

EMBARGOED UNTIL 12:01AM ON 20 APRIL 2020

Working together in the national interest – COVID-19 next steps

Business Council of Australia

20 April 2020

Working together in the national interest – COVID-19 next steps

Business Council of Australia

This paper and supporting analysis has been completed in conjunction with Port Jackson Partners and EY

Purpose of this paper

Australia has been highly successful at managing the COVID-19 pandemic's impact on local health outcomes.

The next set of considerations for governments is how restrictions can be carefully lifted to allow a phased, risk-based return to greater freedom for normal day to day personal and business activity. That's why the Business Council welcomes that the National Cabinet has started to map out the road ahead.

The business community stands ready to step-up and stand side by side with state and federal governments to safely re-open the economy and to provide and promote safe workplaces for employees, customers, and suppliers.

We propose a risk management approach. This can be achieved by lifting restrictions on activities and locations by setting best practice workplace health and safety standards, aggressively pursuing mass testing and the adoption of opt-in technology to assist with tracing and tracking outbreaks of the virus.

The critical elements of the strategy include:

1. Keeping employees, customers, and suppliers safe – enhanced workplace safety standards.
2. Rebuilding confidence – partnership between governments and industry.
3. Economic support must transition from 'life-support' to 'acceleration'.

We have been successful

Decisions by governments – supported by the choices of individuals and businesses – to introduce and embrace social distancing measures have been highly effective. Numbers of cases and deaths in Australia remain modest compared to other countries, and rates of community transmission appear to be low.

Based on all available public data it appears Australia will manage the virus burden with the expanded capacity of our health system. It is also becoming increasingly clear that continued

management of the overall health situation will require sustained, rapid and localised responses to inevitable outbreaks.

The containment strategy to date has – necessarily and appropriately – been a blunt instrument. With limited numbers of tests, delays to results, and large gaps in our understanding of the virus itself, it has been appropriate and necessary to introduce blanket restrictions.

The enormous social, economic and fiscal costs have already been significant, albeit unavoidable:

- The consequences of social distancing, including mental health impacts, increased domestic violence, concerns about lost time in school for children, poorer educational outcomes, and loss of connection from the labour market of the vulnerable and young adults.
- The personal and emotional cost to individuals unable to attend funerals of family members, to visit sick relatives or celebrate major life milestones together.
- Estimated increased unemployment and underemployment is in the range of 1.8 million to 2.3 million people (14-18 per cent of workforce), before the mitigating impact of government assistance. Australian Treasury estimates a 10 per centage point increase in the official unemployment rate, reducing to a 5 per centage point increase after JobKeeper assistance.
- Output loss is estimated at approximately \$300 billion gross value add (GVA)¹ in calendar year 2020 (15-20 per cent contraction) in raw terms though partly ameliorated by unprecedented necessary government intervention.
- The cost of that intervention to taxpayers is already estimated at \$320 billion.

Right now, we have an opportunity to determine how to best manage the virus and its impacts on our society and economy.

Health, social and economic outcomes need to be achieved together

Many debates, here and in other countries, have framed choices as a simplistic direct trade-off between better health outcomes (tighter restrictions) and better economic outcomes (more relaxed restrictions).

Australia is in the enviable position where this is no longer a direct trade-off. We have the opportunity to maintain or even improve our ability to control transmission of the virus, while allowing much more freedom for normal day-to-day personal and business activity. Our next steps need to simultaneously meet four objectives:

1. Continue to manage the virus so our health system does not become overwhelmed.
2. Restore Australian civil liberties.
3. Promote increased economic activity.
4. Build confidence within the community.

¹ Gross Value Add – a measure of total economic activity, equivalent to GDP after adjusting for taxes and subsidies

Without confidence in the approach, the social and economic benefits of relaxing some restrictions won't be realised – people will continue an overly cautious level of social distancing out of fear, and demand for goods and services will not recover.

We see three critical elements to such a strategy.

1. Keeping employees, customers, and suppliers safe – enhanced workplace safety standards

Keeping Australians, the workforce, customers and suppliers safe is in everyone's interests.

As the Federal Government has acknowledged, we must move away from the idea of restrictions being applied or relaxed to entire sectors. Instead of a blanket approach, a more nuanced strategy that manages specific low-risk activities is needed. This can be achieved through agreed protocols that boost confidence in the re-opening of the economy.

As well as activity-based release, this should apply to regions, particularly in areas where there has been minimal detection of the virus.

By targeting standards and protocols for specific activities and locations, low-risk activity could restart while maintaining sufficient controls to manage the virus.

