

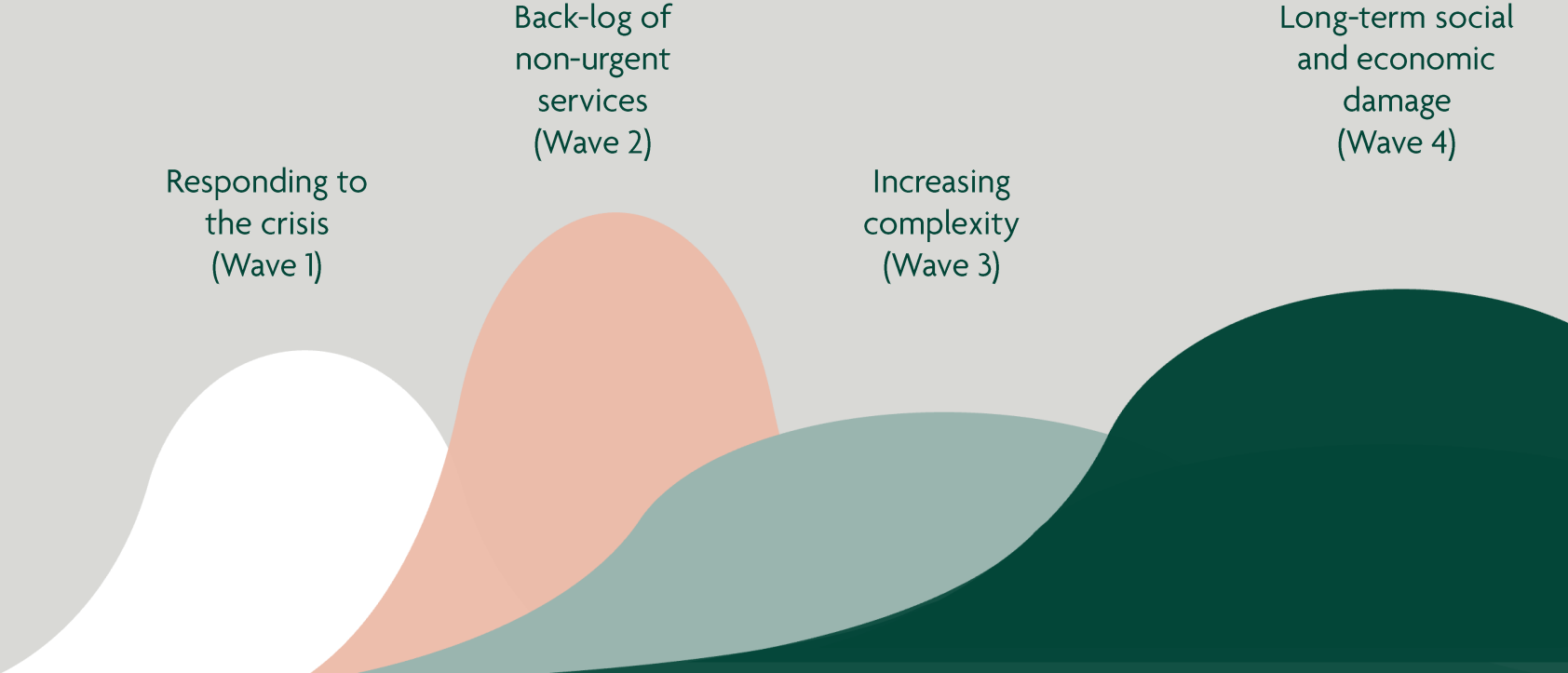
Response to recovery

Update on the waves of impact of the COVID-19 pandemic on Victoria

Tri-Peaks Project
March 2021



Recap: COVID-19 is causing not one crisis, but (at least) four



What now?



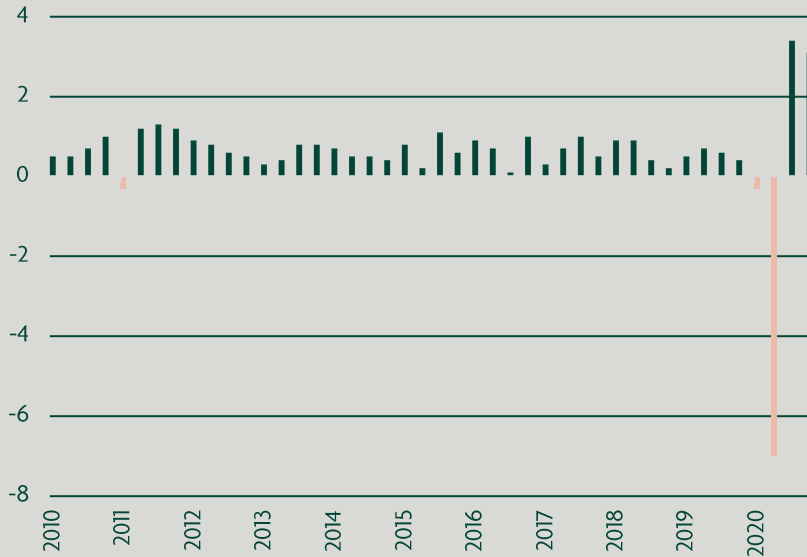
Reminder of the key points from last session

- This will be a historic recession
- It takes a long time to recover from recessions
- Employment takes even longer to recover
- Recessions change the shape of the economy (they don't return to normal)
- Recessions exacerbate underlying trends and vulnerabilities

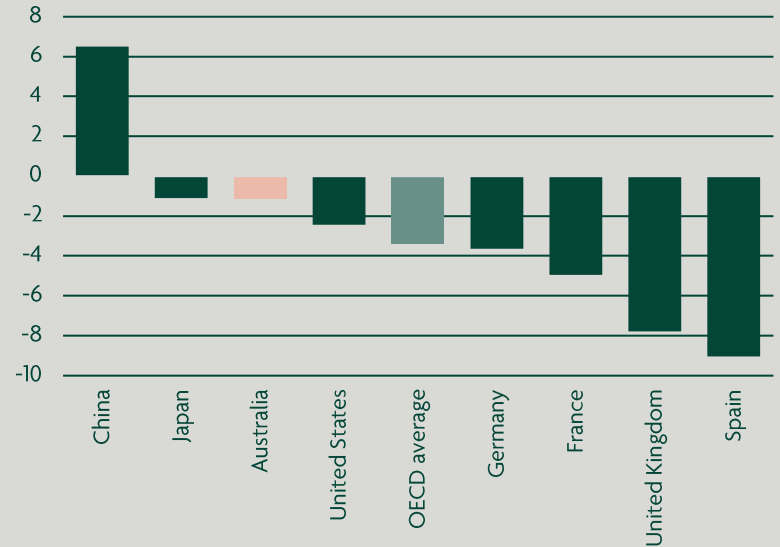
Australia's economy is rebounding...

Economic activity is much closer to pre-pandemic 'normal'

Quarterly change in GDP (%)



