The background is a deep red color with a white diagonal stripe running from the top-left corner to the bottom-right corner. The red area is filled with a repeating pattern of white line-art icons representing various business and economic concepts, such as gears, globes, handshakes, dollar signs, and buildings.

Business experiences of the COVID-19 pandemic

March to July 2020

August 2020

About Australian Industry Group

The Australian Industry Group (Ai Group®) is a peak employer organisation representing traditional, innovative and emerging industry sectors. We are a truly national organisation which has been supporting businesses across Australia for more than 140 years.

Ai Group is genuinely representative of Australian industry. Together with partner organisations we represent the interests of more than 60,000 businesses employing more than 1 million staff. Our members are small and large businesses in sectors including manufacturing, construction, engineering, transport & logistics, labour hire, mining services, the defence industry, civil airlines and ICT.

Our vision is for a thriving industry and a prosperous community. We offer our membership strong advocacy and an effective voice at all levels of government underpinned by our respected position of policy leadership and political non-partisanship.

With more than 250 staff and networks of relationships that extend beyond borders (domestic and international) we have the resources and the expertise to meet the changing needs of our membership. We provide the practical information, advice and assistance you need to run your business. Our deep experience of industrial relations and workplace law positions Ai Group as Australia's leading industrial advocate.

We listen and we support our members in facing their challenges by remaining at the cutting edge of policy debate and legislative change. We provide solution-driven advice to address business opportunities and risks.

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KEY FINDINGS

This report is the fifth in a series of monthly reports by Ai Group about Australia's business experiences of the COVID-19 pandemic, as of July 2020. Throughout 2020, Ai Group has provided assistance, information and advice to thousands of member businesses who are experiencing the consequences of activity restrictions and reductions in income due to this pandemic. As part of this process we have collected detailed feedback from Australian businesses about their experiences, through a range of sources including emails, surveys, web queries, phone calls and (remote) meetings. This report summarises the impacts, responses and requirements of businesses as a result of the COVID-19 pandemic. Ai Group received over 1,000 reports from businesses about their experiences between March and July 2020. They told us that:

1. The most reported impact on business from COVID-19 has been a sharp drop in demand. Production has also been hampered by severe disruptions to supply and freight services (international and interstate). Increased workloads due to new OH&S requirements and increased ongoing costs due to PPE and other measures were reported by many businesses in March and April, resulting in reduced productivity and/or elevated staff anxiety for many workplaces (chapter 1).
2. In response to these impacts, businesses initially focussed on risk mitigation and workplace health and safety. They moved staff to home-based work where possible and developed COVID-19 safety plans. As the crisis wore on, reduced demand and revenue forced more businesses to cut work hours and/or employment numbers. The support of JobKeeper helped to stem these cuts from May. From May, business responses shifted towards adjusting work practices, work sites and their product offering to accommodate 'safe working' requirements. (chapter 2).
3. The unique and rapid nature of this crisis has meant businesses everywhere have required urgent assistance with responding to COVID-19 and to various activity restrictions. In March the most pressing need was for clear, straightforward information and directions. Many businesses also needed practical assistance with international and domestic freight, access to PPE and workforce management. From April, the sharp drop in demand meant that most businesses needed to seek financial support. They now want restrictions eased and more certainty about the path ahead. Many also want a stronger focus from national and state governments on infrastructure development, local procurement and investment (chapter 3).

The experiences summarised in this report pre-date the 'stage 3' and 'stage 4' activity restrictions imposed in Victoria from the end of July, as well as the interstate border closures implemented by various states throughout August. The effects from these latest restrictions are large. The Australian Treasury estimates they will result in lost output nationwide and over 250,000 additional job losses in Victoria and elsewhere.

1. What is the impact of COVID-19 on your workplace or business so far?

Australian businesses reported a range of impacts upon their business as a result of COVID-19 and activity restrictions between March and July 2020. These reports are summarised in Table 1.1 and Charts 1.1 and 1.2.

The majority of businesses reported **negative impacts** as a result of COVID-19 in each month, with a gradual improvement becoming evident in June. Long-term uncertainty emerged as a key theme in July, however, as the longevity of activity restrictions became more apparent. In the absence of a “v-shaped economic recovery”, more businesses now fear persistently lower customer demand and local activity.

- 59% of businesses said they experienced **reduced customer demand** in July, down from 62% in June and a peak of 66% in April. In July, businesses continued to report cancelled and/or delayed investment decisions and lower customer demand from local and international clients. Among companies providing maintenance and repair services (e.g. machinery and equipment installation, repair and maintenance, building maintenance, IT and telecommunications services), demand is reduced due to problems accessing customers’ worksites for maintenance callouts. Other businesses said that demand has reduced because their sales staff are working from home (and/or are unable to travel) and are unable to maintain face to face contact with established clients or to find new clients, which is inhibiting sales. Several businesses reported that their profit margins have eroded due to deflationary pressures (as a result of weak demand) in July.
- 7% of businesses reported **disruption to supply chains** in June and July, up from April and May (5% of businesses) but much improved from the first stages of the pandemic in March (15%). Businesses said cross-border checkpoints are delaying inter-state freight and transit across Australia’s state borders. Difficulties obtaining inputs and an inability to source imported supplies has pushed more businesses to seek local sources of inputs. Supply reliability remains a persistent issue due to reductions in local and international freight and employee transport. State border closures are likely to have worsened in July and August due to further border closures and travel restrictions.
- **Increased workloads due to new OH&S and healthcare procedures** were still being reported by 5% of businesses in July, down from a high of 25% in the first stages of the pandemic in March. For many businesses, new cleaning and physical distancing practices had become routine by July. Some have employed additional cleaning staff or increased the hours of existing support staff.
- Businesses continue to report **ongoing extra costs for hygiene consumables**, but few businesses reported difficulties sourcing PPE or cleaning supplies in July.

