in Melbourne. Within Melbourne, the outer western municipalities of Wyndham (2,300) and Brimbank (2,000) were disproportionately affected, as were the outer northern municipalities of Hume (1,670) and Whittlesea (1,200), and the outer southern municipality of Casey (1,100). These five working class local government areas accounted for 43% of Melbourne’s total caseload.

What has been the economic impact of the coronavirus recession? The Victorian Treasury published estimates in July showing that real gross state product may fall “by 5.25% in calendar year 2020 and, in the September quarter, Victoria’s unemployment rate could rise to 9% with job losses peaking at around 200,000 (Victorian Government, 2020: 1)” (see Figure 2).

Figure 2: Estimated gross state product, Victoria



Source: Victorian Treasurer Submission to Public Accounts and Estimates Committee – Inquiry into the Victorian Government’s response to the Covid-19 Pandemic (August 2020)

Figure 3: Unemployment rates, Victoria and Australia

Source: Labour Force, ABS Table 1 & 5, 6202 September 2020

These estimates were published in July, one month prior to the second lockdown. Federal Treasury released more recent estimates of the economic impact of the coronavirus recession in Victoria in its October 26th testimony to the Senate Economics Legislation Committee (otherwise known as Senate Estimates).

It makes for a sobering read:

> *"Clearly, the Victorian situation is having a very, very significant impact across the economy overall and affecting the recovery. Treasury published some information in the budget papers which showed that national GDP growth will be around two percentage points lower in the September quarter than otherwise due to the Victorian second wave outbreak, which equates to just over $9 billion for that quarter or around $100 million of lost economic activity a day. That was for the September quarter.*
>
> *Clearly, that has carried forward now through the December quarter into October, and so, while that economy remains in the lockdown of the kind that it is now, we think that that figure of around $100 million per day is still relevant and still apt. On top of that, the labour market in Victoria has quite clearly been very heavily affected by the lockdowns. We're seeing that, across the rest of the country, the labour market has been coming back quite a bit and, across the rest of the country, the loss of employment that we saw at the beginning of this crisis—around 70 per cent of that has been recovered.*
>
> *Whereas, in Victoria, the level of employment is now below its May trough again. So it's going backwards while the rest of the country is going forwards. The loss of jobs, on average, over the period of August and September would equate to around 1,200 jobs a day that are lost…" (Senate Economics Legislation Committee, 2020: 22).*

The harsh Lockdown measures clearly had a major contractionary impact. Nevertheless, the lockdown proved to be a successful way to reduce and all but eliminate the virus. From a high of almost 700 new cases a day at the beginning of the lockdown, by the time the state eased back to Level 3 restrictions in early November, the daily case numbers had fallen to zero and the remaining number of mystery cases to less than five, marking the beginning of an unbroken run of zero new infections lasting, at the time of writing, 12 days.

The social policy response: a massive wave of innovation at the federal and state levels

The grim economic statistics give, in one sense, a genuine and real idea of the extent and nature of the economic effects of the coronavirus recession. However, they do have their limitations, for they overlook the impact of a series of major federal and state government social policy initiatives designed specifically to deal with the social and economic effects of the virus and the recession it left in its wake.

Foremost here are two Federal Government decisions made early on in phase one of the pandemic. In March, the Federal Government introduced a new payment to employers who had experienced a large fall in income in the preceding month designed to enable them to keep paying their employees. Called JobKeeper and modelled on the innovative “furlough” scheme introduced in the UK a few weeks earlier, this payment was set at $1,500 a fortnight and was payable for all employees — both full- and part-time.

Estimated to cost $101.3b over 2019/20–2020/21, the program was initially slated to end in September. Partly in response to Victoria’s second wave, on July 21st and August 7th, the Federal Government announced an extension of the scheme to March 2021, albeit with tightened eligibility criteria and reduced payments for part-time employees (Commonwealth Government, 2020b: 1-13).

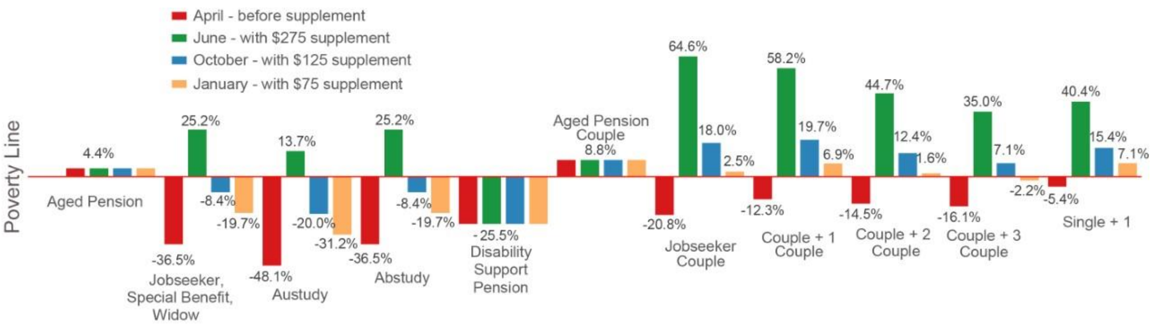
In early March, the Federal Government also announced a variety of household income support measures worth $27.5b over 2019/20 and 2020/21 (Commonwealth Government, 2020a: 90). The most important announcement was the Coronavirus Supplement for almost all Centrelink pension and benefit recipients of $1,100 a fortnight, effectively doubling the income payments paid at the stroke of a pen.

Unemployment benefits were renamed JobSeeker payments and also doubled as part of these measures. The Federal Government also announced four one-off payments for pension and benefit recipients, the first two worth $750 (in March/April) and the last two worth $250 (in November and February, 2021).