Change in GDP (%): December Quarter 2020 to 2019

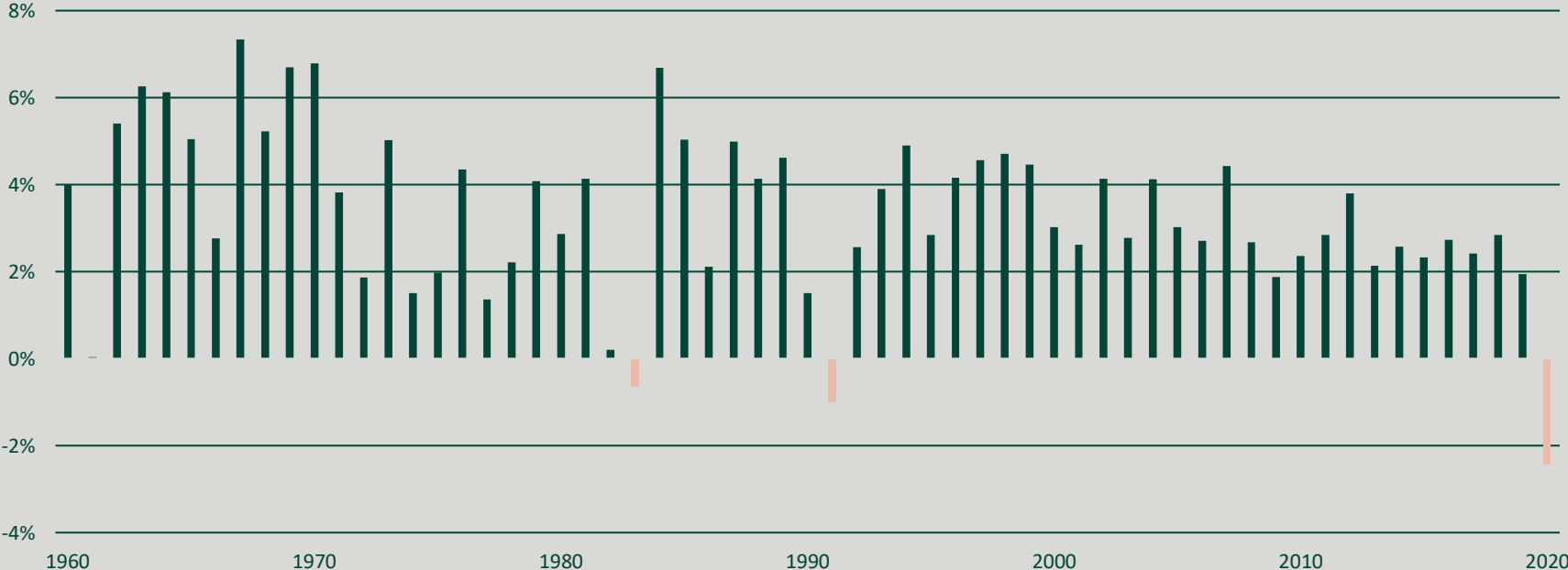


Source: ABS, National Accounts (February 2021); Cube analysis

... but 2020 was still an enormous economic contraction...

2020 saw the largest GDP drop in modern records

Annual GDP growth (%): 1960 to 2020

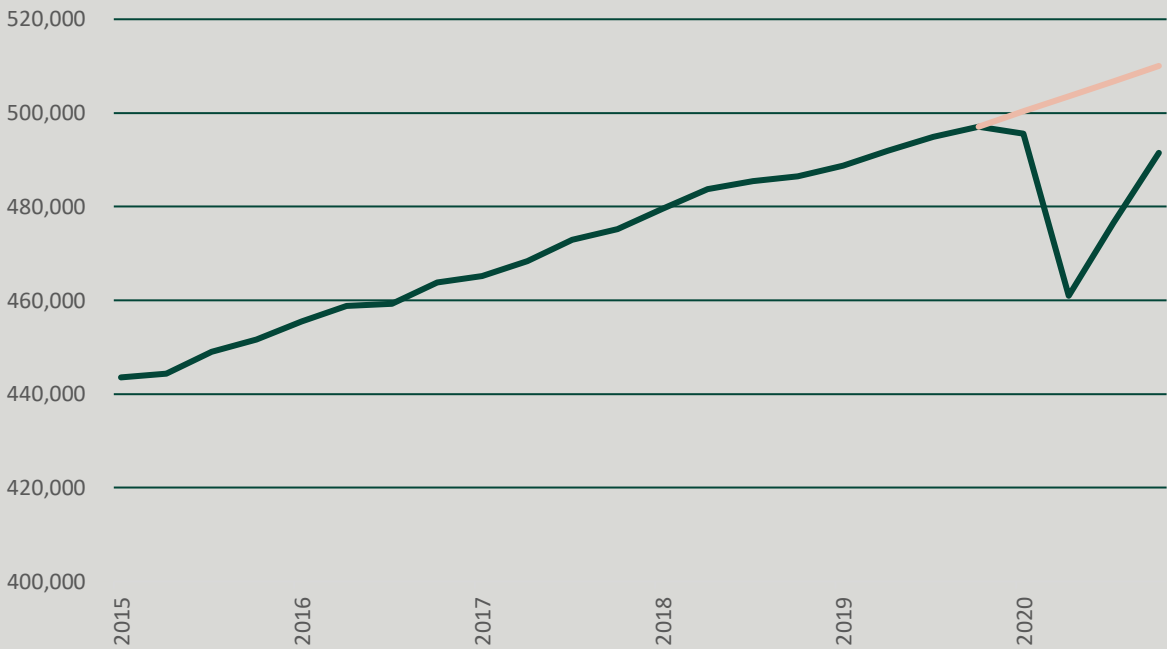


Source: ABS, National Accounts (February 2021); Cube analysis

... and represents an enormous cost.

Economic downturn has cost between \$48 - \$96 billion (2-4% of annual GDP)

Quarterly GDP (\$m): Actual and projected (based on 10-year trend)



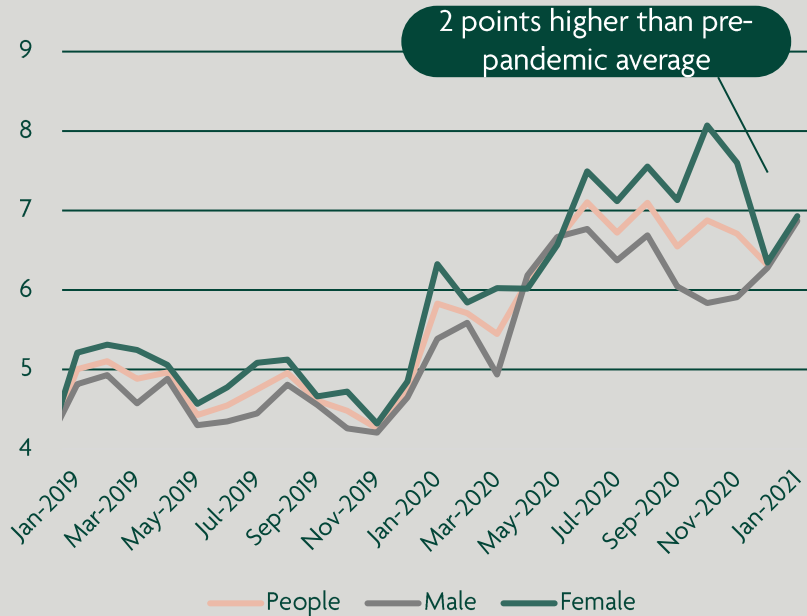
3.6% lower than historic trend

1.1% lower than this time one year ago

The recovery in employment is slower (it always is)...

High rates of unemployment persist

Unemployment rate (Victoria), by sex (%)

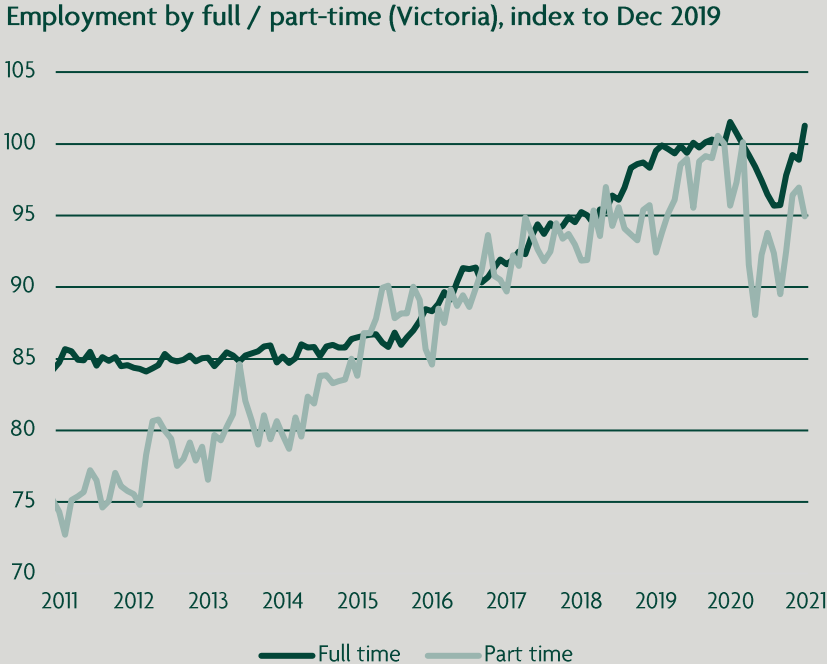


Unemployed persons (Victoria), by sex ('000)



... and the labour force is significantly under-utilised.