- Many businesses said they have developed **pandemic response plans** that set out how to respond in the event of any employee contract coronavirus. Thankfully, few Australian businesses (outside of healthcare and aged care settings) have had cause for these plans to be enacted.
- Some businesses reported **reduced productivity** due to the extra time required to clean machines and workspaces between shifts. This peaked at 9% of business reports in May. Businesses have reported mixed effects on productivity as a result of employees working from home, with some noting increases in the time required to supervise, manage and support home-based work (including, for example, a bigger focus on health and wellbeing support for home-based employees).
- Businesses who reported they are **not operating** or have closed fell to 1% in June and 2% in July, down from 6% in March. This suggests more businesses were able to reopen in locations in which activity restrictions were relaxed. It also reflects businesses closing and no longer reporting to Ai Group or requesting assistance.
- The **initial increase in customer demand** reported by a minority of businesses continued to fall away in June and July. 11% of businesses had reported a boost in sales in March due to: consumer stockpiling of groceries; purchases for inputs brought forward (where businesses expected a future shortage); increased demand for PPE; cleaning products; and ICT products and services. This boost in demand had largely dissipated by June. In July only 1% of businesses reported higher demand as a direct result of COVID-19. Many businesses in March had anticipated that the increased demand would be short-lived. This expectation has proved correct, as the effects of stockpiling seemed to have ended by July.

A smaller number of businesses reported **positive or neutral impacts** as a result of COVID-19 between March and July 2020, with a noticeable improvement in sentiment and business activity in June and July (Table 1.1 and Chart 1.1 and Chart 1.2):

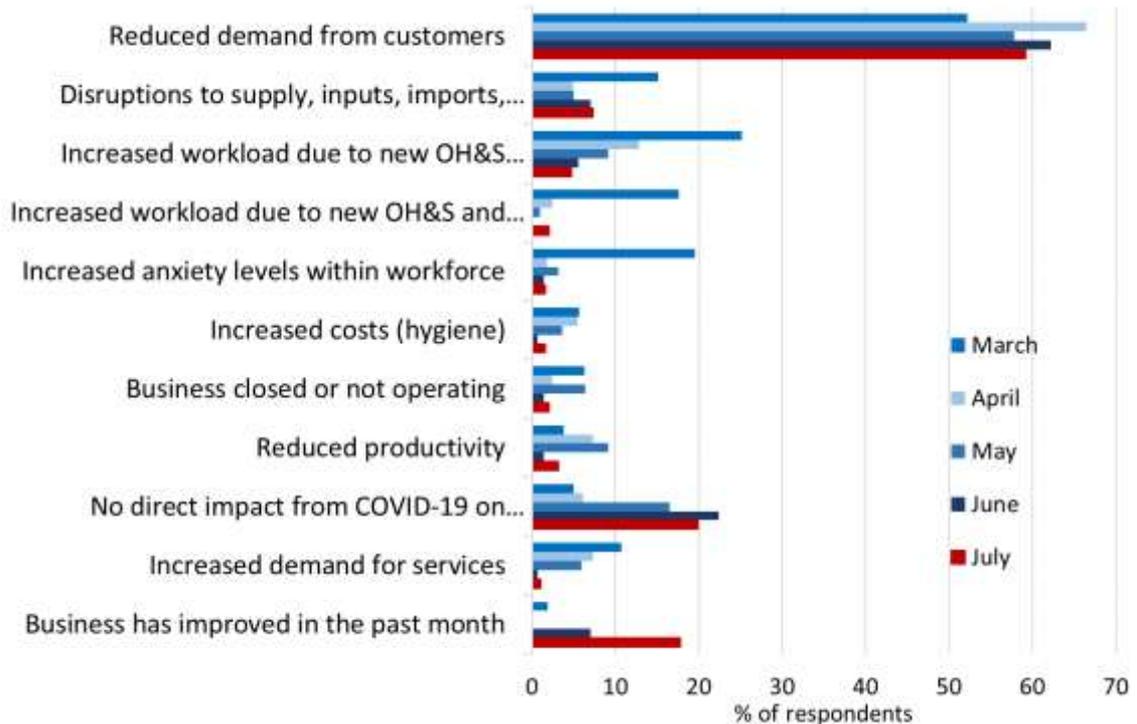
- 20% of businesses said their business or workforce was **not directly impacted** by COVID-19 in July, down from 22% in June but up from 5% and 6% in March and April. These businesses reported that in June and July they were able to operate at closer to pre-pandemic levels, as activity restrictions eased in most states.
- Several businesses reported a **mixed impact** on their business, with decreased demand for some products or in some locations but increases in others.
- businesses working on **projects with long timelines** noted few or no negative impacts throughout this period. For these businesses however, delays or cancellations of future work and forward orders beyond their existing pipeline has become their key concern as activity restrictions continue or are reimposed.
- 18% of businesses reported that **things had improved in the past month** in July for their business, up from 7% in June. Easing of activity restrictions was the main reason given for this improvement, followed by fewer supply chain disruptions. Increased demand led to a pickup in July for some businesses who had previously experienced a decline, however they noted that the recovery was only partial with the increase in demand and activity in July not enough to make up for the reduced business in previous months.