Business is determined to develop and put in place best practice standards. Indeed, many industries and businesses already have these standards in place, which include enforcing social distancing protocols, hygiene practices and gradual and rotating return of the workforce.

With over 50 per cent of workers employed in jobs with high people contact and on-site requirements, recovery requires development and implementation of standards to support safe operation in these sectors. **(Chart 1)**

As part of a broad partnership with governments, businesses are well placed to lead on continuing to develop and enforce standards that safely control their environment, allowing them to re-open and operate while minimising transmission risks. Many businesses, like grocery retailers and mining sites, have already taken the lead on this but much more can be done.

The exact arrangements will vary activity to activity, but will likely include:

- gradual return to work for office-based employees through the rotation of teams
- social distancing, PPE and protective measures (these are already in place in many premises and for many activities)
- frequent testing of staff (including strategies such as pooled and random testing)
- rigorous plans to manage the detection of a case in the workforce or in customers, including strict adherence to the current requirement to self-isolate if unwell, and
- consideration of interoperable opt-in technology to manage transmission risks on business premises.

The role of technology: opt-in mobile phone app

An opt-in mobile phone app is a crucial part of a range of measures. Its widespread adoption has the potential to greatly assist employers to keep their employees, customers and suppliers safe. Its utility must be broader than tracking and tracing, providing the capacity for employers and other organisations to safely manage workplaces and public places.

There will be legitimate concerns about the privacy implications and it is essential these are actively addressed from the outset so these concerns do not inhibit adoption. However, widespread adoption would lead to a collectively safer community and a faster easing of restrictions which benefits everyone.

To strike this balance, the model must be opt-in – citizens must make an active choice to participate in the scheme, with the potential for participation to lead to easier access to goods and services and a faster return of civil liberties. There must also be appropriate and stringent privacy safeguards, as well as a crystal-clear sunset provision built into all data arrangements.

Governments need to adopt specific safeguards in relation to data capture and usage and put in place an independent governance model. For example:

Characteristics

- Voluntary / opt-in
- Captures and shares minimal data
- Provides a simple classification of infection status, eg red, amber, green to allow easy identification of risk status
- Risk status results in relevant advice to get tested or isolate

Governance

- Independent governing body of qualified and trusted Australians
- Robust and transparent operating standards and privacy safeguards
- Governments and business must work together to promote the value of the app and ensure it is community driven

In order to achieve significant public uptake and use of the app the Australian community must see value in it – that is, it allows for more activities to be undertaken. This will require a community driven push that recognises the role and value of the app in conjunction with industry standards and widespread testing.

Standards based on activity-specific or location-based combinations of such protocols already exist across many businesses and sectors. Such a standards-based approach will make it easier for businesses, the community and governments to have confidence that appropriate measures are being used without having to assess individual premises and activities.

It is essential for governments and industry to work together to promote these standards and build community confidence that it is safe to return to work and get on with their lives.

2. Rebuilding confidence – partnership between governments and industry

Access to more information and data will inform ongoing management and promote confidence

Governments, business and non-government organisations all have a role to play in rebuilding confidence and agreeing on best practice protocols. However, success will depend on government taking critical enabling action, including:

1. Working pro-actively with industry to promote best practice work safe standards
2. Substantially scaling up the quantity of quality-assured and certified virus testing available, minimising turnaround times, and enabling approved businesses to collect samples and/or perform tests of their workforce and/or customers and reporting results. This will require governments to work with industry to develop testing protocols.

This large-scale, close to real-time data collected in a centralised, standardised way will be crucial to enable risk-based approaches. This should include voluntary testing and randomised community testing to both improve both the understanding of virus dynamics and community confidence.

3. Considering interoperable opt-in technology and other tools to enable the new social distancing protocols to be implemented in the community, including making the personalised testing data available to opt-in personal risk monitoring services where stringent controls and safeguards over privacy and data management have been demonstrated.
4. Preparing for and managing isolated outbreaks. Even under the current restrictions 'hotspots' of new cases will occur. Preparing for their management, including rapid contact tracing to shutdown transmission chains and re-examination of whether operating protocols are sufficient is essential. This is particularly relevant for vulnerable Australians – their welfare and safety must remain a priority.
5. Informing the community about the strategy and its effectiveness.

The combined objective of these actions is to carefully lift restrictions, manage health outcomes and build community confidence. Providing the safest possible workplaces and community infrastructure, guided by the best possible standards based on robust and complete data will be key to allow a staged return to normal life.