The impact of the main measures (that is, excluding the one-off payments) is shown in Figure 4, which compares various pensions and benefits to the poverty line for three periods: the first bars (shown in red) are before the introduction of the Coronavirus Supplement, the second (in green) show after the introduction of the supplement, and the third show after the halving of the supplement at the end of September.

All categories of beneficiary, with the exception of disability support pensioners, found themselves moving from incomes well below the poverty line to incomes above it, sometimes substantially so. Those in households with two partners unemployed were the biggest beneficiaries, seeing their incomes rise collectively from between 10%–20% below the poverty line to between 35% and 65% above it.

Figure 4: Various Centrelink pensions and benefits compared to the poverty line, before and after the introduction of the coronavirus supplement



Source: A guide to Australian Payments (Commonwealth Government)

These income support measures, while massive in scale, were not comprehensive. Those not formally in the labour force and those not on Centrelink payments but experiencing hardship were largely missed by these measures. The Victorian Government responded to fill these gaps as part of a broader coronavirus support package including over 100 individual initiatives in the areas of social protection, health, education, and housing worth $5.6b, announced over the period of March to the end of October 2020 (https://pbo.vic.gov.au/Victorian_COVID-19_policy_tracker accessed on November 5, 2020).

Some of the initiatives were eye-catching for their scale and/or their focus on the most marginalised. In late July a $150m program of support was rolled out for homeless people involving them being provided with free hotel accommodation, which in turn would be followed up with a pathway into secure housing provided by community housing agencies.

In March, the Victorian Government introduced an uncosted program to provide a one-off $1,500 payment for those who were in "insecure work, don't have sick leave entitlements and can't afford to miss a shift", as well as a $2,000 per applicant rent relief program for those whose rental affordability had been impacted by COVID-19. An additional $300 one-off payment was made available to those in insecure work in late July (Premier of Victoria Press Release, 23 July, 2020).

Uncosted hardship payments and rent relief was also offered to residents of public housing high-rise towers that had been badly affected by the virus and were subjected to an enforced period of isolation. International students experiencing hardship were also offered a one-off $1,000 payment.

Going down or going up?
Household living standards during the coronavirus recession

Given the speed with which they were rolled out, the federal income support measures were overall well-targeted (see Commonwealth Treasury, 2020b). By focusing on income support for the unemployed and those who would otherwise have been in that situation and by being relatively generous, the payments had the benefit of being targeted to those in need of support regardless of geographical location. In contrast to a similar program implemented in the UK, the JobKeeper wage subsidy was specifically designed to be of relatively greater financial benefit to lower income recipients rather than those on higher incomes (Murphy, 2020). With the Victorian economy hit hardest and longest, those living in Victoria benefited from these programs the most. It is not just that the programs were well-targeted.

Crucially, because of the way the programs were designed, under certain circumstances many people employed in casual jobs or working part-time, and those in low-income occupations, will have experienced an income increase at the same time as they lost their jobs or were 'furloughed' as a result of the broader economy contracting.[2]

According to Treasury's July 2020 Review of JobKeeper: "An ABS rapid household survey of around 1,000 individuals in June 2020 found that of those receiving the JobKeeper Payment, approximately half were receiving less income than their usual pay, one third were receiving about the same and one in five were receiving more" (Commonwealth Treasury, 2020a: 27). The Review also referred to its own analysis of micro business data which showed that, "around a quarter of JobKeeper recipients had an income increase in their JobKeeper job relative to their February earnings in that same job" (Commonwealth Treasury, 2020a: 27).

In other research, Treasury concluded that JobKeeper and JobSeeker (and the Coronavirus Supplement more generally) boosted the bottom quintile's average household income by 20% (Senate Economics Legislation Committee, 2020). It is this phenomenon — captured by those mentioned earlier who sought to highlight the plight of the marginalised — that largely accounts for why, in the face of a deteriorating economy and employment, most people — and certainly those on Centrelink payments during the pandemic — probably experienced a rise in their standard of living rather than a fall.

[2] Treasury's review of JobKeeper argued that some of those previously on low incomes prior to JobKeeper may not have benefited this way because they may have lost second and third jobs (see Commonwealth Treasury, 2020: 28) .

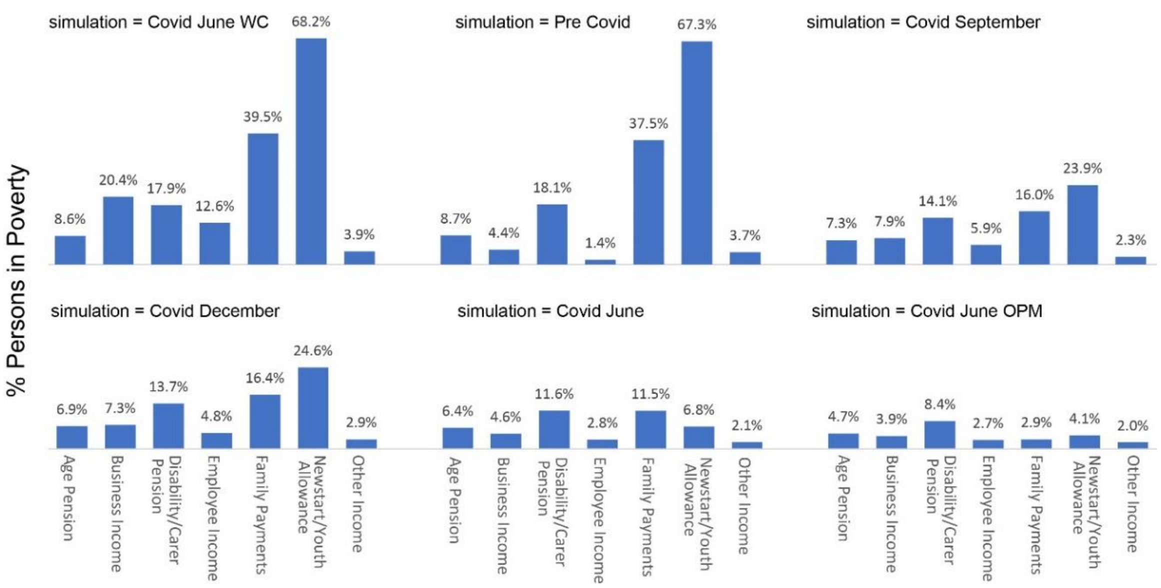
Research at the national level shows the significance of the federal payments for income distribution. According to Phillips, Gray and Biddle (2020), the poverty rate in Australia for people in households in the lowest quintile fell from 41% to 14% — a massive fall by any standards. They draw attention to the unemployed on Newstart and those receiving Youth Allowance, for whom the Coronavirus Supplement “has almost eliminated poverty” (p.10).