- In line with these modest improvements, fewer businesses said their workforce was suffering from **high levels of anxiety** in June and July. Just 1% and 2% of businesses reported anxiety as problem in these months, down from 19% in March.

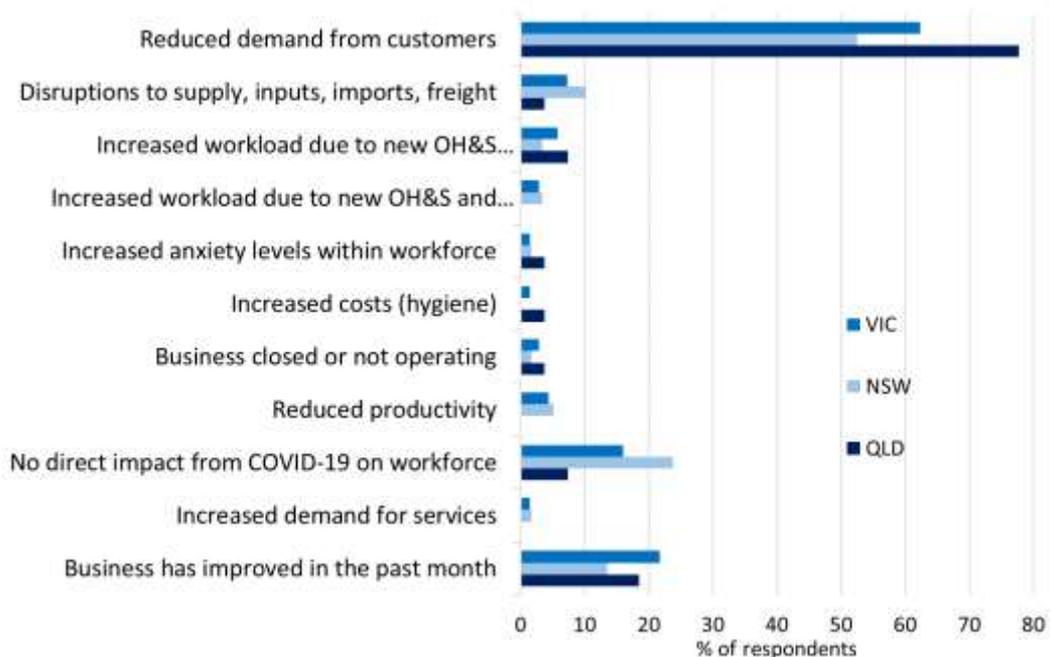
Table 1.1: What is the impact of COVID-19 on your workplace or business so far?

Negative impacts	March	April	May	June	July
% of businesses (multiple answers per business possible)	%	%	%	%	%
Reduced demand from customers	52	66	58	62	59
Disruptions to supply, inputs, imports, freight	15	5	5	7	7
Increased workload due to new OH&S procedures (hygiene)	25	13	9	6	5
Increased workload due to new OH&S and HR management policy development	18	2	1	0	2
Increased anxiety levels within workforce	19	2	3	1	2
Increased costs (hygiene)	6	5	4	1	2
Business closed or not operating	6	2	6	1	2
Reduced productivity	4	7	9	1	3
Neutral / positive impacts	March	April	May	June	July
% of businesses (multiple answers per business possible)	%	%	%	%	%
No direct impact from COVID-19 on workforce	5	6	17	22	20
Business has improved in the past month	2	0	0	7	18
Increased demand for services	11	7	6	1	1

**Chart 1.1: What is the impact of COVID-19 on your workplace or business so far?
Responses by month, March to July 2020**



**Chart 1.2: What is the impact of COVID-19 on your workplace or business so far?
Responses by state, July 2020**



2. What has been your response?

Businesses have responded to the COVID-19 global pandemic with a range of strategies. These responses are summarised in Table 2.1 and Charts 2.1 and 2.2. The three most common responses over these months focussed on staffing changes:

1. **Home-based work** for some or all staff was implemented by 55% of businesses reporting to Ai Group in March, reflecting the strong focus on health and safety in the first phase of the pandemic. By July, the majority of businesses that needed to implement working from home arrangements had already done so (and some were moving back onsite), but 26% of businesses were still in the process of making this adjustment as of July, with far more doing so in Victoria in July than in other states.
2. **Reduced work hours** peaked at 35% of businesses in April, then fell away in May and June as the JobKeeper wage subsidy offered better support for wage costs. A number of businesses said the JobKeeper wage subsidy (in effect from May) helped to maintain employment hours which would otherwise have been cut.

Businesses reporting cuts to work hours rose again to 36% in July however, as the long-term effects of activity restrictions contributed to a 'second wave' of work hours reductions. Extensions to the JobKeeper program announced in July will help to support businesses whose sales continue to remain below pre-COVID-19 levels.