Other restrictions such as limits on numbers of people gathering in the absence of appropriate transmission management protocols, or additional constraints on vulnerable groups of the population (elderly people in care homes; those with significant co-morbidities etc.) need to be managed by governments.

3. Economic support must transition from 'life-support' to 'acceleration'

Preventing collapse will not be enough to re-start social and economic life

The unprecedented action by governments to support employment and employers has been necessary and welcome. It is, however, 'life-support'.

While recognising the extraordinary fiscal burden current interventions entail, governments will need to act in different ways to stimulate and accelerate demand, or face a long, anaemic recovery. More work will need to be done to develop the highest impact, lowest cost ways to achieve this.

In the short to medium term the focus must be on regulatory relief and reform. Governments have been working closely with industry over recent weeks to remove regulatory burdens and unnecessary red tape. This must continue as we transition into the stimulus or acceleration of demand phase. Removing barriers to industry commencing major employment-based projects together with employment coordination – such as through the Business Council’s labour market demand portal – will be essential to accelerate Australia’s economic recovery.

If we do not succeed, the social and economic cost is enormous

We will need to live with and manage this virus until an effective vaccine is available. While it is possible that a treatment is found it cannot be banked on.

However, maintaining current levels of restrictions for months will have serious and long-lasting consequences on a range of fronts. **(Chart 2)** The data below is ultimately about the quality of peoples’ lives:

- social impacts – on mental health, child protection, domestic violence rates will continue to escalate
- significant numbers of people will become disconnected from the labour force, with long-term social and economic costs – this is particularly the case for vulnerable Australians **(Chart 3)**
- children will miss a substantial portion of educational development, both through school closure periods and potentially higher dropout rates, both of which are likely to disproportionately affect disadvantaged communities
- direct economic costs will continue – up to 2.3 million people unemployed, underemployed or supported by government assistance and GVA remains 20-25 per cent down from pre-COVID-19 forecasts per quarter
- even larger second-order costs will begin to accelerate – increasing numbers of businesses will fail, never to re-open, organisational capital may be lost and there may be a drag on future innovation, and
- these costs will begin to be felt in sectors that are currently holding up with pre-existing work but are facing a pipeline that is drying up – for example, two thirds of architectural firms report projects cancelled or put on hold, and the New Construction Orders Index fell 22.5 per cent in March², signalling an impending decline in residential, apartment, commercial construction and engineering.

² Australian Industry Group/Housing Industry Association Australian Performance of Construction Index Report, March

The business community is ready to play a leading role in managing a careful, gradual release of restrictions that continues to protect our health. All of our interests are best served by working together. We all recognise that in the long run there can be no trade-off between health, social and economic recovery: our strategy must deliver on all fronts, or it will fail.

Finally, we must recognise this situation is unprecedented in modern times. We cannot let uncertainty prevent us from formulating and implementing the best response we can, and we must be ready to adapt our plan as we learn more. We must not fall into the trap of blaming each other for well-intentioned mistakes: this crisis requires us all to coordinate our best endeavours, not wait for others to act and then critique their efforts.

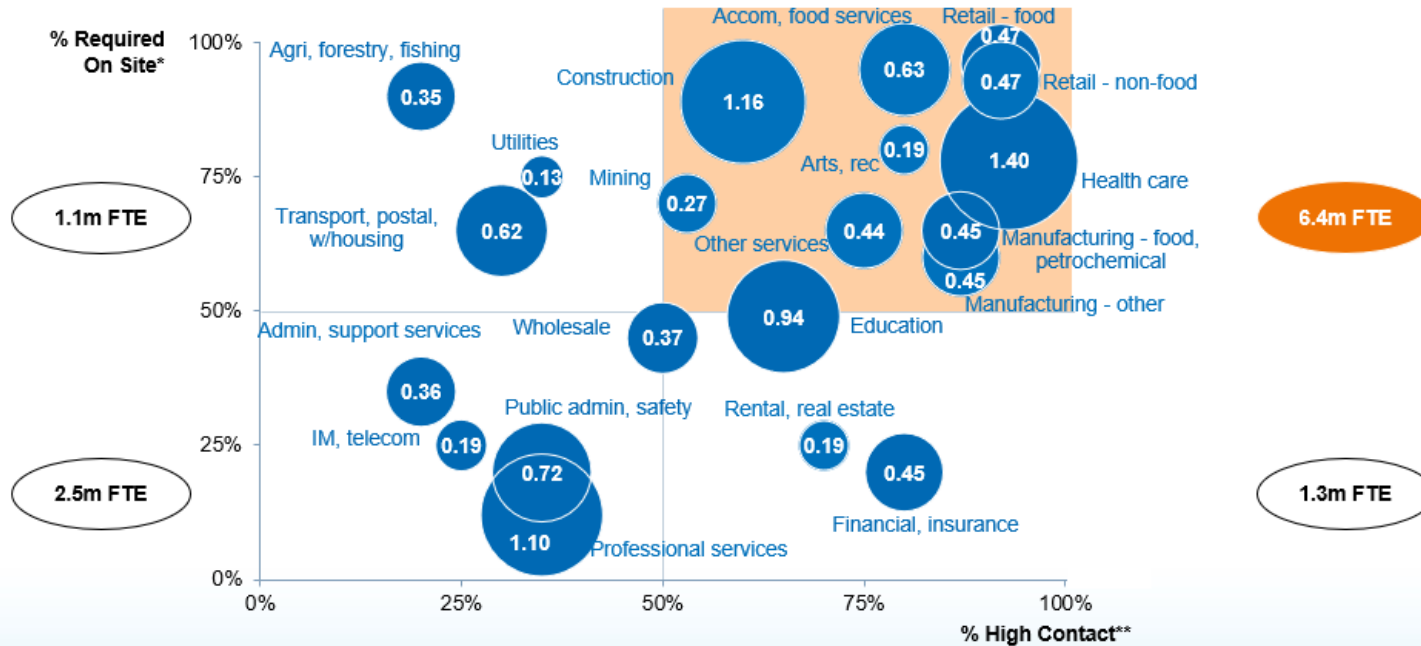
Success depends on working together in the national interest.