Under-employment is a bigger issue



Source: ABS. Labour Force (February 2021)

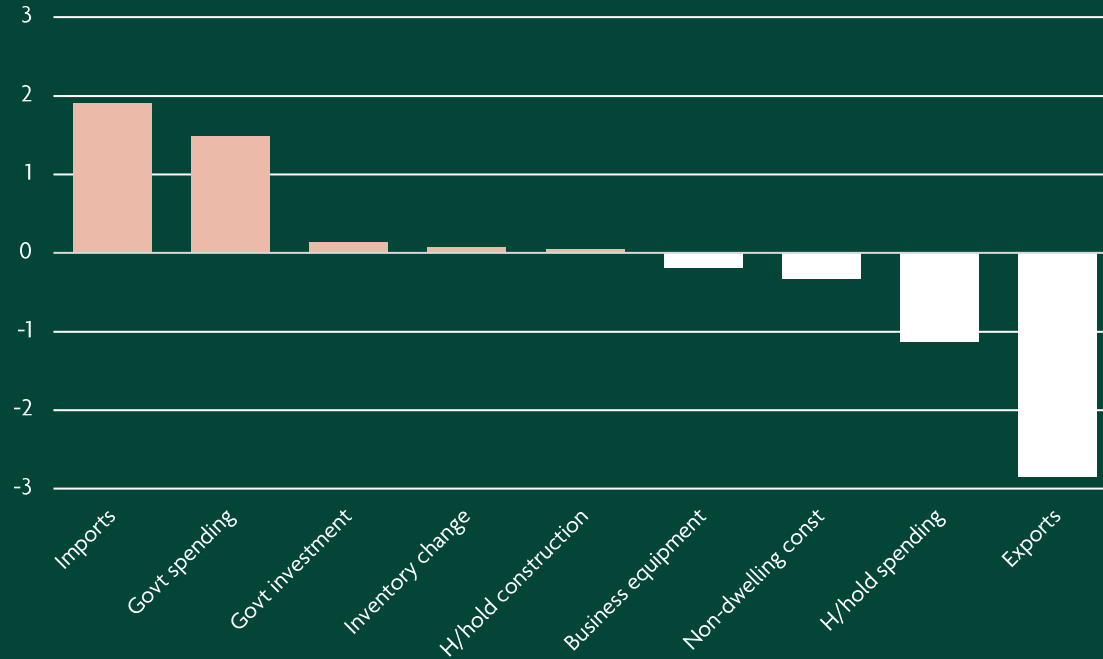
What next?



Is the economy in recovery... or on life support?

Government investment was the only source of growth in 2020

Contribution to GDP growth, 2020 (%)



**Commonwealth
Government stimulus**

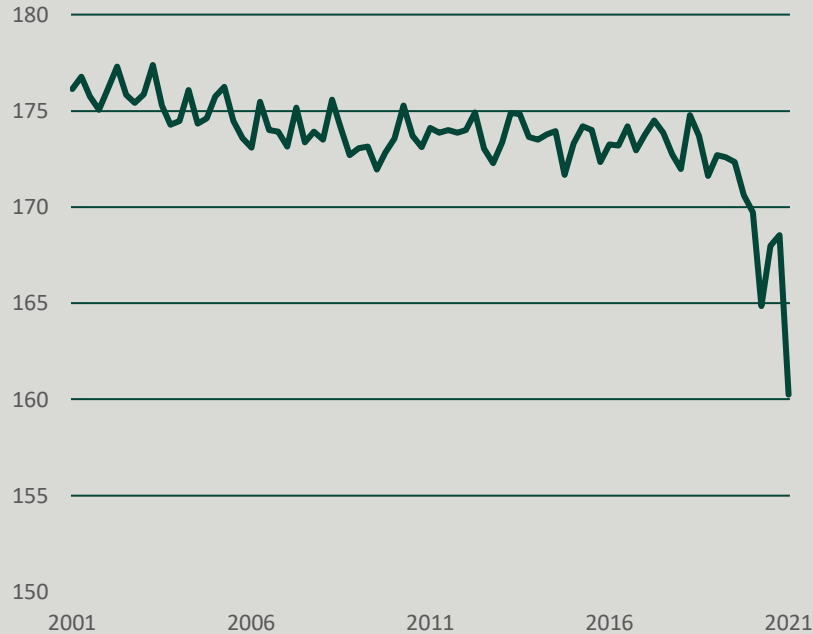
Global Financial Crisis
\$67 billion

COVID-19 response
\$507 billion

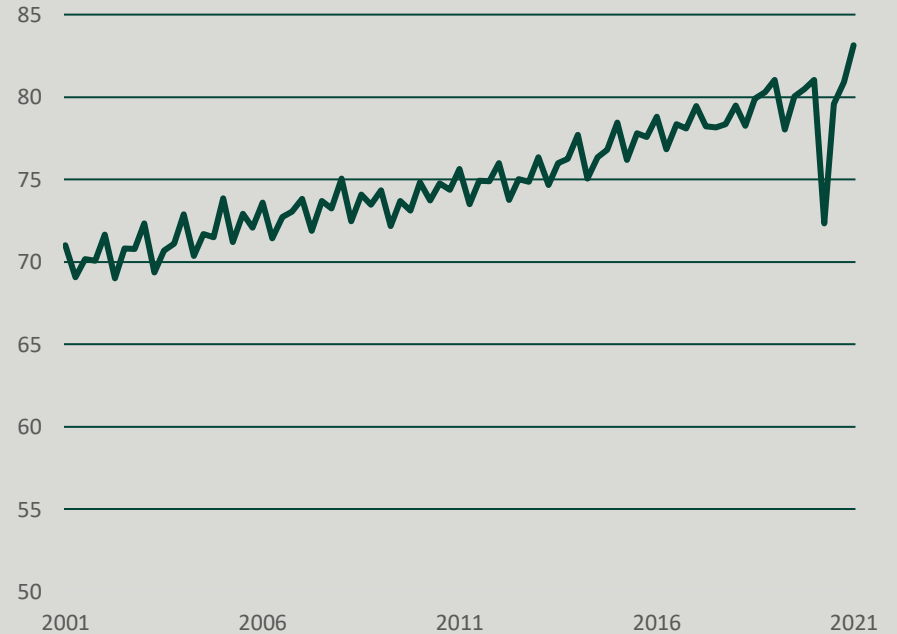
Is the economy in recovery... or on life support?

JobKeeper is likely sustaining many unsustainable full-time jobs

Average monthly hours worked by full-time employees (Australia)