Various methods were utilised by businesses in order to reduce work hours through these months. Fewer trading days, a reduced number of shifts and shorter shift lengths have all been utilised by businesses in order to decrease work hours and/or paid employee numbers. Annual and long service leave has been encouraged by some businesses, although through June and July they were noting that this was starting to run out as an option.

3. **Reduced staff numbers** was a key response by businesses in April (20% of businesses reporting to Ai Group), falling to 13% in May and July as the JobKeeper program helped to support the workforce.

A smaller proportion of businesses said they actively focussed on **reducing costs** other than labour from April (6%) to June (4%), but no businesses reported doing this in July.

As activity restrictions were lifted in May and June in most locations around Australia, more businesses focused on making **changes to business processes** and changing the way their **shifts were organised**. This became the main focus for almost a third of businesses reporting to Ai Group in each of May (32%) and June (33%), reducing to 18% of businesses in July.

Far fewer businesses said they were making **physical changes to their site to enable distancing** in June and July compared to earlier months (e.g. moving equipment or

workstations further apart or installing partitions). These one-off site changes were mainly undertaken in May (13%) rather than June (2%) or July (1%).

The longer-term nature of the COVID-19 crisis became increasingly apparent from June. This led more businesses to consider **changes or consolidation of their business offering**, such as the development of new products or rationalising the range of products and services they can offer. This type of response was barely mentioned in the early months, but it was a key focus for 5% of businesses in July. This includes dropping products, seeking different avenues for sales and reconsidering how (and where) they position themselves in established markets.

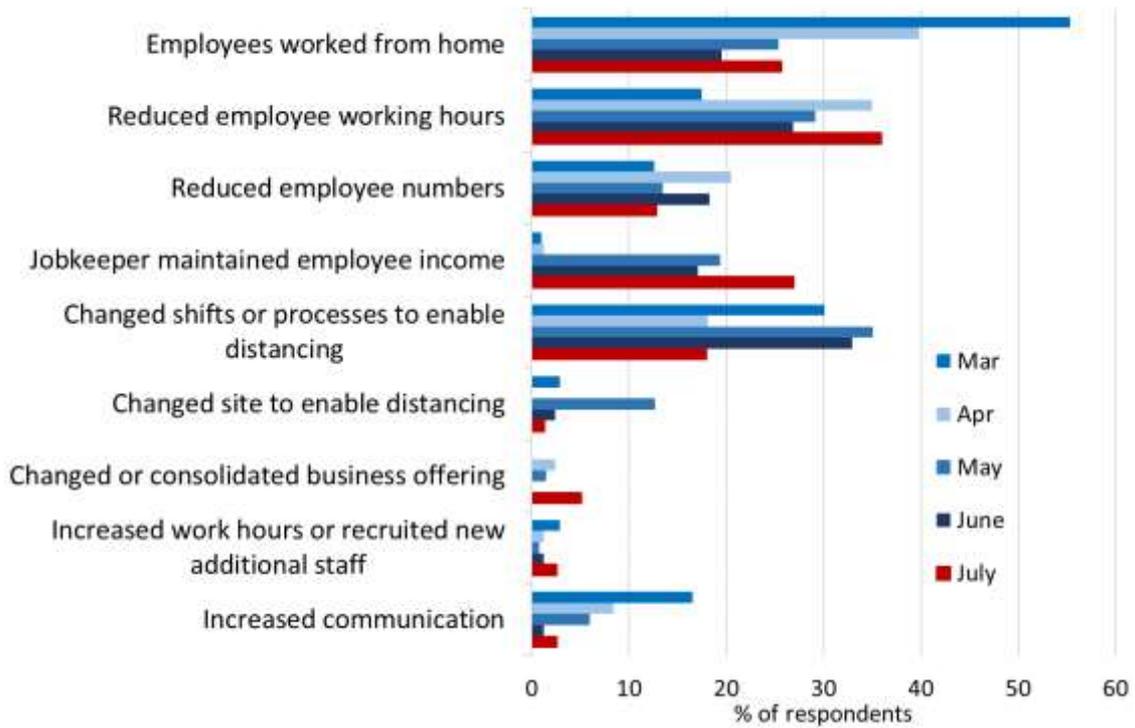
A handful of businesses (4% in June) said they have used this disruption as an opportunity to improve something in their business that they previously did not have the time or resources to do. This did not continue however, with no businesses reporting making ‘improvements’ to their business in July.

June and July also saw a reduction in the proportion of businesses implementing additional **communications**, both internally to their workforce and externally to their customers and suppliers. Communications was a key focus for many businesses in March (17% of businesses) because uncertainty was one of the main features of the pandemic in the initial stage. This strong emphasis on additional internal communications fell away in subsequent months.