The impact of the measures can be looked at in various ways, summarised rather well in Figure 5 (taken from Phillips et al), which includes six panels depicting six different scenarios. The first, Covid_June-WC, is the situation pre-Covid for a variety of different household types assuming no government policy initiatives. The second, Pre_Covid, depicts the situation prior to Covid. The third panel — Covid_Sep — shows poverty rates after the supplement is halved. The fourth panel — Covid_Dec — depicts the situation at the end of the year after the supplements are halved but assuming an economic recovery is underway.

The fifth panel — Covid June — shows the poverty rate situation when the policy initiatives had been fully introduced, while panel six shows what the situation in June might have looked like had the initiatives been better targeted. From our point of view, the three panels of most significance are panels 1, 2 and 6. They show an enormous reduction in poverty rates especially for Newstart/Youth Allowance recipients, but also those on family payments and disability pensioners and carers.

In total, Phillips et.al estimated that the policy interventions prevented over 2.2 million Australians from falling into poverty.

Figure 5: Poverty rates for people in different household types under different scenarios



Source: Phillips et al, 2020: 11

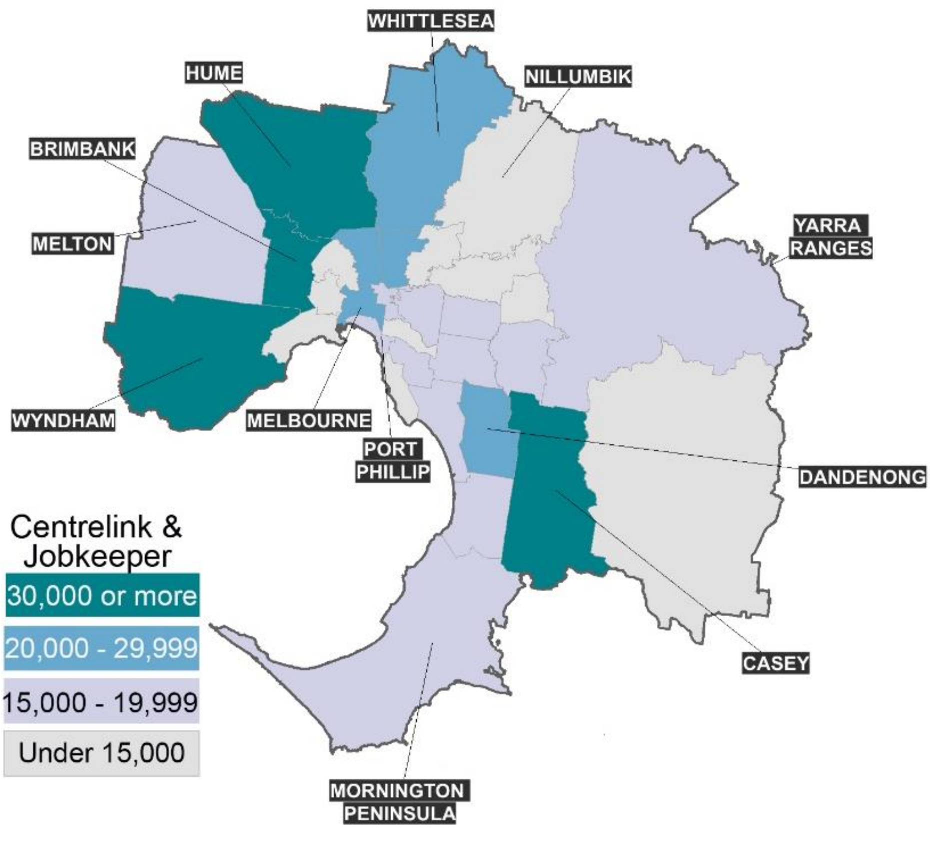
This finding is supported by research undertaken by Matt Grudnoff (2020) for the Australia Institute focusing on JobSeeker payments only: "(Our) modelling results show that almost doubling unemployment payments had a large impact on the number of people living in poverty. Comparing the December 2019 scenario with the March 2020 scenario, a massive 425,000 people were lifted out of poverty. ... No other government has ever lifted so many people out of poverty so quickly" (p. 8).

We have traced the flow of the two main federal income support payments to households living in each municipality in Victoria from March until May (the only data that have been published).

The data are provided in the attachment to this report. The figures show metropolitan Melbourne received the lion's share of the funds (around $1.3b per month compared to $350k a month for regional Victoria). The figures also show very large injections of cash into each municipality. Importantly, those municipalities with the biggest coronavirus caseloads were the biggest recipients of the federal cash injections. The money in the main flowed not only to the right people, but also to the right places.