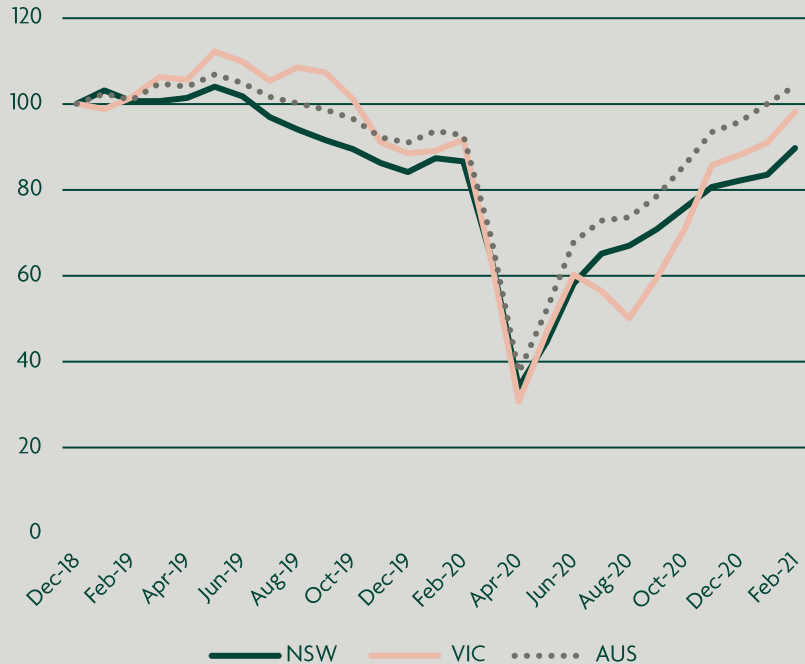
... by part-time employees



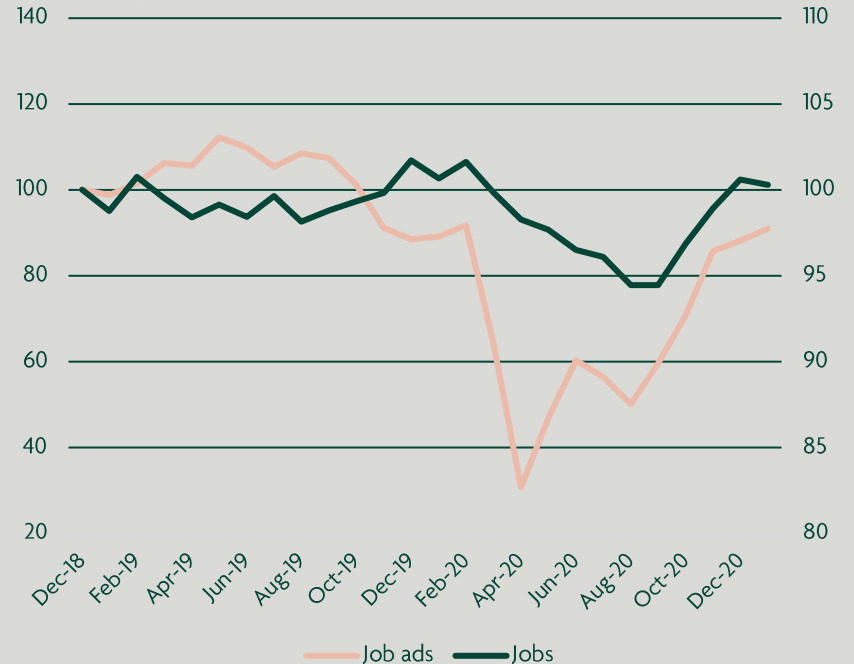
Is the economy in recovery... or on life support?

A lead indicator is lagging

Job advertisements on Seek (selected states): Index to Dec 2018



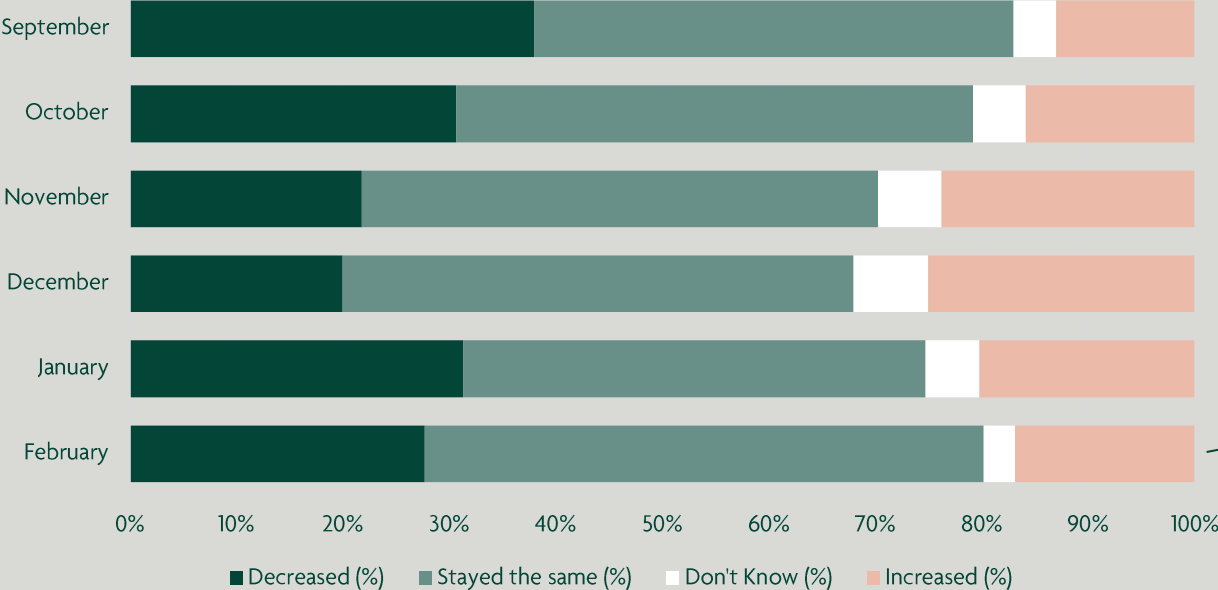
Jobs ads and jobs (Victoria): Index to Dec 2018



Is the economy in recovery... or on life support?

Most businesses don't think the situation is improving

Change in revenue from last month



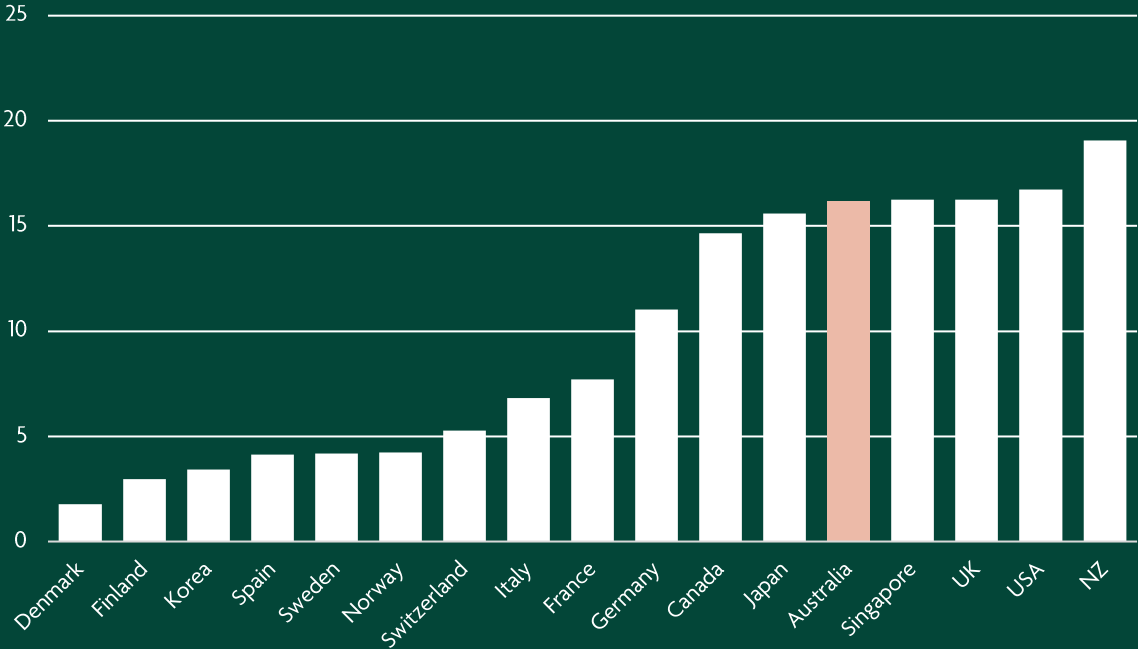
1 in 6 businesses report increasing income

Source: ABS. Business Conditions and Sentiments (February 2021)

An economy sustained by government spending

Australian governments are investing in stimulus more than many worse-hit countries

Additional government spending (% of GDP)



Commonwealth Government stimulus

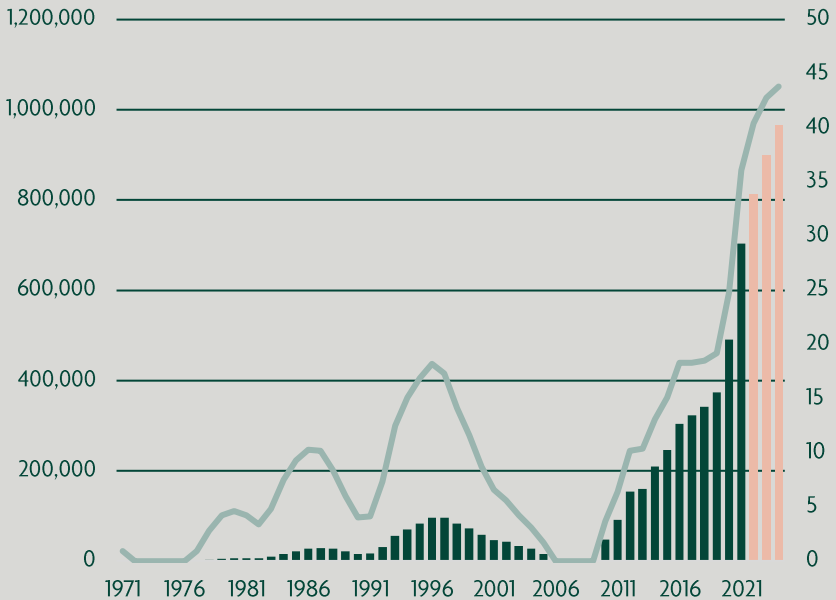
Global Financial Crisis
\$67 billion

COVID-19 response
\$507 billion

An economy sustained by government spending (cont.)

