

**Business experiences
of the COVID-19
pandemic,
March to May 2020**

June 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 MESSAGE



The COVID-19 pandemic is having a severe impact on Australian businesses and communities. This report looks at Australia's business experience from March through to May of 2020.

Ai Group has provided assistance, information and advice to thousands of member businesses who have experienced the consequences of activity restrictions and the drop in business and consumer incomes and expenditure due to the global 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 experiences reported to Ai Group through March, April and May 2020. These results are not intended to be a representative sample. Instead, they illustrate the range of concerns, issues and factors that businesses reported to Ai Group about the effects of the COVID-19 pandemic on their business in these months.

The change in emphasis of factors over a short period of time illustrates the issues facing businesses at the time that they responded. The speed of this crisis and the swift response from businesses highlights the agility of Australian industry. From an initial crisis response in March - when the potential effects of COVID-19 on the workforce and the broader population was largely unknown - to the forward planning for increased trade as restrictions began to be eased in May, businesses responded in a fast, responsible and capable manner.

The current downturn is sure to be recorded as Australia's first recession in almost thirty years. While a variety of measures – from federal, state and territory governments – is helping ease the burden on businesses and the community, further fallout awaits in coming months. With measures such as the JobKeeper wage subsidy and income support program scheduled to end in September, it is critical that action be taken to drive recovery and rebuilding. These include a focus on improving our education and training and our workplace relations arrangements to help underwrite a sustained lift in investment, productivity and incomes. Changes in both these areas will assist in addressing the very real risk of extended periods of unemployment currently in prospect for many younger Australians.

Innes Willox, Chief Executive
Australian Industry Group

A handwritten signature in black ink that reads "Innes Willox". The signature is written in a cursive style and is underlined with a single horizontal line.

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

The majority of businesses told Ai Group that reduced customer demand was the main impact of COVID-19 across March, April and May. More than half of businesses reported reduced demand in each month, with the proportion rising to 69% in April before dropping back to 59% in May.

A sizeable minority of businesses in the hospitality, tourism, transport and recreational sectors told us that they had closed or were not currently operating due to activity restrictions and/or reduced demand (9% of all businesses reporting to Ai Group in March, 5% in April, 14% in May).

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

What is the impact of COVID-19 on your workplace or business so far?	Mar	Apr	May
% of businesses who reported (multiple answers possible for each business)	%	%	%
Negative impacts			
Reduced demand from customers	53	69	59
Increased workload due to new OH&S procedures (hygiene)	26	13	9
Increased anxiety levels within workforce (due to uncertainty)	21	2	3
Increased workload due to new OH&S and HR management policy development*	19	2	0
Disruptions to supply, inputs, imports, freight	15	6	5
Business closed (not operating for foreseeable future)	9	5	14
Reduced productivity	1	7	9
Neutral / positive impacts			
No direct impact from COVID-19 on workforce	9	4	17
Increased demand for services	11	8	6

*including new capacity to work from home

In contrast to the negative experiences of the majority of businesses, a small group of business reported an increase in customer demand, including 11% of respondents in March, 8% in April and 6% in May. These businesses reported increases in sales of groceries (particularly in the early stages of March), purchases for inputs brought

forward (where businesses expected a future shortage), increased demand for PPE, cleaning products as well as ICT products and services.

The second-most frequently reported impact was an increased workload due to new OH&S and healthcare procedures in the workplace. 26% of businesses indicated cleaning and sanitising had a significant impact on them in March, but this fell to 13% in April and 9% in May because these processes were becoming established and absorbed into regular practice. Businesses also reported an increased cost of hygiene consumables and some respondents had difficulty sourcing cleaning products, particularly earlier on in the pandemic.

In the first month of COVID-19, anxiety levels within workforces were a source of stress for 21% of employers and employees, due to the high level of uncertainty about potential illness, activity restrictions and their expected impact on employment. As businesses responded and changed their practices, the proportion of businesses reporting anxiety as a key problem reduced substantially (2% in April and 3% in May). JobKeeper was noted as having a positive effect on confidence for employers and employees when it was introduced in April and then confirmed for eligible businesses and employees in May.