Figure 6 shows the number of coronavirus benefit recipients by municipality. One again, the large outer suburban areas stand out in this regard, with more than 20,000 people in each of these areas being in receipt of JobKeeper or JobSeeker benefits as at May 2020.

Figure 6: Number of JobKeeper and JobSeeker beneficiaries by Local Government Area, Melbourne, May 2020



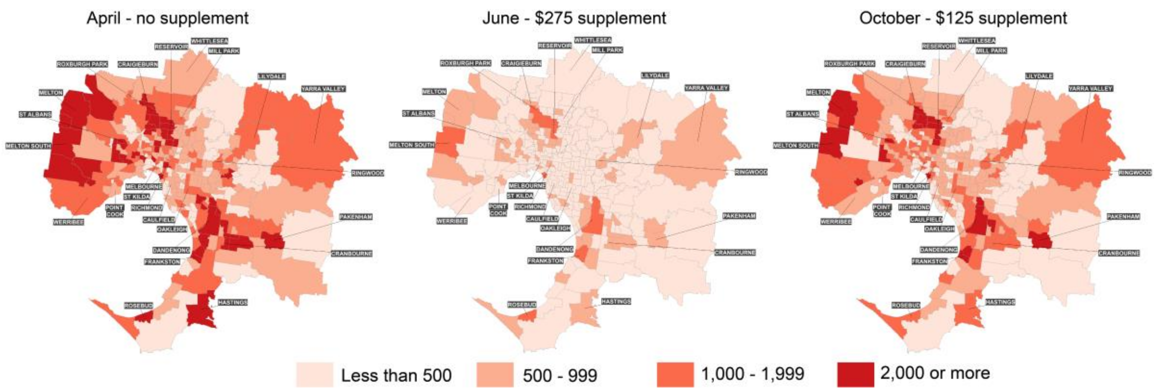
Source: Jobkeeper postcode data (treasury.gov.au/coronavirus/jobkeeper/data)

The more important issue is the impact these income flows had on poverty in each municipality. This is shown in Figure 7, which maps poverty reduction by municipality both once the supplement was introduced (the middle map) and after it was halved at the end of September (the third map).

It shows the very large reduction in poverty after the introduction of the supplement in May, especially in those outer suburban municipalities that were badly affected by the spread of the virus and within which large numbers of people received the benefits.

The dark red areas — indicating 2,000 or more people in poverty — completely disappeared. Importantly, after the reduction in the supplement in September, much of the gain had disappeared, especially in Roxborough Park and Reservoir (northern suburbs), Melton South and St Albans in the west, and Dandenong and Frankston in the south.

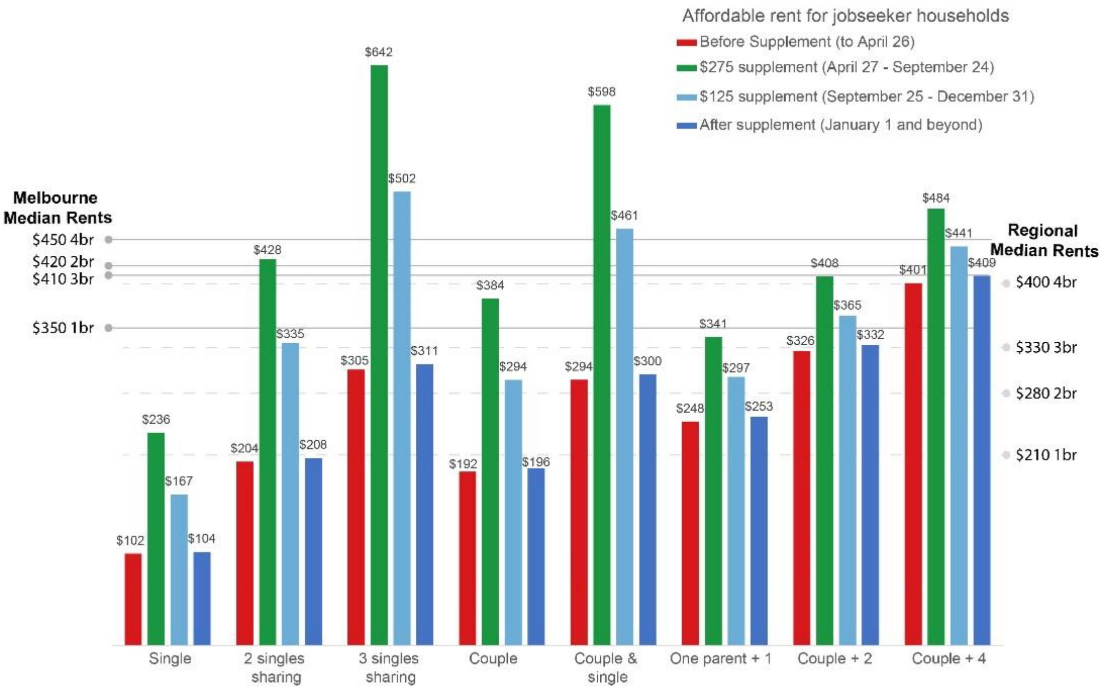
Figure 7: Number of Centrelink recipients in poverty by suburb, June 2020



Source: DSS Payment demographic data (data.gov.au)

Figure 8 provides another indication of the substantial improvement in living standards flowing to JobSeeker recipients as a result of the Coronavirus Supplement. It shows affordability for different household types renting different types of property at different price points before and after the supplement and also after the supplement was halved at the end of September. Clearly, all household types experienced a significant improvement in their capacity to rent affordable housing.

Figure 8: private rental affordability for different household types on Jobseeker, before and after the coronavirus supplement and after it was halved



Source: A guide to Australian government payments, DHHS Rental Report.