The cost will constrain governments for a long time to come

Commonwealth Government net debt, \$million and %GDP

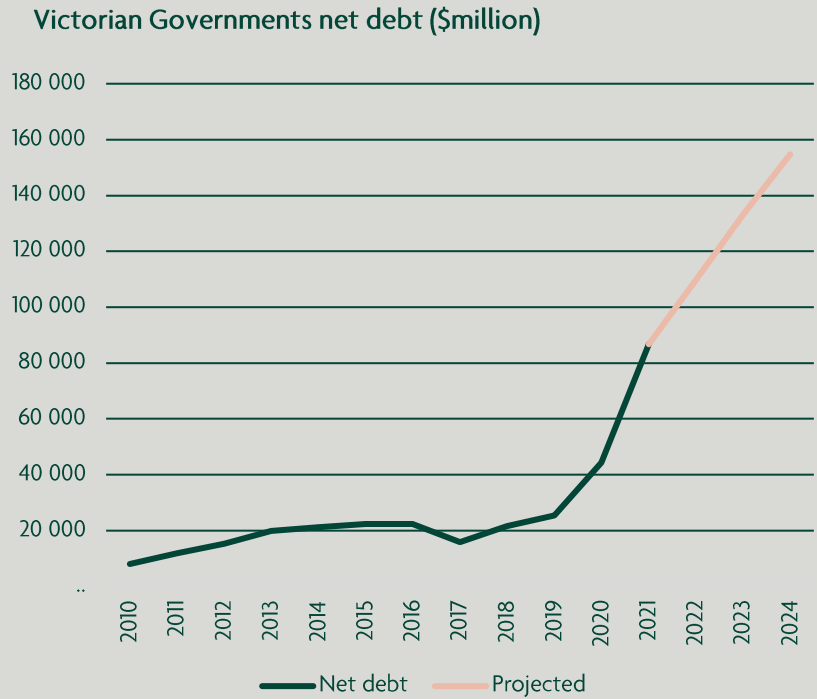
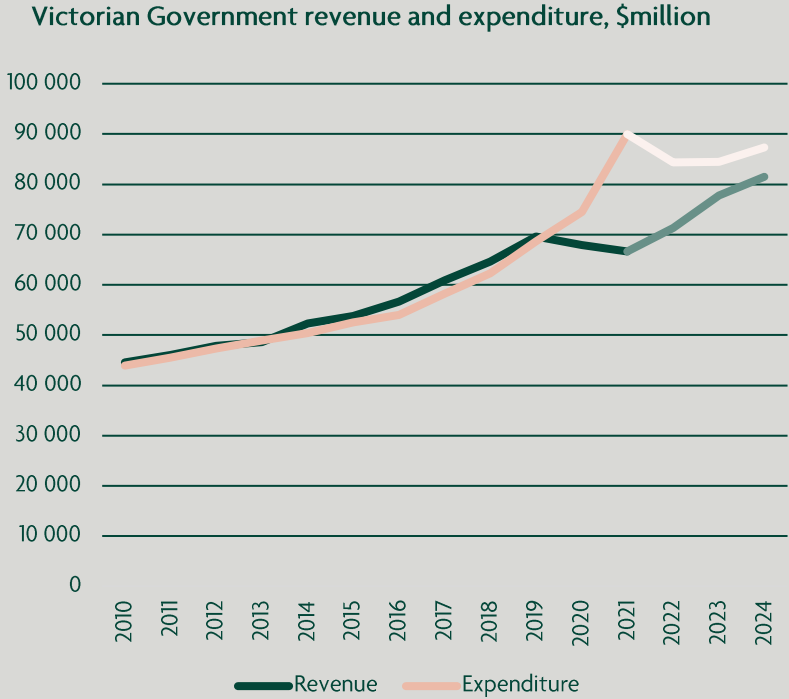


Selected state governments net debt (\$billion)



An economy sustained by government spending (cont.)

What goes up...



Beneath the headlines

 The Babylon Bee · [Follow](#)
May 8, 2020 · 🌐

Inspiring: Celebrities Spell Out 'We're All In This Together' With Their Yachts
Celebrities gathered their multi-million-dollar yachts on the waters of the Pacific O... [See More](#)



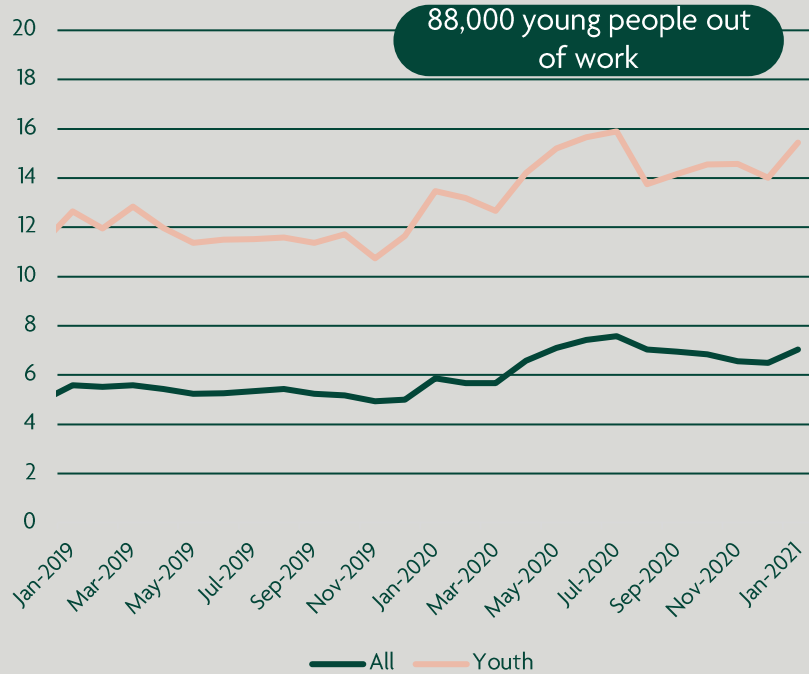
0:08 / 1:10

The image shows a social media post from 'The Babylon Bee' dated May 8, 2020. The post features a video thumbnail with an aerial view of many yachts on the water, arranged to spell out the phrase 'WE'RE ALL IN THIS TOGETHER'. The video player interface at the bottom shows a progress bar at 0:08 / 1:10 and various control icons.