The need to respond very quickly to social distancing practices for their workforce increased the workload of businesses significantly. 19% of businesses reported that they developed and implemented new policies in March, including establishing new capacity to work from home. Once these policies were developed and implemented, these extra tasks fell significantly as an area of concern in April (2%) and were not mentioned at all as a key area of concern in May.

Disruption to supply chains, difficulties sourcing inputs, inability to bring in imports and interrupted freight affected 15% of businesses reporting their concerns to Ai Group in March. Even though this was an issue for fewer businesses in April (6%) and May (5%) it did not reduce to zero as did some other concerns (e.g. workplace anxiety and workplace policy development). Some businesses attempted to switch to locally produced inputs instead of imports. Others noted that interrupted supplies had started arriving again in May, however not all supplier and customer markets were accessible.

Ai Group also received feedback from businesses that reported no direct impacts from the COVID-19 pandemic. In March 9% of businesses reported limited or no impacts on their business from COVID-19. In April this fell to just 4% of respondents but it rose to 17% in May. This seems to reflect the initial concern among many business operators that their workforce would be directly affected by illness. Thankfully for most Australian businesses, this did not eventuate.

Reduced productivity was reported by only 1% of businesses reporting to Ai Group in March, but this rose to 7% in April and 9% in May, as businesses reduced the number of people within a defined space in their workplace and more people worked from home for very extended periods. For some of the businesses with workers still on site, this reduced their output capacity and at the same time increased cleaning time between shifts.

Small numbers of businesses mentioned a handful of other factors that impacted their businesses a result of the COVID-19 pandemic. These concerns included: increased costs for hygiene products for their workforce; increased costs for inputs or freight; and employees on extended leave due to illness or childcare.