While there are no measures of their redistributive effects, the other State Government social policy measures summarised above will undoubtedly have boosted the incomes of those on the lowest incomes.

We include here a sickness benefit for those in precarious employment who should not work due to suspected or actual coronavirus infection; emergency rent relief initially set at $2,000 but then increased to $3,000; an extreme hardship payment focused on those unable to benefit from JobKeeper or JobSeeker, including undocumented migrants and temporary visa holders; and support payments for international students.

These Federal and State Government income support initiatives were put in place at the same time as the Victorian Government was putting in place its harsh lockdown measures. The latter put an important constraint on how the beneficiaries of the Federal income support measures spent their newfound earnings, putting a limit on how much economic stimulus they would be able to deliver.

Most shops were closed. Gyms were closed. Pubs and restaurants were closed. Sporting venues were closed. And most importantly, so too were gaming machine venues, where previous research has demonstrated that those who lose the most are those on the lowest incomes.

Table 1 provides an indication of how significant these gaming machine venue closures are likely to have been, especially for the low-income areas that experienced the highest rates of coronavirus infections and also the highest federal income support payments. Monthly losses in places like Whittlesea ($6.6m), Hume ($6.5m), Monash ($5.4m), Dandenong ($6m) and Casey ($7m) plummeted to zero. Across the state losses fell from $225m a month to nothing.

Table 1: Poker machine gambling losses by municipality, February 2020

Local Govt Area	Player loss	Local Govt Area	Player loss
Banyule	$4,594,083	Alpine	$246,280
Bayside	$1,119,998	Ballarat	$4,794,802
Boroondara	$1,643,621	Bass Coast	$1,485,345
Brimbank	$10,830,066	Baw Baw	$1,418,766
Cardinia	$2,350,698	Benalla	$991,529
Casey	$10,551,113	Campaspe	$886,152
Darebin	$6,036,500	Central Goldfields	$835,581
Frankston	$5,107,807	Colac-Otway	$948,433
Glen Eira	$5,984,220	East Gippsland	$2,546,154
Greater Dandenong	$9,260,428	Glenelg	$1,153,494
Hobsons Bay	$3,687,340	Greater Bendigo	$3,866,388
Hume	$9,287,614	Greater Geelong	$9,753,396
Kingston	$6,978,991	Greater Shepparton	$2,694,479
Knox	$5,646,276	Horsham	$764,065
Manningham	$4,098,413	Latrobe	$3,731,124
Maribyrnong	$4,372,921	Macedon Ranges	$679,686
Maroondah	$4,873,927	Mildura	$2,252,907
Melbourne	$6,484,933	Mitchell	$1,547,807
Melton	$5,573,952	Moorabool	$1,051,971
Monash	$8,347,458	Northern Grampians	$788,494
Moonee Valley	$6,442,186	South Gippsland	$627,825

Moreland	$4,783,480	Surf Coast	$313,678
Mornington Peninsula	$7,181,878	Swan Hill	$646,550
Port Phillip	$2,307,176	Wangaratta	$744,338
Stonnington	$1,565,904	Warrnambool	$1,784,267
Whitehorse	$4,024,529	Wellington	$1,806,990
Whittlesea	$9,717,834	Wodonga	$656,320
Wyndham	$8,247,767	***Reg Victoria***	***$49,016,824***
Yarra	$2,423,157		
Yarra Ranges	$2,352,235	**Victoria**	**$214,893,330**
MELBOURNE	***$165,876,506***		

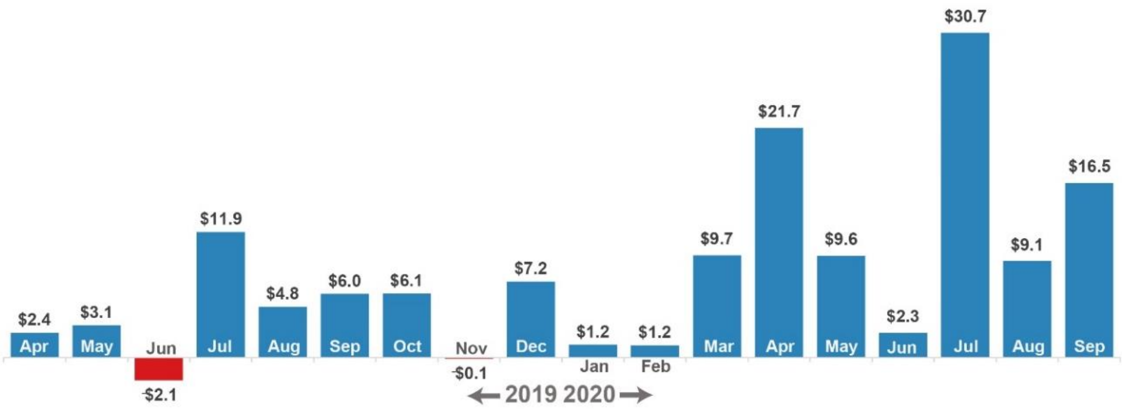
Source: https://www.vcglr.vic.gov.au/resources/data-and-research/gambling-data/gaming-expenditure-local-area accessed on November 5, 2020

Where did the money go?

All this raises an interesting question: if those in the bottom half of the income distribution experienced payment increases during the recession, while at the same time they were prevented from spending, *what happened to the money*?

We know that retail spending fell quite sharply, especially during the second lockdown, so all the money was almost certainly not spent. Data published recently by the Australian Prudential Regulation Authority suggest it was saved: while overall levels of household saving in Australia increased from March through to October, the big increase occurred from July, when Victoria entered its second lockdown (see Figure 9 and also https://www.smh.com.au/politics/federal/cashed-up-australians-squirrel-away-100-billion-20201030-p56a4m.html).