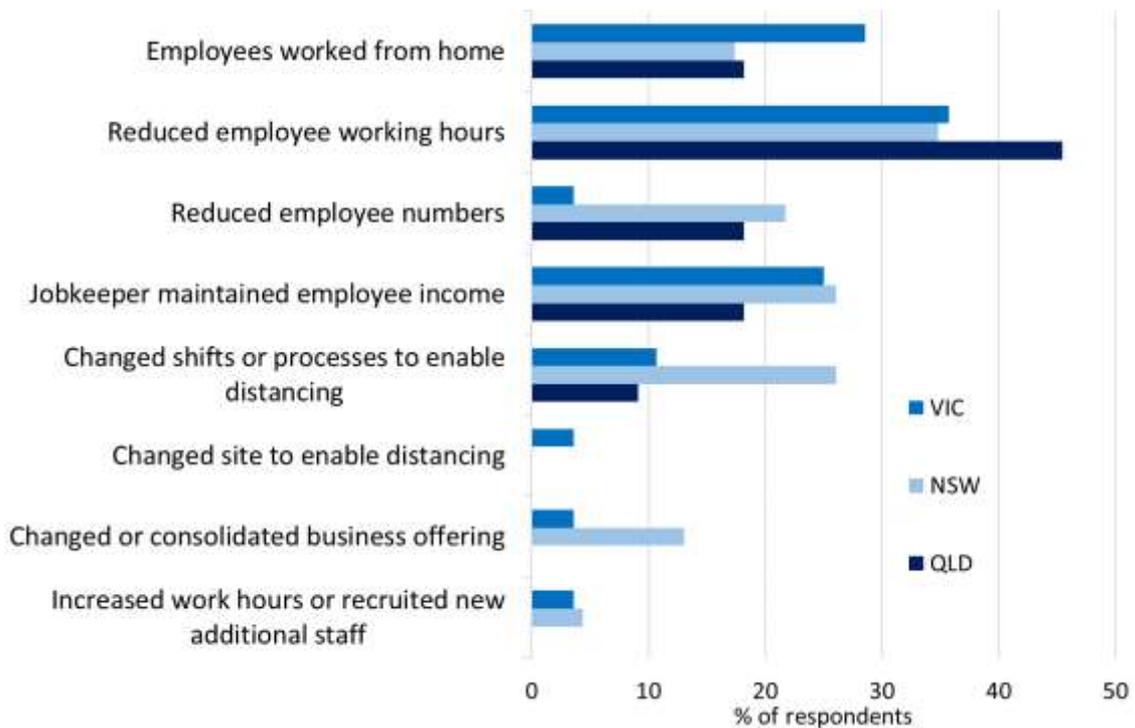
Table 2.1: What has been your response?

Responses	Mar	Apr	May	June	July
% of businesses (multiple answers possible for each business)	%	%	%	%	%
Employees worked from home	55	40	25	20	26
Reduced employee working hours	17	35	29	27	36
Reduced employee numbers	13	20	13	18	13
Jobkeeper maintained employee income	1	1	19	17	27
Changed shifts or processes to enable distancing	30	18	35	33	18
Changed site to enable distancing	3	0	13	2	1
Changed or consolidated business offering	0	2	1	0	5
Increased work hours or recruited additional staff	3	1	1	1	3
Increased communication	17	8	6	1	3

**Chart 2.1: What has been your response?
Responses by month, March to July 2020**



**Chart 2.2: What has been your response?
Responses by state, July 2020**



3. What would help you manage your business response to COVID-19?

The assistance needed by businesses to manage their response to the COVID-19 pandemic has shifted significantly since March. The types of assistance required are summarised in Table 3.1 and Charts 3.1 and 3.2.

In the early stages, there was an urgent need for **clear rules and instructions** to help business respond to the activity restrictions, with around 60% asking for more information and simple, straightforward instructions in March. As of July, there is still some uncertainty regarding restrictions across states and dates. 9% of businesses were still asking for clarification of rules and 12% wanted more information in July, with higher proportions of businesses wanting more information in Victoria and Queensland than in NSW.

In the earlier stages of the pandemic, businesses needed assistance with imports and exports, domestic freight, access to PPE and employee management. By July, no businesses were still requesting these more practical types of assistance. In July, easing of restrictions were enabling better transport and logistics, PPE had been obtained and businesses had established processes and routines for their employees. These gains may be reversed in some locations in coming months, however, because strict activity restrictions and border closures were reinstated from late July.

Since April, the most pressing requirement has been **direct financial assistance** from State and Federal Governments including:

- stimulus payments and grants,
- wage subsidies and
- relief from payroll tax.

Easing of restrictions and a return to more normal trade conditions was nominated as the best way to support business conditions by 29% of businesses in July, down from April (39%), May (32%) and June (31%). Many businesses have practical and useful suggestions on how best to ease restrictions in their industry or own field of expertise, but they all acknowledge that the virus must be brought under control within all parts of Australia before trading conditions can return to something resembling 'normal' for all locations and sectors.

By July, 9% of businesses said that **increased certainty** was necessary to improve conditions, in addition to easing restrictions. This reflects the frequent changes to activity restrictions and the lack of longer-term vision, which is reducing the ability to plan and strategise across all types of businesses. The toll of uncertainty is immense, particularly for businesses that have experienced repeated closures and reductions.

From May, **infrastructure investment** was nominated by an increasing proportion of businesses, as another means to support and sustain local economic recovery.

There is also a growing appetite for greater **promotion of locally made goods** particularly where international supply chains have been interrupted. Businesses who are already looking to increase their proportion of locally produced inputs are also suggesting stronger local procurement provisions by government; investment to diversify supply chains and bolstering promotion of Australian goods and services.

Table 3.1: What would help manage your business response to COVID-19?