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

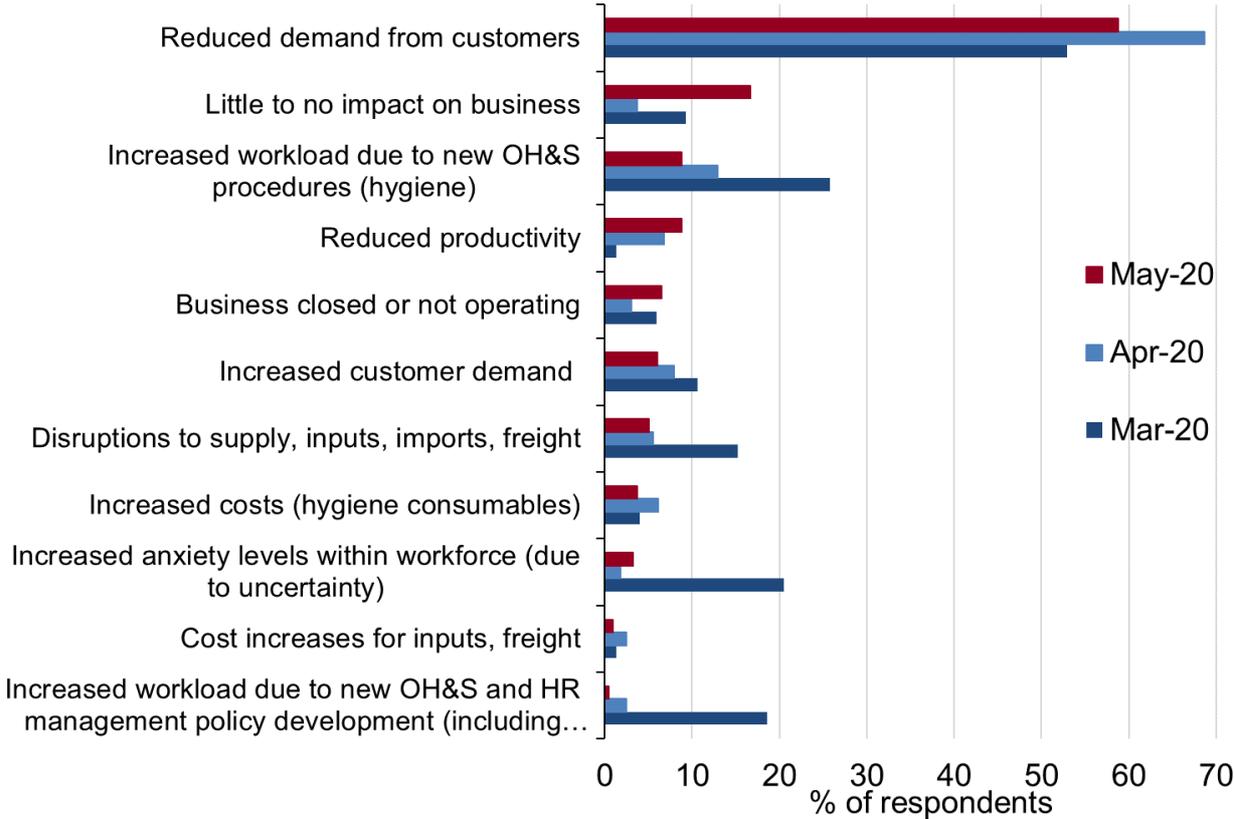
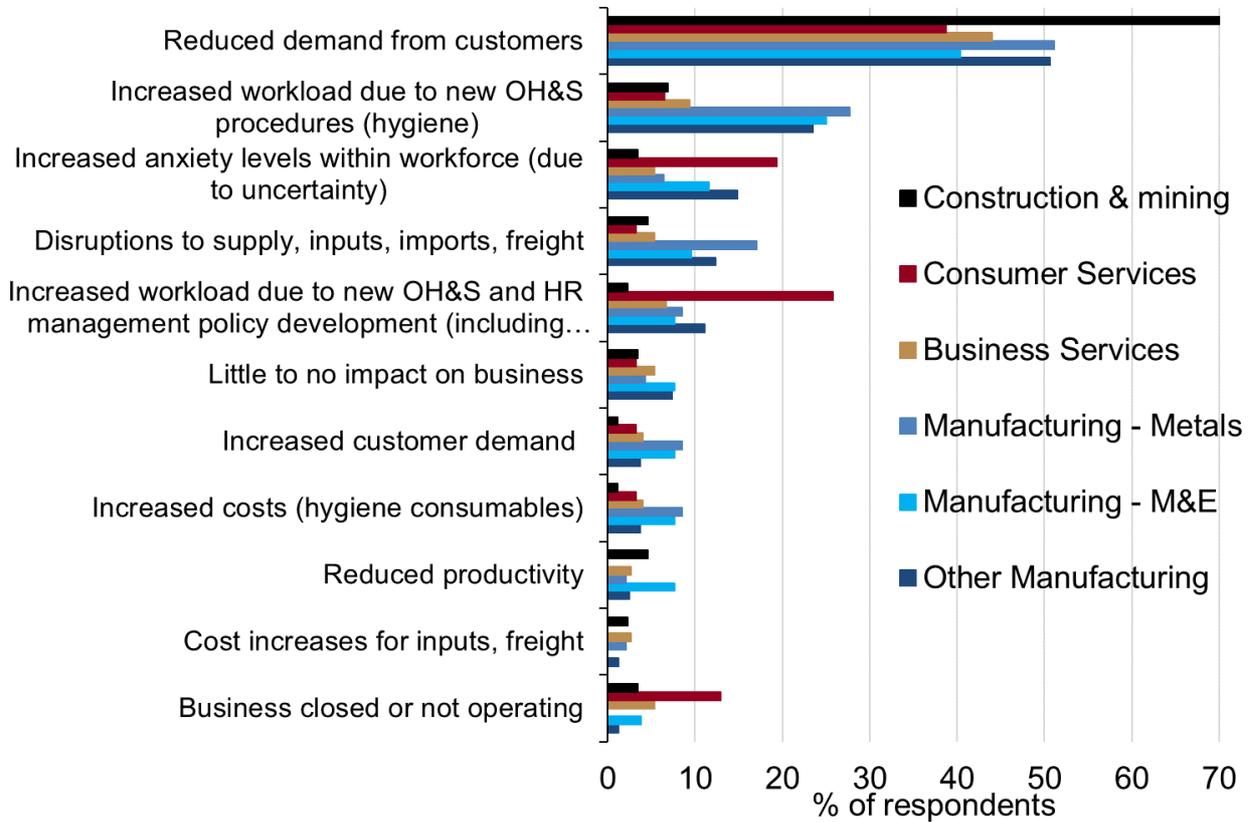