Figure 9: Increase in savings by households by month, 2019–2020 ($b) (Australia)



Source: Australian Prudential Regulation Authority (Monthly authorised deposit-taking institution statistics backseries: March 2019 – September 2020)

Discussion: lessons from social policy

The large literature on social policy and the welfare state in advanced western societies makes it clear that there are a variety of forces behind policy innovations and also a variety of different effects that attach to them. The Bismarckian welfare state that is to be found in much of Western Europe, for example, was designed to reproduce, not eradicate, social divisions, while maintaining social order. The great social reforms of Scandinavian countries, on the other hand, were firmly rooted in traditions of citizenship and the desire to redistribute income in ways that lessened social inequality, both from the labour market and through it.

Social policy is also a contested and challenging domain that plays out in decidedly political contexts. What counts as social policy by some in particular times and places may in other quarters be understood as health or even economic policy, or indeed policies designed to control an otherwise hostile population.

How should we understand the federal and state policy initiatives discussed earlier? In her excellent analysis of policy-making during the coronavirus recession, Katherine Murphy helps situate the federal initiatives. The decision to lift payments to Centrelink recipients appears to have come from the Secretary of the Treasury, Steven Kennedy, who saw an immediate need to put in place an income support measure (Murphy 2020: 27). He saw this as a way to stimulate the economy through a boost in the earnings of low-income people, who are known to be the most likely to spend additional cash rather than save it:

> *"By 9th March, (Treasurer) Frydenberg and Kennedy had resolve to craft a package worth close to 1 per cent of GDP, which would dispense cash to people with a high marginal propensity to consume — that means money for people on income support… The advice from Treasury was that people on income support would spend the money right away, whatever the prevailing conditions…"(Murphy, 2020: 32).*

The JobKeeper program was seen differently. It was presented and understood not just as a means of keeping people connected to employers and as a way to provide them with a reasonable standard of living. It was sold to the Coalition Party room as a means to support business and the employer-employee relationship more broadly, rather than a path to 'welfare':

> *"Advisers pitched…JobKeeper…(as) another form of liquidity for businesses disrupted by the pandemic — a massive injection to the balance sheet that would flow through to employers. The wage subsidy would be a merchandise to support parts of the economy where people would have a prospect of remaining employed…The government wanted to use existing delivery mechanisms for the stimulus programs, not reinvent the wheel — and what better existing mechanism than the wages system? A wage subsidy would be an alternative form of social security payment, using the payroll as the delivery mechanism" (Murphy, 202: 40).*

An added attraction was that the JobKeeper payments would be paid via businesses and the tax office, leaving the struggling Centrelink out of the equation. As former conservative Employment Minister Craig Laundy put it, "We effectively privatised the social security system into corporate payrolls" (Murphy, 2020: 40).

The measures were never intended to be anything other than short-term. Murphy explicitly asked Prime Minister Morrison about whether or not he saw JobKeeper and JobSeeker as long-term interventions:

> *"When the government doubled Newstart and signed off on the wage subsidy there was a frisson of 'ideological excitement', he (Morrison) says, from progressive activist welcoming a Road to Damascus conversion. But they missed the point. Intervening in that way at that time, he says, wasn't about ideology. 'Why did I do JobKeeper and JobSeeker? Because the security of the country was under threat. I wasn't setting up some long-time welfare program" (p. 57).*

What about the Victorian Government's complementary social policies designed to support those who fell through the cracks of the Federal Government's interventions — the homeless, undocumented migrants, international students, casual workers and those employed in high risk jobs like aged care?

These policies were crafted and sold as health initiatives, designed with the policy objective of reducing the spread of the coronavirus in order to allow the economy to return to a growth path. Secure housing, short-term emergency income support, even the closure of gaming machine venues, were all part of a strategy designed to tackle high-risk populations and locations.

A large number of incredibly well-designed social policies were knitted together and rolled out rapidly, not under the banner of social, but health, policy. Like their federal counterparts, these policies were always destined for a short life.

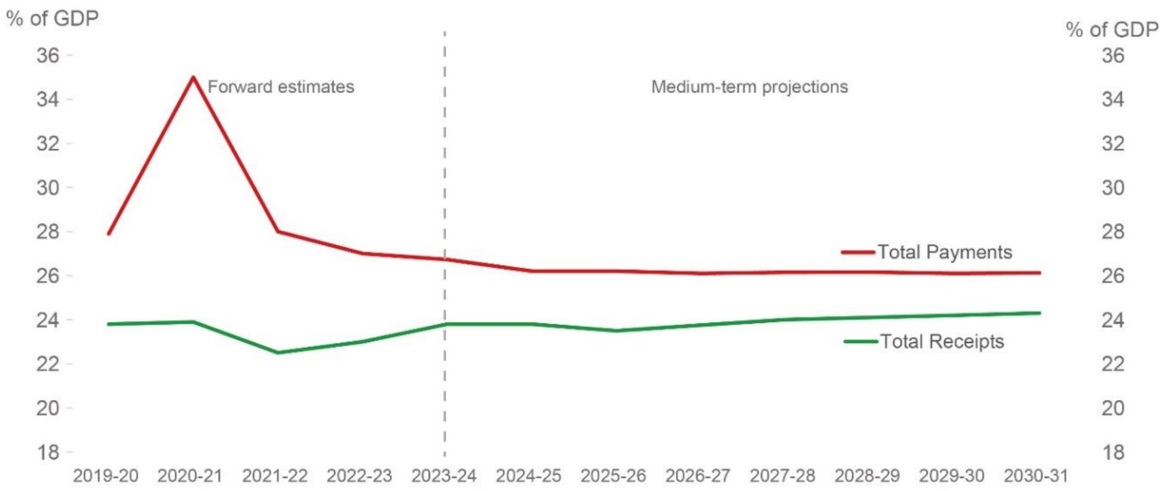
Put rather bluntly, this wave of social policy reform was designed primarily as mechanisms of social control or as a means to provide a short-term economic stimulus, so as to help repair the economy as soon as possible. They were never thought of as long-term interventions to reduce inequality and poverty, which was one of their main short-term effects.