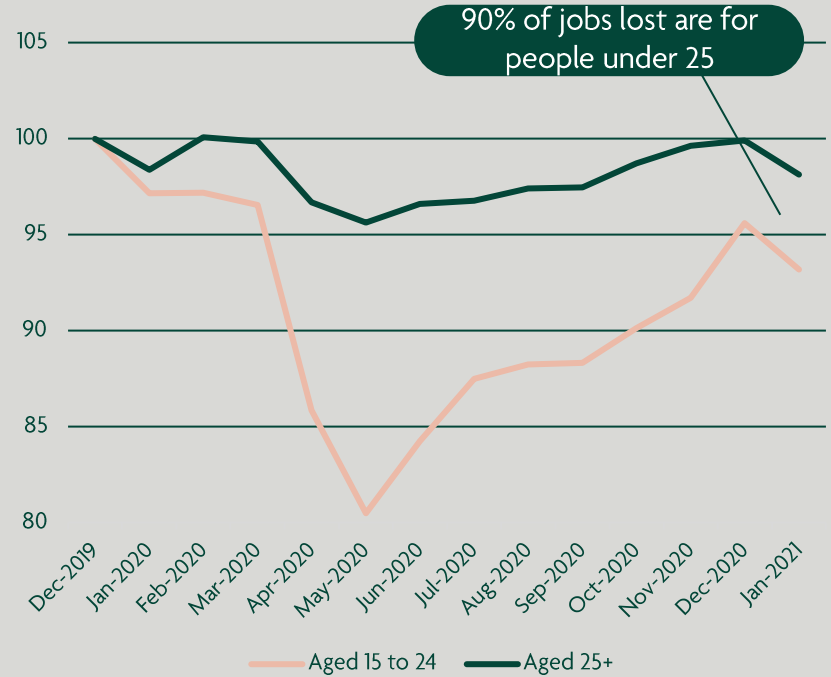
Temporary measures are not sustaining everyone

Young people are bearing the overwhelming burden of the downturn

Unemployment rate (Victoria), by age group



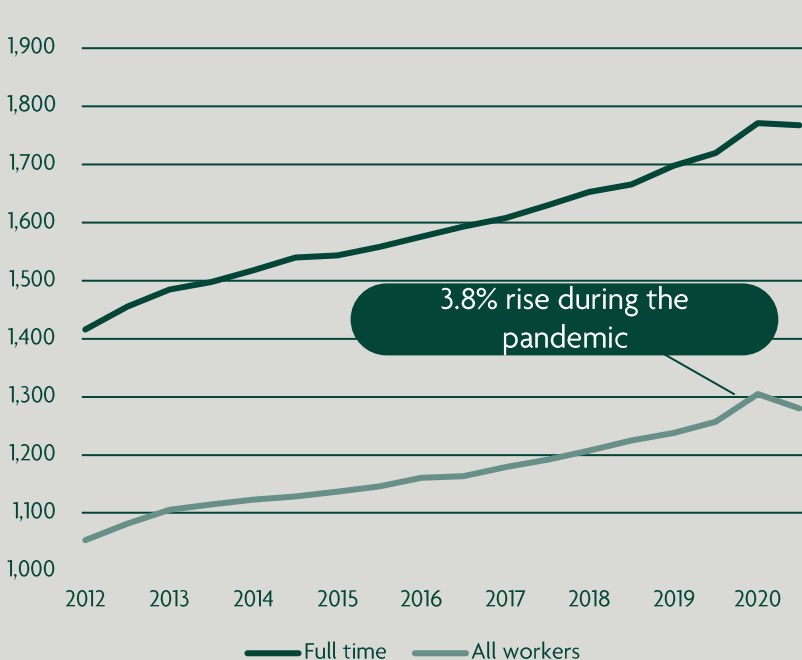
Jobs (Victoria), by age group



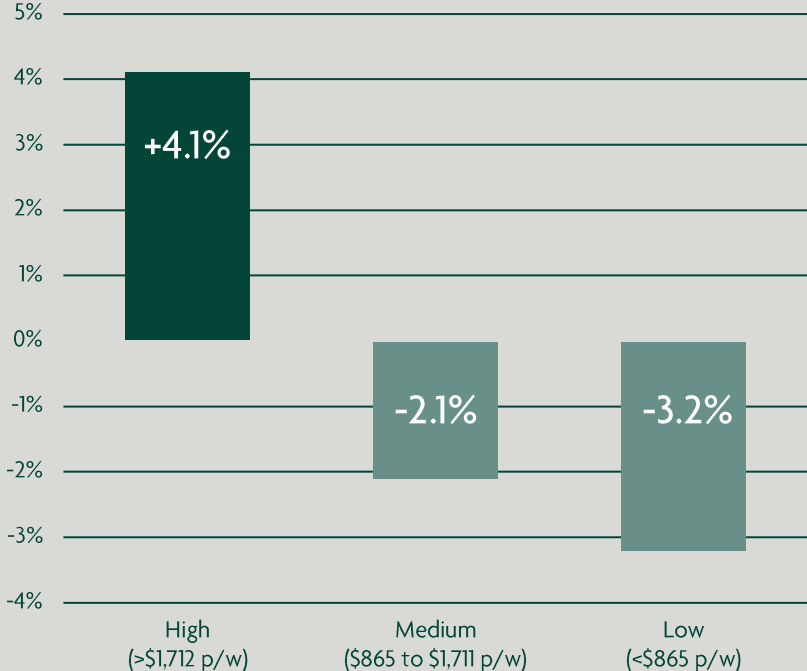
Temporary measures are not sustaining everyone (cont.)

Lower income employees have been more likely to become unemployed

Average weekly earnings (Australia), by age group



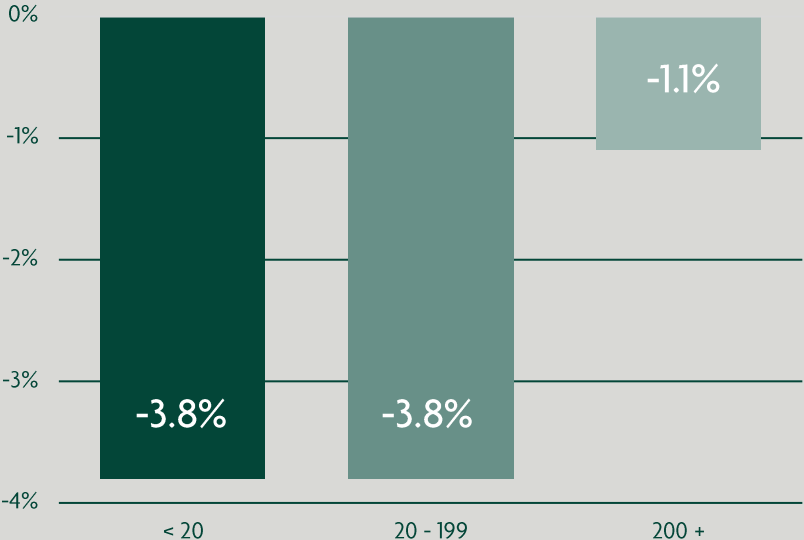
Change in employment, by wage bracket (Dec 2019 to 2020)



Temporary measures are not sustaining everyone (cont.)

Smaller business face the largest declines

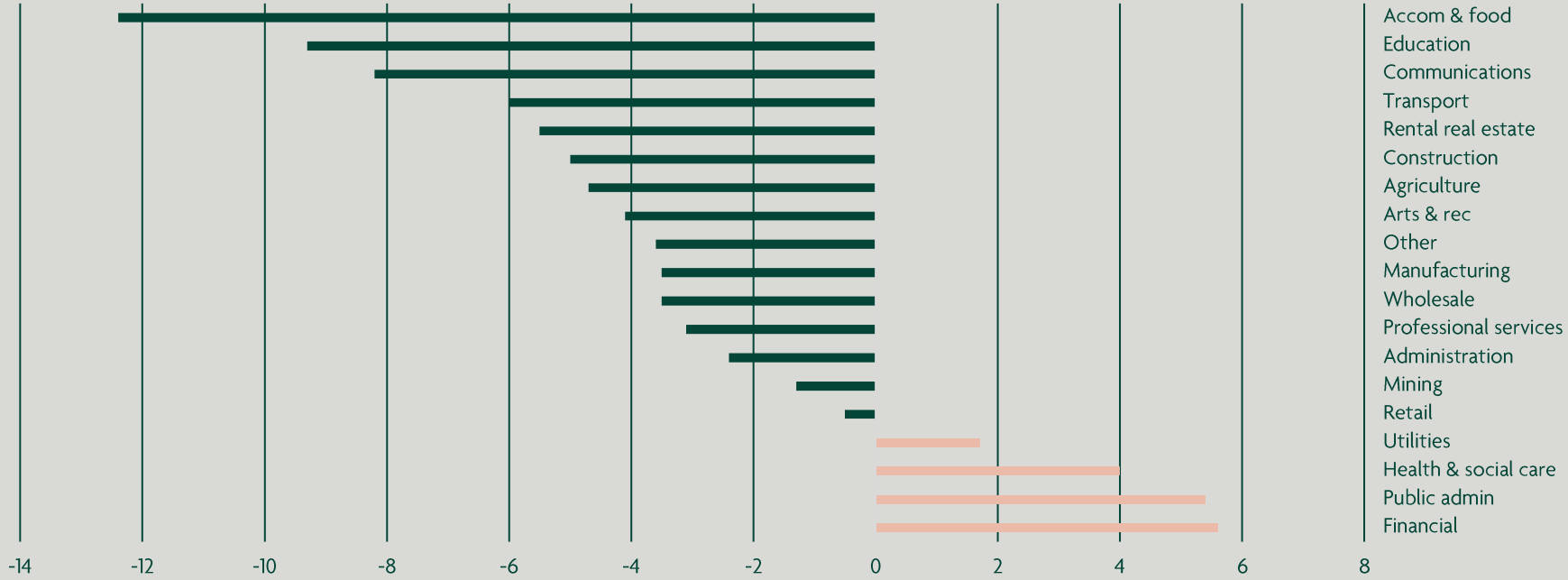
Change in employment (Australia), by no. of employees (Dec 19 to Dec 20)



Temporary measures are not sustaining everyone (cont.)