Chart 1.2: What is the impact of COVID-19 on your workplace or business so far?
Reponses by broad industry sector (total responses in all months, March to May 2020)



2. What has been your response?

The changes that businesses have made to adjust to conditions in March, April and May reflect a shift from uncertainty to endurance. In March, several respondents reported being unsure if they could continue trading. There was some confusion about the definition of 'essential business' and heightened concern about which 'non-essential' businesses would be allowed to keep operating.

In March almost two-thirds of businesses (63%) quickly moved to enable their staff to work from home wherever possible. In April, 44% nominated it as being a continued response and it was still a topical issue for 26% in May.

Another common initial action from businesses in March was to increase their communication, both internally and to customers and suppliers. This was a strategy for 19% of businesses when uncertainty was a key feature of the pandemic. The emphasis on additional internal communications decreased in April (9% of businesses) and May (6% of businesses).

In April the focus of business responses switched to managing their labour costs, with cuts to staff working hours and/or staff numbers being reported by higher proportions of businesses than in March. Shorter and fewer shifts, annual leave and long service leave were all utilised to reduce the number of hours employees worked for 16% of respondents in March, 38% in April and 30% in May. The introduction of the JobKeeper policy in mid-April, and confirmation of eligibility of businesses and employees in May, went some way to maintain employment hours which would have otherwise been cut. In May, 20% of respondents noted that JobKeeper was instrumental in maintaining income for their employees.

Table 2.1: What has been your response?

What has been your response?	Mar	Apr	May
% of businesses who reported (multiple answers possible for each business)	%	%	%
Staff work at home	63	44	26
Increased communication	19	9	6
Reduced staff working hours	16	38	30
Reduced staff numbers	13	23	14
Changed shifts or processes to accommodate social distancing	8	5	32
JobKeeper income for employees	0	0	20
Changed site to accommodate distancing	3	0	13
Reduce staff pay (bonuses or salary)	3	3	2
Reduced costs other than wages	0	6	5

Changing shifts or business processes was a top consideration for 8% of businesses in March. This fell to 5% in April but jumped significantly to be the main focus for 32% of businesses in May. By May, businesses were adjusting their overall processes in response to: health and safety information; relaxed OH&S and physical distancing requirements; a deeper understanding of the impact of COVID-19 on the population; and a shift to the 'new normal' of social distancing.

Changing the workplace site in line with social distancing rules was noted as a response by 3% of respondents in March, no respondents in April and 13% in May. In line with changes to accommodate social distancing, businesses moved equipment and workstations further apart as well as introducing physical partitions and separators on their sites.

A very small proportion of businesses reported that they were reducing staff pay in response to COVID-19, in the form of lower bonuses, salary levels or other reductions (3% in March, 3% in April, 2% in May). More businesses looked at decreasing costs other than wages from April (0% in March, 6% in April, 5% in May) and/or to vary payment terms to suppliers or from customers.

Some businesses endeavoured to find new suppliers or customers, move to an online offering, sell new or different goods and services or increase their innovation. Others have used it as an opportunity to improve something in the business for which they previously did not have time or resources. The minority of businesses who had experienced an increase in demand across the three months of the pandemic increased their staff working hours and/or recruited additional staff.

