

Fighting poverty

By Alia Armistead

Unemployment policies in Nordic countries highlight how Australian unemployment benefits could be improved.



Above: Australians line up at Centrelink¹

Poverty levels in Nordic countries are significantly lower than in Australia, partly due to unemployment policies that provide greater support. If Australian unemployment benefits and support systems were above poverty line measures, major changes may not have been needed to manage the COVID-19 pandemic and economic crisis.

Nordic policies for social protection

Denmark has one of the highest unemployment payments in the OECD, averaging 83% of previous income after one year, in contrast to Australia's 31%.² Norway, Sweden and Denmark are all above the OECD average.³ Australia has the lowest unemployment payment in the OECD, some of the world's harshest requirements to receive unemployment benefits and in 2017, spending on employment programs for unemployed people was less than half the OECD average.⁴

Nordic countries generally pay unemployment benefits based on previous wages. In Norway, benefits are paid at 62% of income in the preceding year or the average over the three preceding calendar years, whichever is higher.⁵ Unemployment insurance in Denmark is calculated from the highest income from the previous 12-24 months and can pay up to 90 per cent of the previous salary.⁶ Swedish unemployment insurance generally provides 80% of an individual's income in the year prior to unemployment.⁷ Additional social provision supports those without unemployment insurance income in Sweden, providing means tested support benefits.⁸

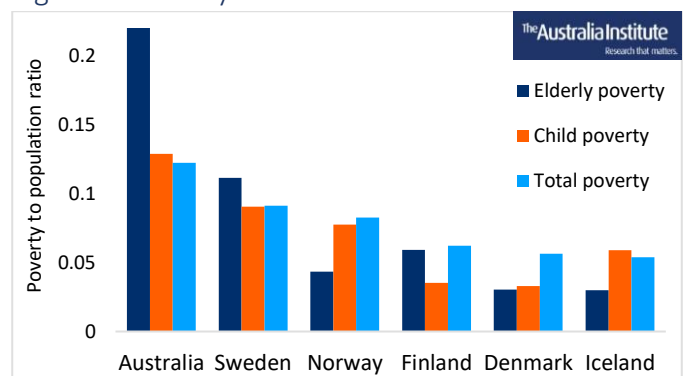
Finland's benefit structure is similar to Sweden's and can provide 50-70% of average wages, with additional supplements for supporting children. Payments are made primarily from unemployment insurance funds, with backup support from government agencies if necessary.⁹ Benefits in Iceland are also income-linked and beneficiaries can still

receive a basic income payment after the maximum payment period has expired.¹⁰

Poverty in Australia and Nordic countries

Australia has a far greater portion of the population in poverty than Nordic countries. In particular, poverty in Australia's elderly population is far worse than in all Nordic countries, as shown in Figure 1. Here poverty is considered income less than half the median household income.

Figure 1: Poverty in Australia and Nordic countries



Source: OECD¹¹ Note: 5 year average to 2019

Figure 1 shows that Australia also has higher rates of child poverty than all Nordic countries, higher than Denmark, Finland and Iceland combined. The OECD also measures the adequacy of income support by comparing the welfare income of jobless families to the median disposable income. On this measure as well, Australia performs worse than all Nordic countries.¹²

Welfare spending

The reduction of the \$275 fortnightly coronavirus unemployment supplement to \$125 was modelled to push 370,000 Australians into poverty, including 80,000 children.¹³ The new rate will be in place until 31 December 2020. The complete removal of the coronavirus unemployment supplement after this date is modelled to push more than 650,000 people into poverty.¹⁴ While it was active, the \$275 supplement lifted 425,000 people out of poverty. A replacement supplement of \$75 per week increase on the base rate would improve the situation marginally, but 505,000 additional people would still be pushed into poverty than had the \$275 supplement remained. Of those impacted by the removal of the coronavirus supplement, 120,000 are children under 14 years.¹⁵

Examining poverty rates and welfare policies in Nordic countries highlights the inadequacy of Australian policies and what can and should now be done to improve them.

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- ¹ Towell (2020) *Another 53,000 Victorians set to join dole queue as COVID grip tightens*, <https://www.theage.com.au/national/victoria/another-53-000-victorians-set-to-join-dole-queue-as-covid-grip-tightens-20200722-p55ej5.html>
- ² OECD (2019) *Benefits in unemployment, share of previous income*, <https://data.oecd.org/benwage/benefits-in-unemployment-share-of-previous-income.htm>
- ³ Australian Council of Social Services (2020) *Faces of Unemployment 2020*, <https://www.acoss.org.au/faces-of-unemployment-2020/>
- ⁴ Ibid.
- ⁵ OECD (2018) *Tax-Benefit Model for Norway* <http://www.oecd.org/els/soc/TaxBEN-Norway-2018.pdf>
- ⁶ Danish Agency for Labour Market and Recruitment (2019) *The Unemployment Benefit Reform (2016)*, <https://www.star.dk/en/recent-labour-market-policy-reforms/the-unemployment-benefit-reform-2016/>
- ⁷ European Commission (n.d.) *Sweden - Employment, Social Affairs & Inclusion*, <https://ec.europa.eu/social/main.jsp?catId=1130&langId=en&intPageId=4817>
- ⁸ Forslund (2019) *Employment outcomes and policies in Sweden during recent decades*, <https://www.econstor.eu/bitstream/10419/201479/1/1667801422.pdf>
- ⁹ SAK (n.d.) *Unemployment benefit*, <https://www.sak.fi/en/society/unemployment-benefit>
- ¹⁰ Norden (n.d.) *Unemployment benefit in Iceland*, <https://www.norden.org/en/info-norden/unemployment-benefit-iceland>
- ¹¹ OECD (2019) *Poverty rate*, <https://data.oecd.org/inequality/poverty-rate.htm>
- ¹² OECD (2019) *Adequacy of Guaranteed Minimum Income benefits*, <https://stats.oecd.org/Index.aspx?DataSetCode=IA#>
- ¹³ Grudnoff (2020) *JobSeeker Cut to Push 370,000 into Poverty, Including 80,000 Children*, <https://www.tai.org.au/content/jobseeker-cut-push-370000-poverty-including-80000-children>
- ¹⁴ Grudnoff (2020) *Poverty in the age of coronavirus*, <https://www.tai.org.au/sites/default/files/P949%20Poverty%20in%20the%20age%20of%20coronavirus%20%5BWEB%5D.pdf>
- ¹⁵ Ibid.
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