At the time of writing, measured against their original objectives, this wave of policy initiatives has been successful. The level of social unrest even in the context of Victoria's draconian second lockdown has remained remarkably small, certainly by international standards. Australia stands as one of the few countries in the world to successfully suppress the spread of coronavirus, despite Victoria's second wave.

The initiatives have, however, been expensive. Federal and state budgets are now deeply in deficit. There will eventually be a call to return the budget to surplus and that may well be at the expense of other pre-existing social programs, in much the same way that the Federal Government has tried to pay for part of its new and expensive National Disability Insurance Scheme by cutting payments to the poor via a variety of bizarre strategies, like 'Robodebt' (see Henriques-Gomes, 2020, accessed at https://www.theguardian.com/australia-news/2020/mar/27/robodebt-government-admits-it-will-be-forced-to-refund-550m-under-botched-scheme?CMP=Share_iOSApp_Other on November 9, 2020).

The Federal Government has also announced that tax cuts, disproportionately focused on high-income earners and businesses, will be its preferred policy focus over the next five years. It is distinctly possible that the road out of and beyond lockdown may lead to a society even more divided than before the virus hit our shores. The winding up of JobKeeper, JobSeeker and the Coronavirus Supplement will undoubtedly hit those on low incomes the hardest. There are proposals to weaken the industrial relations protections for workers in order to turbo charge an economic recovery. Young people who have lost their jobs in restaurants, cafes and bars appear especially vulnerable, as do mature aged women previously employed in the retail industry. It is instructive that the most recent Federal Budget is framed on the assumption that expenses will fall from a high of 34.4% of GDP this financial year to a low of 26.1% of GDP by 2030/31, well below their level in 2019/20 (see Figure 10).

Figure 10: Commonwealth Government payments and receipts as a percentage of GDP, 2019/20–2030/31



Source: Commonwealth Government, Budget Papers 2020/21, Budget Strategy and Outlook, Budget Paper Number 1, p. 3-71

A social policy fairytale that came true?

The preceding analysis of Victoria — the worst hit state or territory in Australia — suggests that, during a global pandemic and the harshest economic conditions since the 1930s, Australia managed to make major inroads into poverty and inequality. Poverty rates tumbled and the gap between incomes and poverty lines for those still in poverty has shrunk dramatically.

From March until October, Australia's poverty rate will have shrunk so rapidly that we will almost certainly have slipped from the top of the OECD national poverty rankings toward the bottom in a very short period of time indeed.

This is not to say that Victorians did not experience hardship or that all households broke free from poverty. We acknowledge the substantial mental health impact of the lockdown, and the likely rise in family violence. We also acknowledge that international students, undocumented migrants, and refugees without permanent visas are likely to have been largely missing from this policy success story, even though the State Government offered dedicated – albeit one-off – support for them.

Nevertheless, it is an extraordinary episode in the history of Australian social policy, one made all the more remarkable because it was achieved during a pandemic and a recession, with a federal conservative government playing a lead role despite failing to list poverty reduction as one of its published policy goals. It is striking that the Federal Government has chosen not to draw attention to this achievement.

The Federal Treasurer, when given the opportunity to celebrate the impact of his Government's fiscal stimulus measures and to reflect on those from whom he drew inspiration, chose to speak glowingly of ideological warriors who were firmly opposed to the sort of interventions he has helped author: "the reality is that Thatcher and Reagan cut red tape and cut taxes and delivered stronger economies" (quoted in *The Australian*, July 26, 2020 accessed at https://www.theaustralian.com.au/nation/politics/josh-frydenberg-defends-thatcher-reagan-inspiration/news-story/7dc37965fc6541b8bbe61d08bcc37dca on 10 November, 2020).

The Federal Government has not celebrated the success of its social policy measures because it does not want them to be understood as long-term social interventions that have made big inroads into poverty, especially amongst the unemployed. It does not want them to be seen as something permanent, perhaps for fear of raising expectations.

Similarly, the decline in gaming machine losses is a wonderful policy outcome, given that pension and benefit recipients account for a disproportionate share of gaming machine losses (Australian Gambling Research Centre, Gambling Activity in Australia, 2018 accessed at https://aifs.gov.au/agrc/publications/gambling-activity-australia/export on November 10, 2020). Once again, this policy success story has received some attention, but not from the government that was responsible for it.

For progressive advocates of social policy reforms, the coronavirus recession and the Federal and state government responses to it provide ample room for policy reflection. It may have been wise to have done more to place a very large spotlight on these great successes and to invite the Federal and state governments that were responsible for them to celebrate what was achieved, not just as economic and health initiatives but as potentially major social reforms. It may have been wise to loudly call out these reforms rather than allow governments to keep them largely from view.

These celebrations could have been accompanied by calls for further tax reforms, enabling long-term funding of generous social assistance to remain a feature of our social policy landscape, perhaps drawing on the pioneering work of Wilkinson and Pickett (2010) to remind decision-makers that less inequality brings with it a myriad of other long-term social and economic benefits.