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

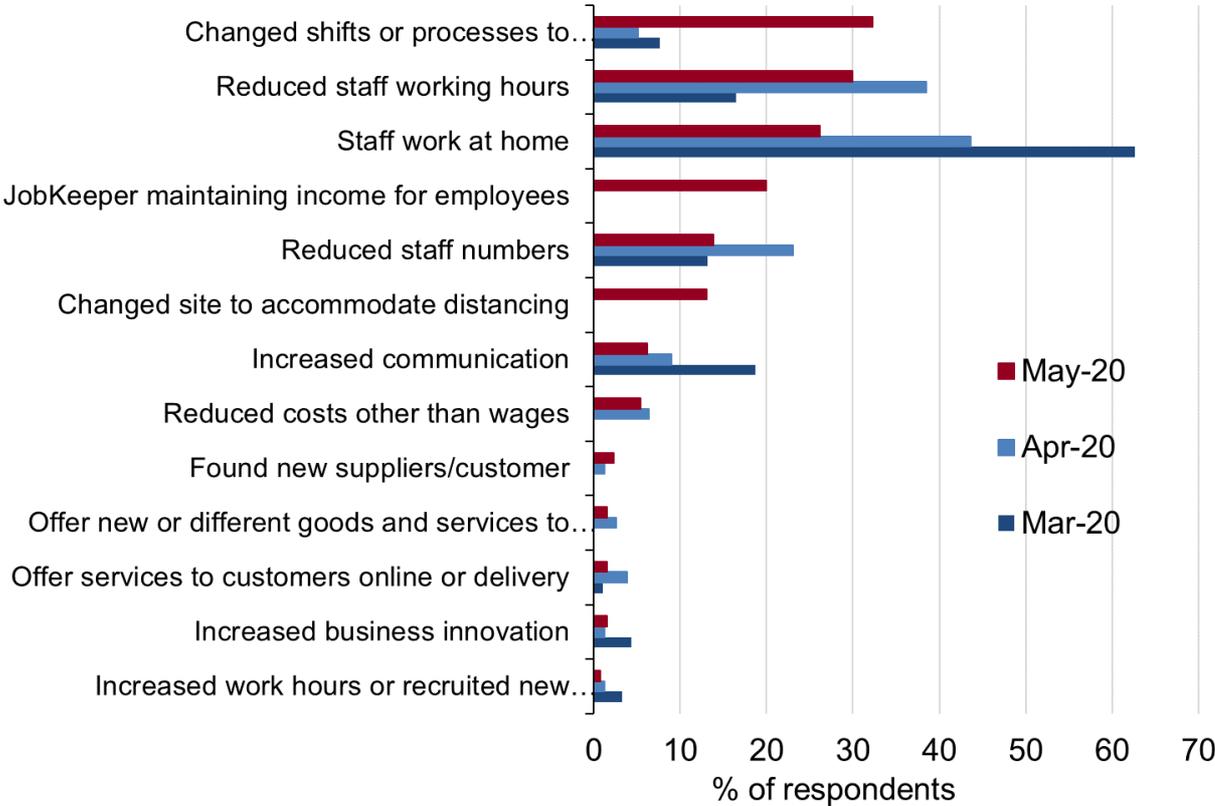
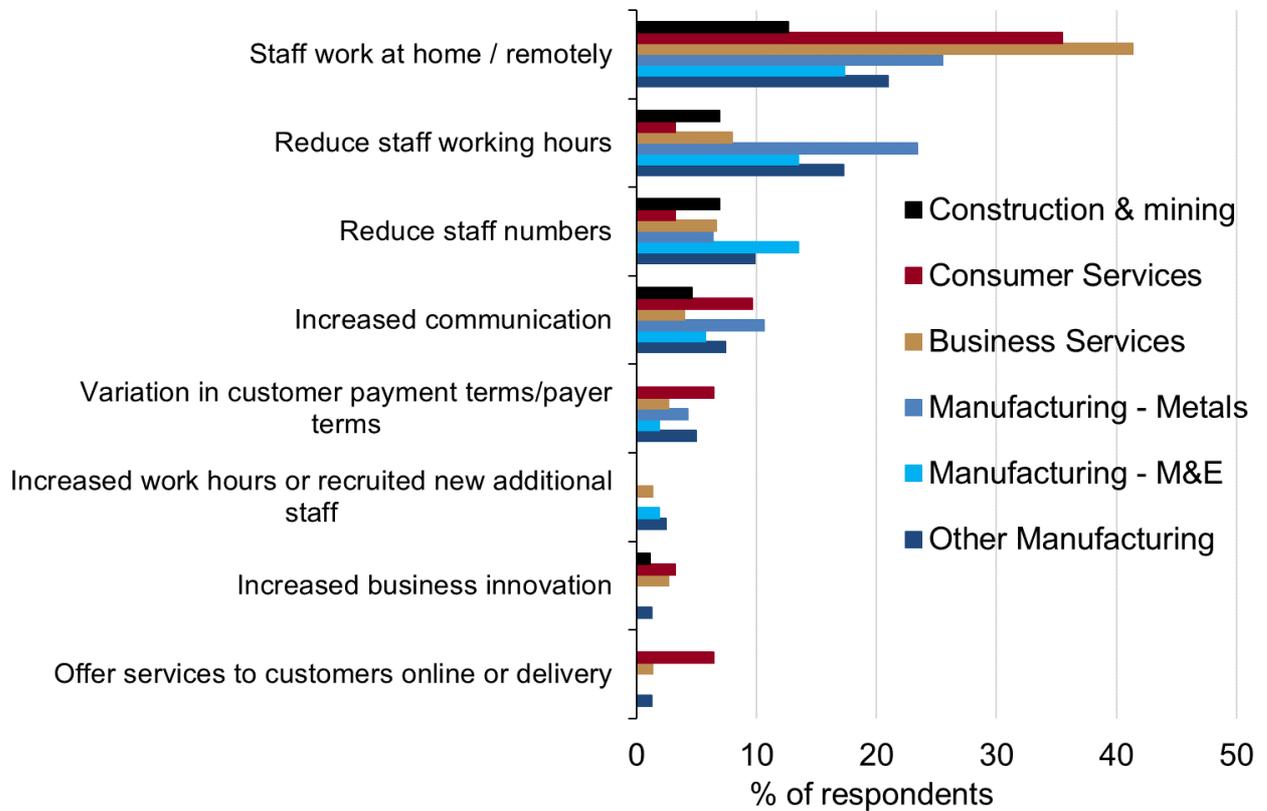