Chart 1

Over 50% of workers are employed in jobs with high people contact and on-site requirements. A fast-safe recovery requires development and implementation of standards to support safe operation in these sectors.

EMPLOYMENT BY INDUSTRY, FEB 2020

○ Bubble size: FTE (Millions)



* Percentage of employees unable to complete regular duties under a "work from home" requirement

** Percentage of employees regularly working within 1.5m of other people

Source: ABS 6291.0.55.003 Labour Force, Australia, Detailed, Quarterly, Feb 2019, Data Cube EQ12, Employed persons by Age and Industry division of main job (ANZSIC); ABS 8155.0 - Australian Industry, 2017-18, Data Cube Australian industry by subdivision; PJP analysis

Chart 2

However, the cost to society and government will increase disproportionately over time as highly impacted business fail, investment flows halt and export supply chains shrink

ECONOMIC AND SOCIAL COSTS OF ONGOING RESTRICTIONS

- Direct costs from loss of output grow in a linear way, for each day that businesses are not operating
- However, compounding second-order failures accelerate over time leading to much larger costs and slower recovery:
 - › **Business failures:** Loss of companies unable to sustain reduced activity levels
 - › **Unproductive restructures:** Loss of balance sheet position to sustain innovation and growth in recovery
 - › **Increased Government debt:** Reducing future fiscal power to buffer commodity price shocks, increasing the likelihood and severity of future recessions
 - › **Loss of export market share:** Activity loss for exporters will not rebound if competition has taken market share
 - › **Long-term unemployment:** Extended dislocation from employers will reduce workforce participation long-term
 - › **Reduced investment:** Shrinking medium-term pipeline and impacting investor confidence for longer-term
 - › **Reduced consumer confidence:** Longer delays place household balance sheets under strain and reduce confidence necessary for discretionary spending
 - › **Escalating restart costs:** Disruptions to supply chains, industrial processes that cannot easily be turned off/on, loss of intangible infrastructure