What has been your response?	Mar	Apr	May	June	July
% of businesses (multiple answers possible for each business)	%	%	%	%	%
Financial assistance	39	50	36	46	39
Easing of restrictions/return to normal trading	3	39	32	31	29
Infrastructure investment /local procurement	0	0	17	23	11
Increased demand for locally made products (customers using local suppliers)	0	0	0	0	3
Increased certainty	0	0	0	0	9
Clear certain instructions and rules	60	14	16	6	9
More information	57	11	8	9	12
Assistance with employee management	11	1	1	0	0
Improved access to PPE & hygiene products	9	1	2	0	0
Assistance with domestic logistics and freight	1	2	2	0	0
Assistance with imports, exports, trade restrictions	0	1	2	0	0

Chart 3.1: What would help you manage your business response to COVID-19?

Responses by month, March to July 2020

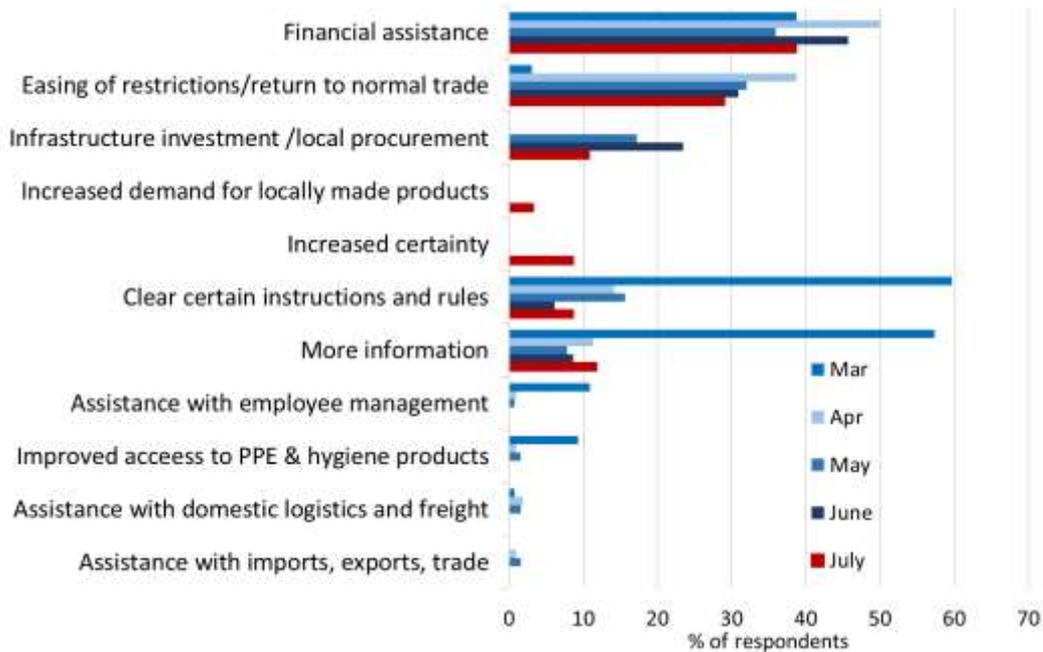
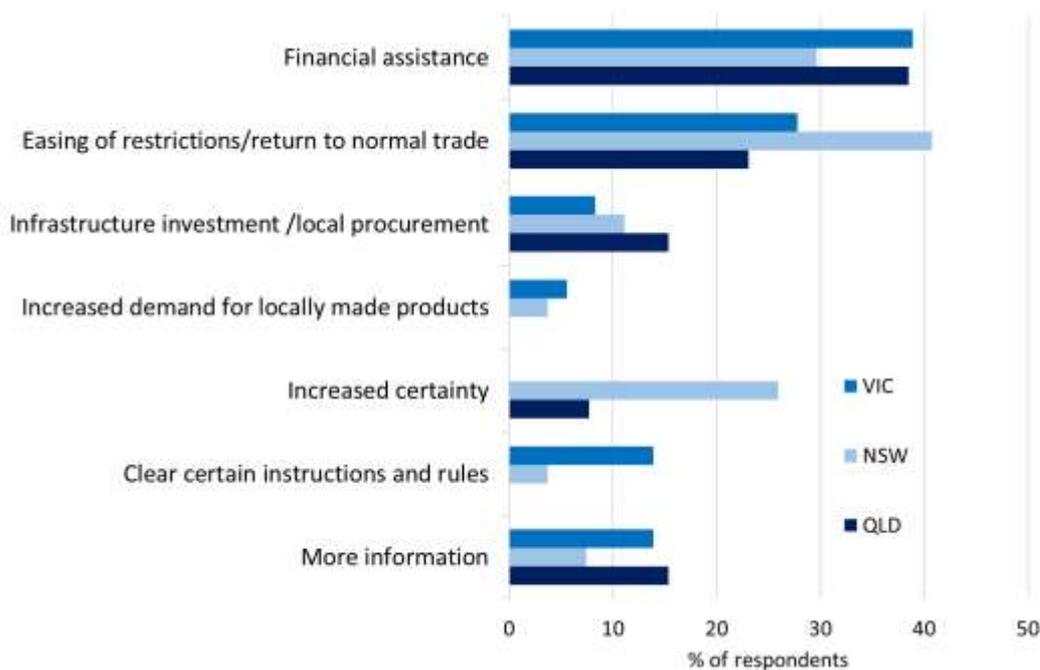


Chart 3.2: What would help you manage your business response to COVID-19?