Specific sectors continued to face major challenges

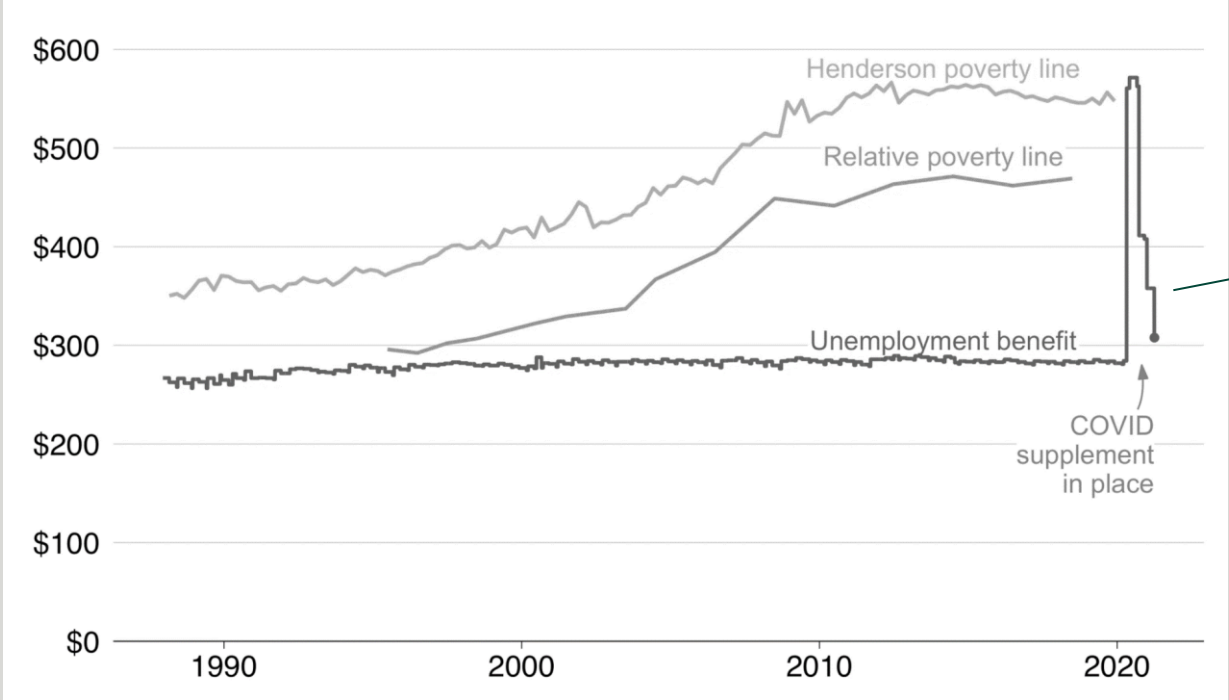
Change in employment, by sector (March 20 to Feb 21)



Temporary measures have ended for some

Ending the COVID-19 supplement leaves unemployment benefits well below the poverty line

Grattan Institute: Comparison of unemployment benefits and measures of poverty, inflation adjusted (2021)

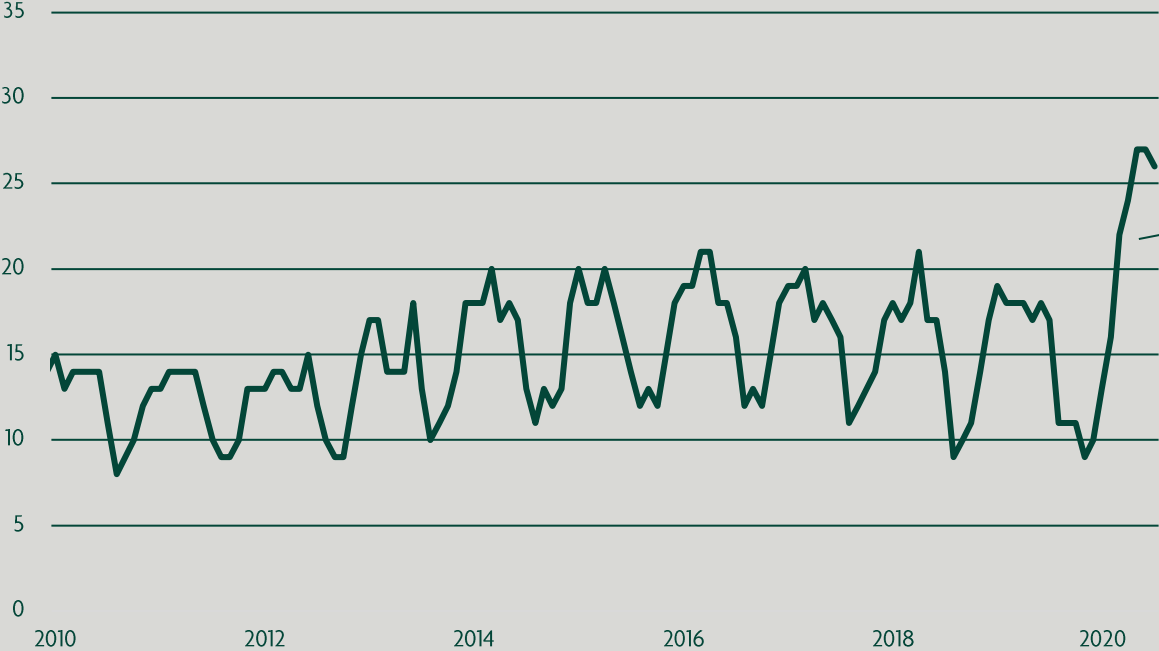


\$128 p/w below the poverty line

Temporary measures have ended for some (cont.)

It is much more difficult to find work

Median duration of job search (Australia)



Average time to find work was 6 weeks longer in 2nd half 2020

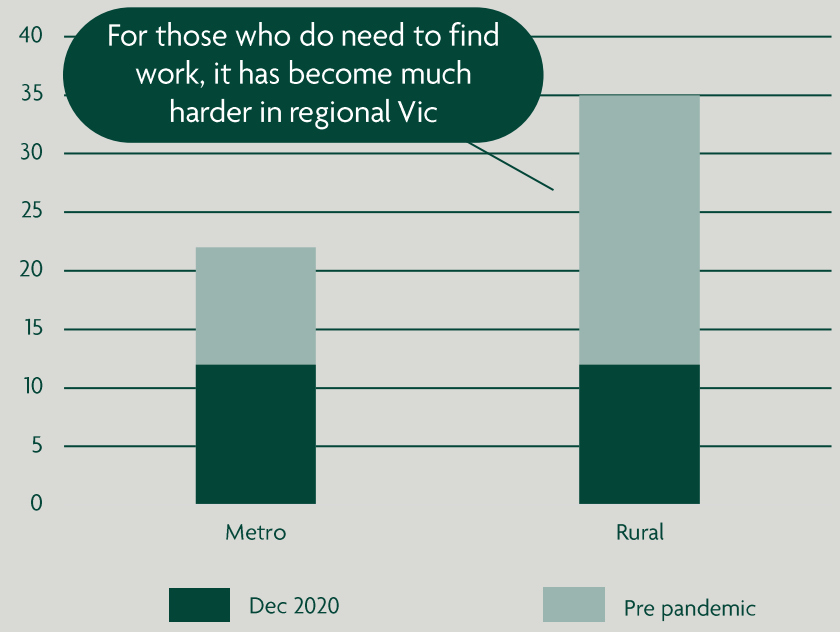
Impact on regions of Victoria

Loss of employment has been more pronounced in Metropolitan Melbourne, but it is much harder to find a job in the regions