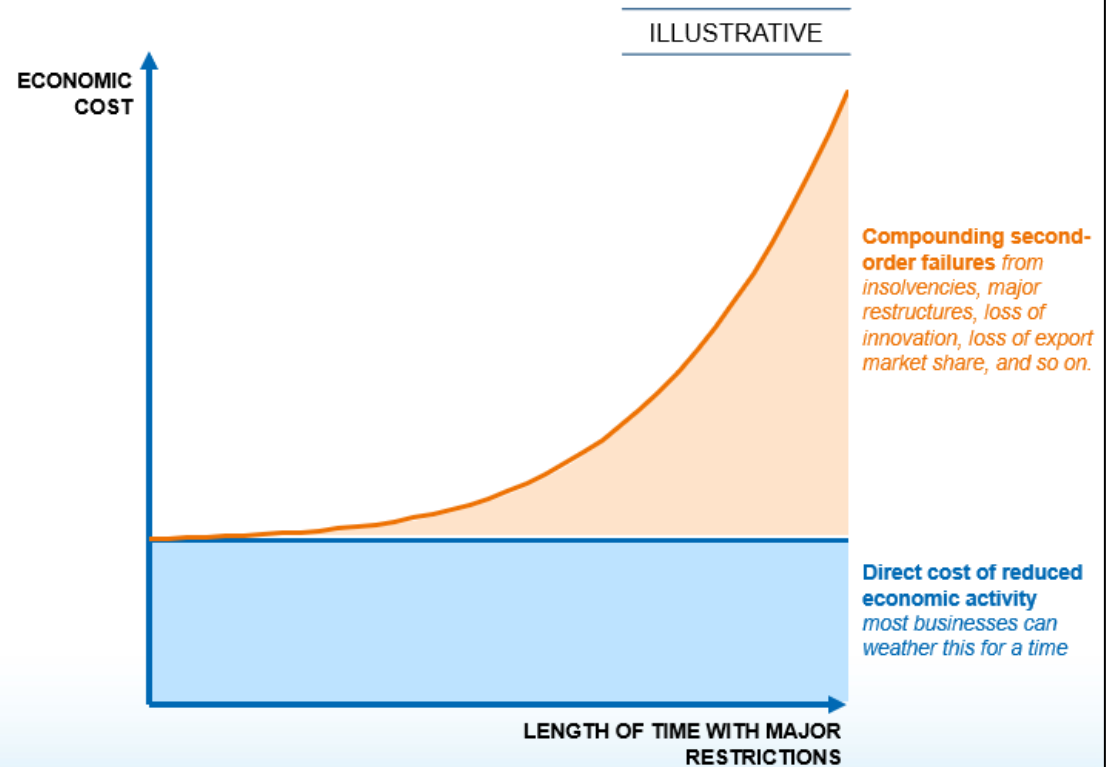
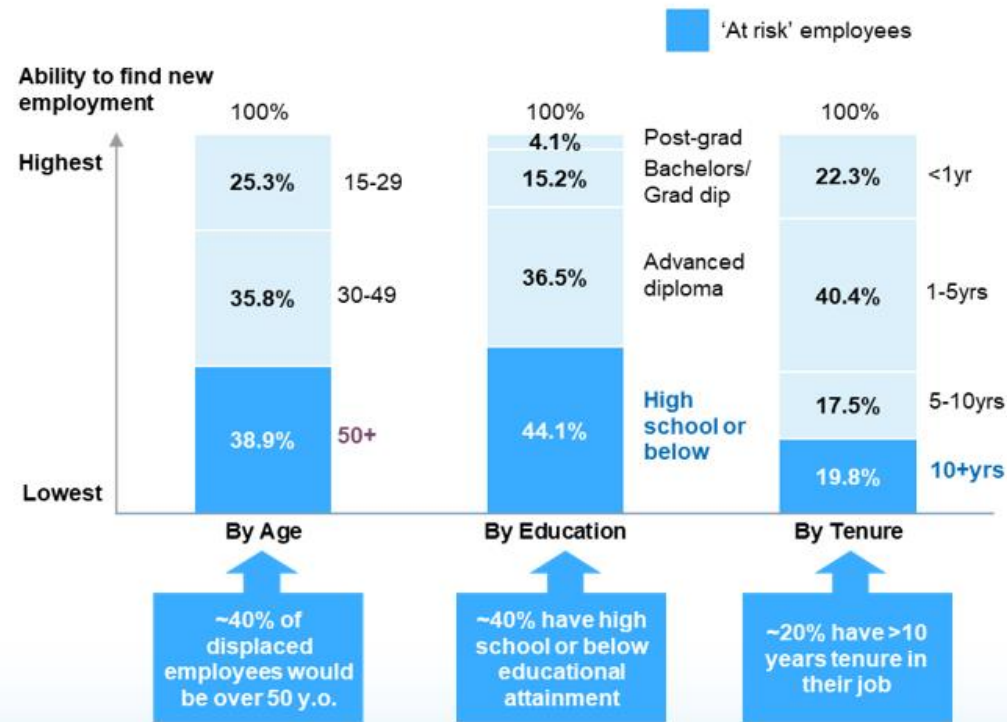


Chart 3

~40% of FTE losses from people with higher risk of long-term unemployment

COMPOSITION OF FTE LOSSES – CONSIDERING INDUSTRY DEMOGRAPHICS

Per cent



Source: ABS 6291.0 55.003 Employed persons by Age and Industry division of main job (ANZSIC), 6209.0 Labour Mobility, 6333 Characteristics of Employment, 6202.0 - Labour Force, Australia, Feb 2020; PJP Analysis