Responses by state, July 2020



4. Business responses, by month, by industry and by state

In total, Ai Group has received detailed feedback from 1,059 businesses about their experiences of the COVID-19 pandemic between March and July. The composition of these business responses is shown in table 4.1 by month, industry and state.

These business reports are not intended to provide a representative sample of all Australian businesses or all of the Australian economy. Instead, they illustrate the concerns, issues and factors that businesses reported to Ai Group about the effects of the COVID-19 pandemic on their business in each of these months. A small number of businesses offered feedback in each of these months, most reported their experiences in detail more than once. In July, extra data that had been received was included for each of the previous months and the results recalculated.

The data is inclusive of the first day of the month until the last, the July results pre-date the return to stage 3 restrictions in regional Victoria and the implementation of stage 4 restrictions that came into force in the greater Melbourne area on Sunday 2 August.

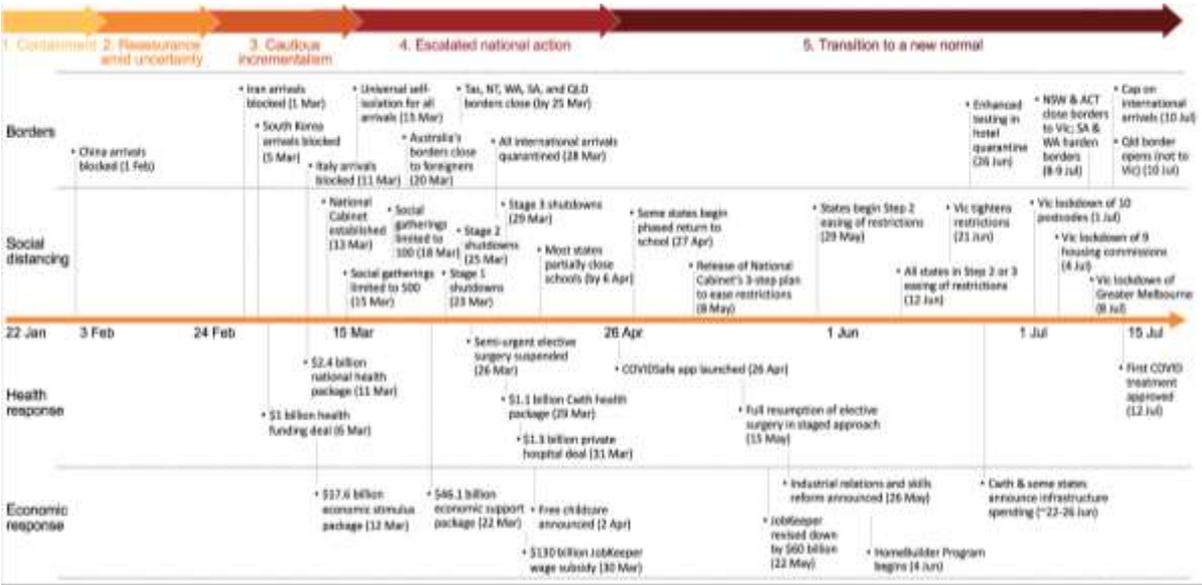
Table 4.1: business responses to Ai Group about COVID-19

Industry	March	April	May	June	July	Total
Business services	50	31	43	23	38	185
Consumer services	26	7	17	11	19	80
Manufacturing*	55	24	34	27	24	164
Manufacturing - machinery & equipment	24	29	40	30	37	160
Manufacturing - metal products	28	29	54	49	33	193
Construction & mining services	10	87	72	49	59	277
NSW	63	57	92	58	67	337
VIC	78	67	83	57	75	360
QLD	37	37	36	34	28	172
Other states	15	46	49	40	40	190
TOTAL	193	207	260	189	210	1,059

*manufacturing including food, beverages, wood, paper, packaging, chemicals, pharmaceuticals, textiles, clothing.

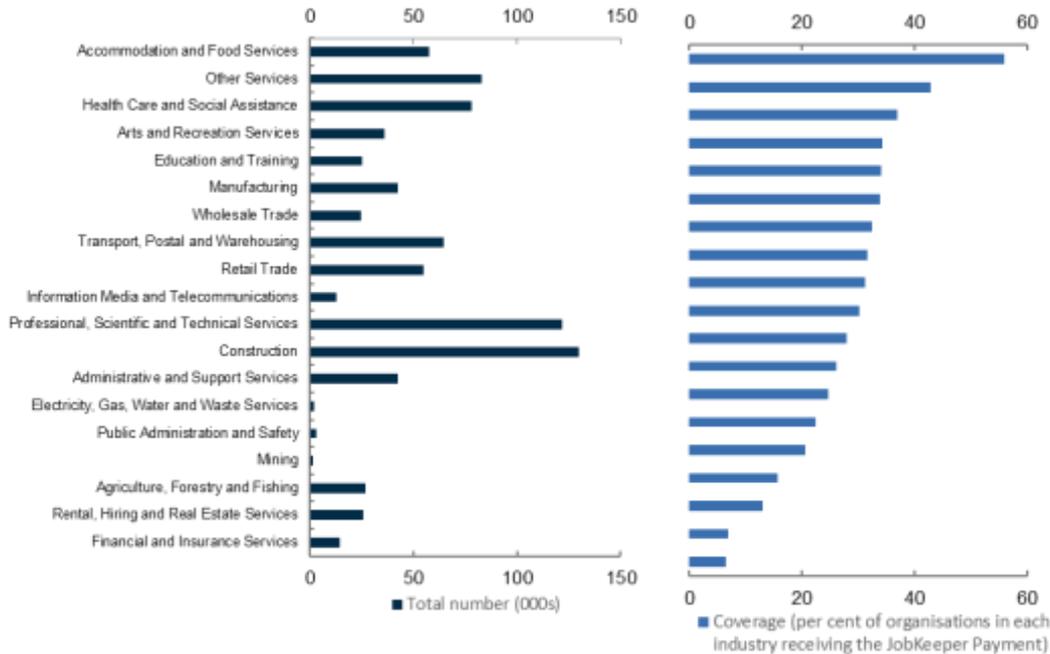
5. Timeline of Australia's experience of COVID-19, January to July 2020

