e61 MICRO NOTE

AGE-BASED TARGETING OF UNEMPLOYMENT BENEFITS AND HOUSEHOLD FINANCIAL STRESS

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Recent media speculation about the JobSeeker payment indicates that it could be lifted for recipients aged 55+ at the forthcoming Federal Budget. **But what is the evidence that older JobSeeker recipients are more financially vulnerable than their younger counterparts? Does such age-based targeting of the payment make sense?**

I look at indicators of financial stress among the JobSeeker (JSP) recipient population using unit record data sourced from the Household Income and Labour Dynamics in Australia (HILDA) Survey. The key measure of financial stress is based on whether a household reports at least three stress indicators, including: whether they had trouble paying the mortgage, rent or bills on time and whether they asked for financial help from family or welfare groups. I also consider a measure of liquidity constraints based on how much a household holds in liquid assets (relative to their incomes). These data are available for about 7000 households over a sample period from 2001 to 2021.

Unsurprisingly, the average JSP recipient is more financially stressed than the average non-recipient. But **younger JSP recipients are much more financially stressed than older recipients on average.**

- Younger JSP recipients (aged between 22 and 54 years) are 2.5 times more likely to be financially stressed than older recipients (aged 55+ years) (Figure 1).
- Younger JSP recipients are nearly twice as likely to be liquidity constrained or `hand-to-mouth' as older recipients (Figure 2).

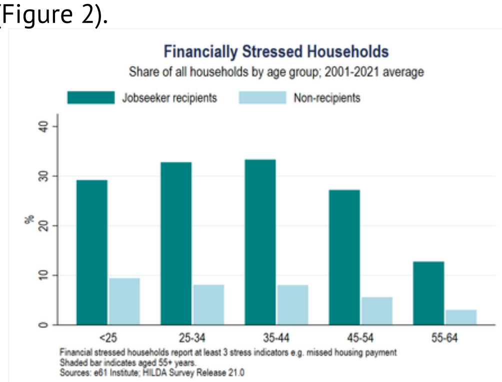

Figure 1

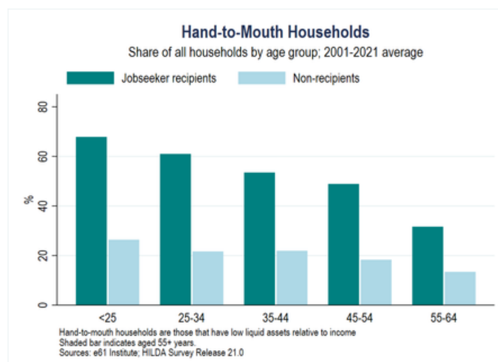

Figure 2

Are these differences in financial stress due to the age of recipients or to other factors that are correlated with age, such as income, family size or health? In the associated Appendix, I find that younger recipients are even more financially stressed than older recipients after controlling for a range of personal and household characteristics, such as gender, income, health, household size and family structure. This is because older JSP recipients have:

1. fewer financial commitments, such as mortgage and bill payments, and/or
2. had more time to accumulate financial assets, such as cash and bank deposits.

There are a couple of policy considerations that can be drawn from this analysis.

First, **improving access to other pensions** may be a more equitable way of supporting those in need than age-based JobSeeker targeting. If older workers find it hard to return to work, the solution is to help them return or to offer them a pension, such as disability support, that recognises that situation, rather than introducing further age discrimination into the unemployment benefit system.

Second, **allowing early access to superannuation or providing income-contingent loans** may be more efficient ways to provide financial support to older workers that have involuntarily lost their jobs, rather than increasing the JobSeeker payment. Forthcoming e61 research looks at the relative merits of a policy that allows partial access to superannuation for displaced workers.