Chart 2.2: What has been your response?
Reponses by broad industry sector
(total responses in all months, March to May 2020)



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

Ai Group asked businesses what would help them manage their response to the COVID-19 pandemic. Across the three months more than a third of businesses told us financial assistance was their most pressing need (38% in March, 50% in April and 36% in May). This included government assistance such as stimulus payments, grants, suspension of payroll tax and wage subsidies. When JobKeeper was announced in April there was widespread support for the program but also uncertainty about the eligibility criteria.

Aside from Government financial assistance, numerous businesses also called for rent holidays, rent reductions, suspension of utility charges, bank loan freezes and low-cost loans.

Uncertainty was a predominant topic across the responses Ai Group received in March. Clear and certain rules and more information were the most commonly nominated types of assistance for businesses to navigate Australia's rapidly changing conditions in the first month of the pandemic. Certainty about regulation was the most important type of assistance requested in March (60% of businesses), but this dropped dramatically in April (15%) and May (16%). Major concerns for business operators in March included:

- not knowing which restrictions would be necessary to contain the pandemic;
- the level of illness in the population and the impact that would have; and
- different announcements across local, state and federal governments.

58% of businesses also wanted 'more information' about:

- the coronavirus itself;
- how individuals and workplaces should respond;
- how best to contain the virus; and
- where to get the best information to help businesses during this time.

Several businesses required help with employee assistance in March but this dropped off in subsequent months, as did requests from a small number of businesses for 'improved access to PPE and hygiene products' and 'assistance with imports, exports, logistics and freight'.

From April, Australia's success in containing the virus was already becoming apparent. Respondents stated more frequently that business would improve when restrictions were eased and there was a return to more normal trading conditions (39% in April and 32% in May).

By May, businesses were thinking more keenly about the shape of the future recovery. Indeed, 17% of businesses nominated various types of infrastructure investment as a

key driver for business recovery in May, where it had not been mentioned directly at all in March and April. This represents a very different type of assistance to direct financial supports; this is a call for investment in infrastructure construction and other large projects to stimulate demand for products and services from the manufacturing, construction and services industries.