Chart 5.1: Government responses to COVID-19, Jan to July



Source: Grattan Institute

Chart 5.2: business applications for JobKeeper, April 2020



Source: Australian Treasury, JobKeeper Payment: Three Month Review, June 2020.

January 2020

25 Jan: First recorded novel cases of coronavirus in Australia (returned travellers from Wuhan, China). Australian Government issues "do not travel" warnings to China.

February 2020

5 Feb: Australian Government announces a 14-day ban for non-citizens arriving from China. Ban extended indefinitely on 20 February.

12 Feb: WHO officially names the novel coronavirus as 'COVID-19'.

March 2020

1 March: first Australian COVID-19 fatality (from the Diamond Princess cruise ship).

3 March: RBA cuts Australia's cash rate to a record low of 0.50%.

6 March: Australian Government commits \$500 million to health costs for COVID-19.

11 March: WHO declares COVID-19 a global pandemic. Australian Government announces a national healthcare support package (\$2.4 billion).

12 March: Australian Government announces financial assistance (\$17.6 billion) including: instant asset write-offs; reduced PAYG withholding tax to the ATO; wage subsidies for apprentices and trainees; increased payments for welfare recipients.

13 March: Australian Government forms a "National Cabinet" of Federal, State and Territory leaders to facilitate a united approach to the COVID-19 crisis.

15 March: Australian Government bans gatherings of more than 500 people.

16 March: Australian Government orders all people arriving from overseas to self-isolate for 14 days. Victorian Government declares 'state of emergency'.

17 March: Australian Government suspends all commercial international travel.

18 March: Australian Government bans indoor gatherings of more than 100 people.

19 March: Ruby Princess cruise ship docks in Sydney and passengers disembark.

19 March: RBA cuts cash rate to record low of 0.25%.

20 March: Australian Government imposes 'social distancing' including 1.5 metres between people in public areas. Australian states begin to close state borders.

21 March: Australian Government bans non-citizens and non-residents from entering Australia. Incoming citizens and permanent residents must self-quarantine for 14 days.

22 March: 'Stage 2' restrictions are progressively implemented across all states. Second round of business financial assistance (\$66 billion) includes grants and payments for welfare recipients; guaranteed loans for businesses; temporary leniency for insolvency and bankruptcy; temporary relief for directors trading whilst insolvent.

23-26 March: Bars, restaurants, clubs, cinemas, places of worship, casinos and gyms are closed. Schools start to close across all states. Open house inspections banned. Attendance at weddings and funerals restricted. Elective surgery suspended.

27 March: All international arrivals must undertake mandatory quarantine in hotels.

29 March: Six-month moratorium on rental evictions (by State Governments). All Australians urged to stay at home. No more than two people may be together in public.

30 March: Australian Government announces third round of financial assistance (\$130 billion) including JobKeeper and JobSeeker income support programs.

31 March: Australian Government announces \$1.3 billion support for private hospitals.

April 2020

2 April: Australian Government announces free childcare during the COVID-19 crisis.

7 April: Australian Government announces mandatory code for commercial tenancies.

Mid to late April: Activity restrictions begin to ease at various speeds around Australia.

12 April: 'Higher Education Relief Package' to support displaced workers' retraining and to support universities and other higher education providers to continue teaching.

17 April: 'Domestic Aviation Network Guarantee' worth \$165 million to assist airlines.

24 April: National 'COVID-19 Safe Workplace Principles' introduced by the National Cabinet. 10 'Workplace Principles' to be applied to all workplaces across Australia.

26 April: Activity restrictions begin to relax across all states and territories.

May 2020

8 May: Initial payroll deadline for the JobKeeper program.

June 2020

Early June: progressive easing of activity restrictions at various stages around Australian states and territories. Physical return to school for students in Victoria.

July 2020

9 July. Stage 3 activity restrictions imposed again on Greater Melbourne and Mitchell Shire (VIC) for at least 6 weeks. Border between NSW and Victoria is closed.

23 July: Treasurer presents an update on the Federal Government Budget position, economic outlook and review of JobKeeper arrangements.

August 2020

2 August. Stage 4 activity restrictions imposed on Greater Melbourne including night curfew and resident lockdown. Stage 3 activity restrictions for regional Victoria. State borders begin to close again across Australia.



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