Fairytales don't always have a happy ending, and so it appears to be the case in this instance. As we write, the Federal Government has already substantially reduced the Coronavirus Supplement – which is to end early next year – tightened eligibility for JobKeeper and JobSeeker, and announced that these will end in March 2021.

Having managed to suppress the second wave of infections, the Victorian Government is now easing restrictions on clubs and pubs. It will not be long before gaming venues reopen.

We have little doubt that these policy successes helped the Victorian Government keep its harsh second lockdown in place for so long, enabling the virus to be suppressed in a world class effort: households may have been suffering anguish and mental health challenges through the four month lockdown, but the overwhelming majority enjoyed economic circumstances enabling them to live a good life, some for the first time in their lives.

This is a social policy fairytale, but one that appears unlikely to have a happy ending.

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Attachment 1: JobSeeker, Youth Allowance and other Centrelink coronavirus supplement beneficiaries by Local Government Area

	JobSeeker & Youth Allowance	Other supplemented Centrelink benefits	Total Centrelink Supplemented benefits	JobKeeper	Total Support
Metro Melbourne					
Banyule	7,495	902	8,397	5,740	14,137
Bayside	4,016	333	4,349	5,222	9,571
Boroondara	7,650	442	8,092	9,079	17,171
Brimbank	21,349	3,932	25,281	8,268	33,549
Cardinia	7,161	2,047	9,208	3,428	12,636
Casey	26,920	6,269	33,189	11,436	44,625
Darebin	12,791	1,215	14,006	5,507	19,513
Frankston	11,158	2,164	13,322	4,392	17,714
Glen Eira	7,516	632	8,148	7,533	15,681
Greater	15,577	3,059	18,636	6,941	25,577

Dandenong					
Hobsons Bay	6,135	902	7,037	3,328	10,365
Hume	23,888	5,376	29,264	9,131	38,395
Kingston	8,884	1,027	9,911	8,270	18,181
Knox	9,796	1,505	11,301	6,869	18,170
Manningham	6,548	676	7,224	5,562	12,786
Maribyrnong	8,113	850	8,963	3,434	12,397
Maroondah	6,867	1,160	8,027	3,784	11,811
Melbourne	10,221	795	11,016	13,539	24,555
Melton	13,068	3,463	16,531	2,164	18,695
Monash	10,982	995	11,977	7,766	19,743
Moonee Valley	7,864	944	8,808	5,629	14,437
Moreland	14,599	1,626	16,225	7,262	23,487
Mornington Peninsula	9,804	1,652	11,456	7,702	19,158
Nillumbik	2,668	274	2,942	2,567	5,509
Port Phillip	7,586	518	8,104	7,887	15,991
Stonnington	5,957	330	6,287	6,490	12,777
Whitehorse	9,015	946	9,961	7,774	17,735
Whittlesea	17,335	3,714	21,049	7,141	28,190
Wyndham	19,951	4,974	24,925	9,114	34,039
Yarra	7,995	742	8,737	7,276	16,013
Yarra Ranges	9,129	1,542	10,671	6,321	16,992
MELBOURNE	***338,038***	***55,006***	***393,044***	***206,556***	***599,600***
Regional Victoria					
Alpine	824	119	943	661	1,604
Ararat	852	184	1,036	601	1,637

Ballarat	8,919	2,001	10,920	3,814	14,734
Bass Coast	3,075	589	3,664	1,474	5,138
Baw Baw	3,320	756	4,076	1,933	6,009
Benalla	973	233	1,206	396	1,602
Buloke	335	84	419	180	599
Campaspe	2,622	678	3,300	1,273	4,573
Central Goldfields	1,396	263	1,659	299	1,958
Colac-Otway	1,395	310	1,705	777	2,482
Corangamite	938	212	1,150	441	1,591
East Gippsland	3,820	870	4,690	1,596	6,286
Gannawarra	708	146	854	354	1,208
Glenelg	1,556	332	1,888	451	2,339
Golden Plains	1,221	231	1,452	997	2,449
Greater Bendigo	9,513	2,198	11,711	3,206	14,917
Greater Geelong	19,332	3,593	22,925	7,679	30,604
Greater Shepparton	5,377	1,556	6,933	2,104	9,037
Hepburn	1,278	184	1,462	753	2,215
Hindmarsh	363	81	444	101	545
Horsham	1,236	384	1,620	512	2,132
Indigo	863	153	1,016	897	1,913
Latrobe	7,344	1,781	9,125	472	9,597
Loddon	604	105	709	184	893
Macedon Ranges	2,215	356	2,571	1,538	4,109

Mansfield	520	91	611	525	1,136
Mildura	4,645	1,326	5,971	1,738	7,709
Mitchell	3,322	816	4,138	1,250	5,388
Moira	2,035	525	2,560	1,080	3,640
Moorabool	2,090	484	2,574	972	3,546
Mount Alexander	1,346	247	1,593	1,229	2,822
Moyne	962	196	1,158	516	1,674
Murrindindi	1,015	147	1,162	480	1,642
Northern Grampians	877	206	1,083	220	1,303
Pyrenees	535	95	630	233	863
South Gippsland	1,783	371	2,154	913	3,067
Southern Grampians	1,003	243	1,246	437	1,683
Strathbogie	701	158	859	371	1,230
Surf Coast	1,772	198	1,970	2,135	4,105
Swan Hill	1,325	425	1,750	769	2,519
Towong	349	65	414	144	558
Wangaratta	1,819	430	2,249	987	3,236
Warrnambool	2,535	561	3,096	1,027	4,123
Regional	***115,705***	***25,727***	***141,432***	***50,782***	***192,214***
VICTORIA	***453,743***	***80,733***	***534,476***	***257,338***	***791,814***

Source: Calculations from DSS demographics and JobKeeper Postcode data