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

What would help manage your business response to COVID-19?	Mar	Apr	May
% of businesses (multiple answers possible for each business)	%	%	%
Clear and certain rules	60	15	16
More information	58	11	8
Financial assistance	38	50	36
Easing of restrictions/return to normal trading	3	39	32
Infrastructure investment	0	0	17

Chart 3.1: What would help you manage your business response to COVID-19?
Responses by month, March to May 2020

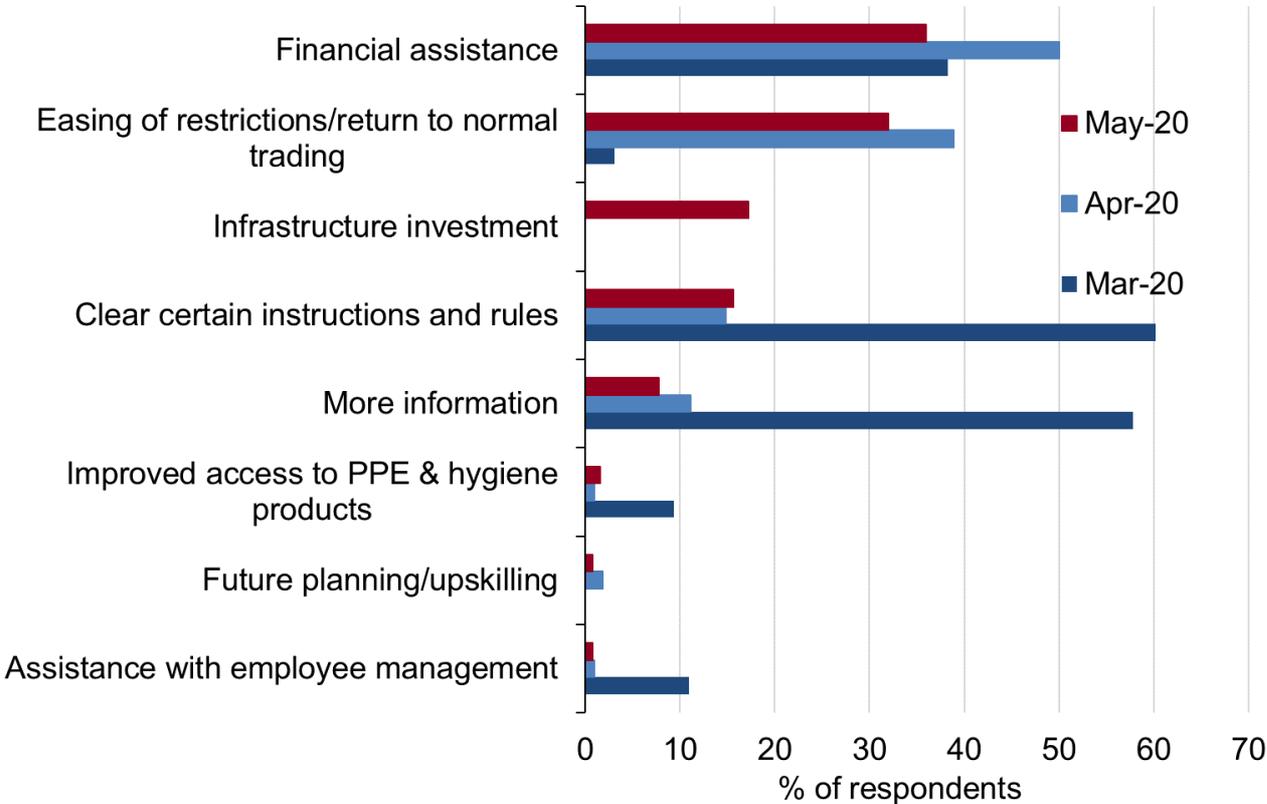
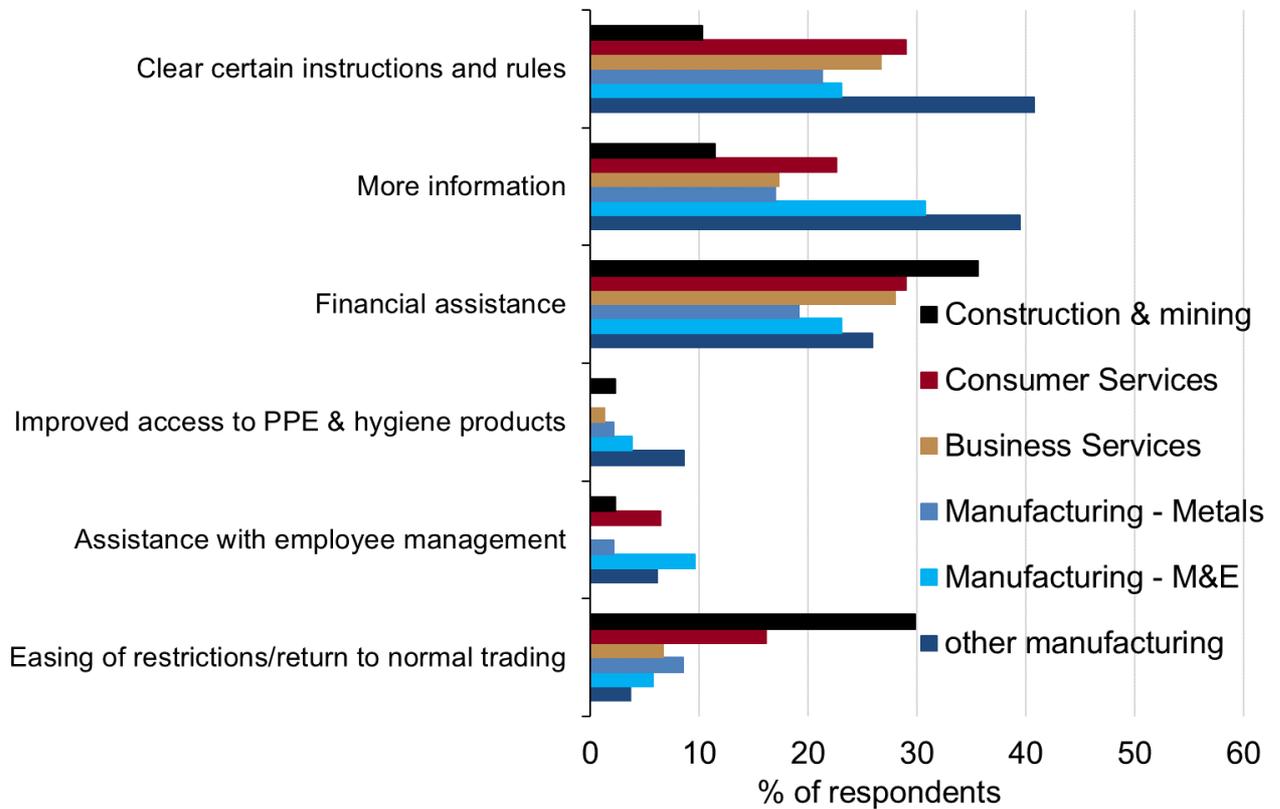


Chart 3.2: What would help you manage your business response to COVID-19?

Reponses by broad industry sector
(total responses in all months, March to May 2020)



4. Business responses, by month, industry and state

In total, Ai Group has received detailed feedback from 633 businesses about their experiences of the COVID-19 pandemic to date. The composition of these reports from business are shown in the table below, by month, industry and state.

These business reports should not be interpreted as a representative sample 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. Some businesses offered feedback in each of the three months while others reported their experiences in detail only once or twice.

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

Industry (% of participants)	Mar	Apr	May	Total
Business services	25.4	15.3	16.2	18.5
Consumer services	13.0	4.1	6.9	7.7
Manufacturing other than machinery and metals	29.9	14.3	17.3	19.9
Manufacturing - machinery & equipment	15.3	12.8	15.4	14.5
Manufacturing - metal products	11.3	13.8	16.5	14.2
Construction & mining services	5.1	39.8	27.7	25.1
State (% of participants)				
NSW	32.8	27.6	35.4	32.2
VIC	40.1	33.2	31.9	34.6
QLD	19.2	18.9	13.8	16.9
Other states	7.9	20.4	18.8	16.3
TOTAL (number)	177	196	260	633

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



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