Proportion of working age population employed (Victoria), by location



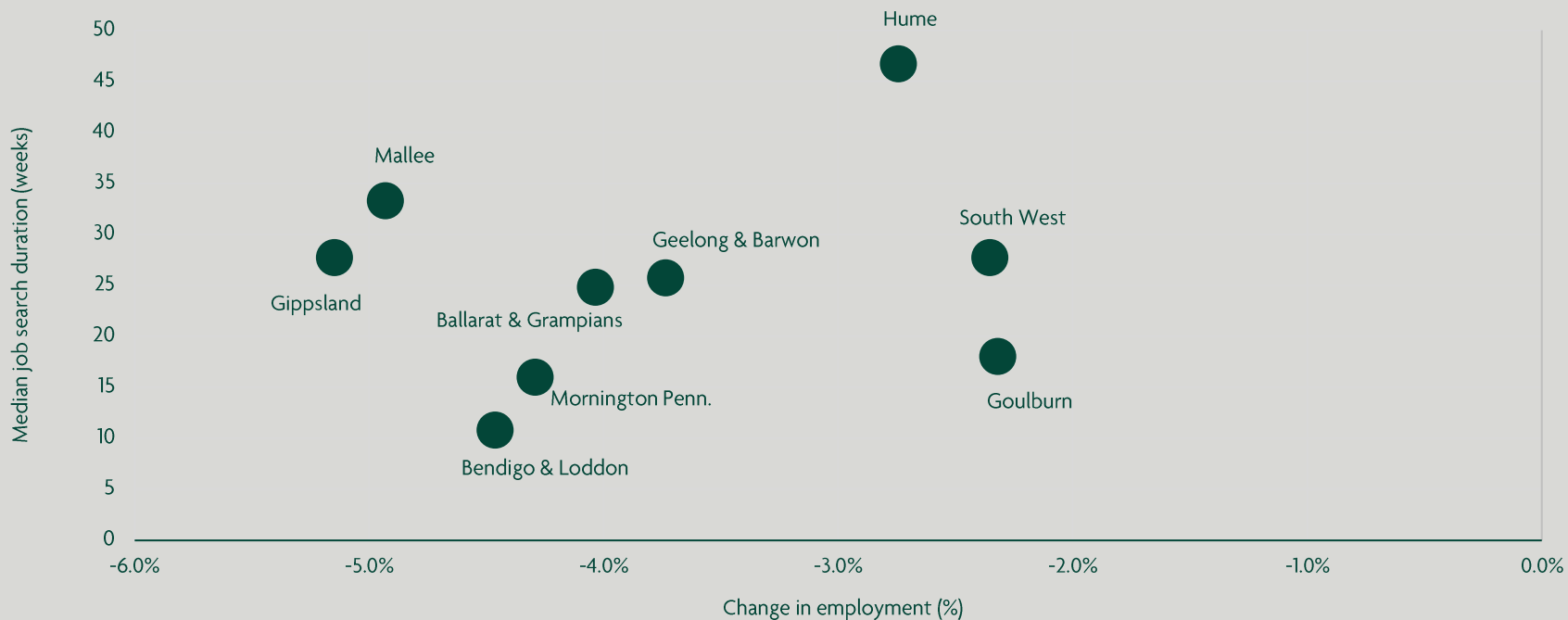
Median duration of job search (Victoria), by location



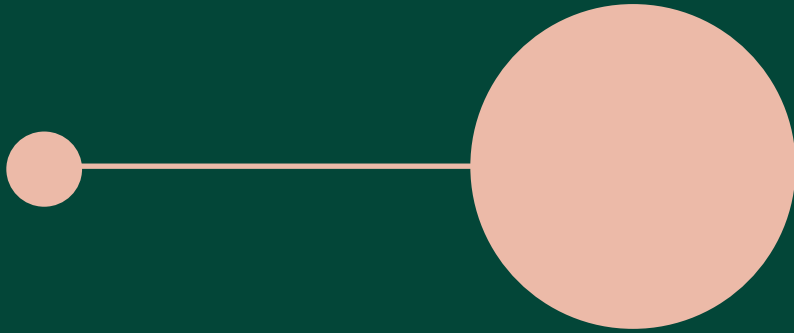
Impact on regions of Victoria (cont.)

There are significant differences between regions

Regions of Victoria: change in employment (Feb 19 to Feb 20) and median search duration for new jobs



Where do we go from here?



What can be done in health and social services?

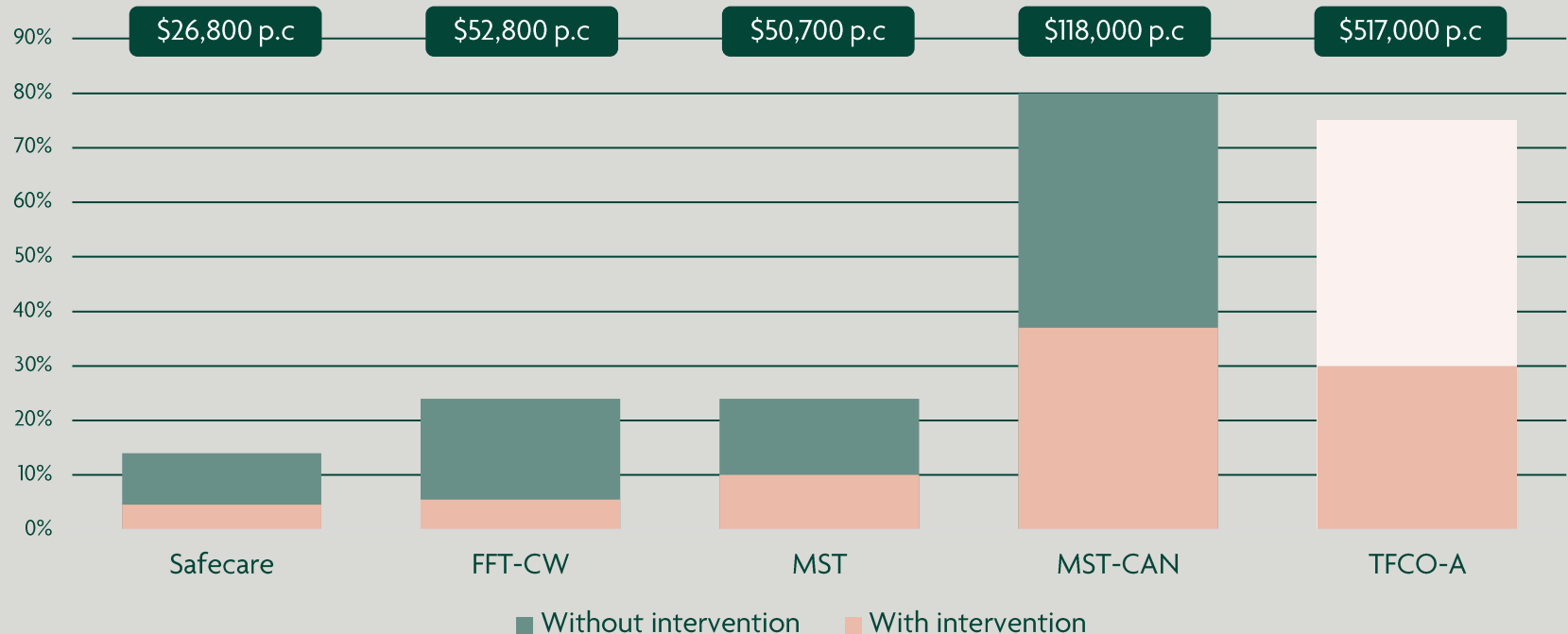
From a use of economic growth, to a driver



What can be done in health and social services?

From government expenditure to public investment

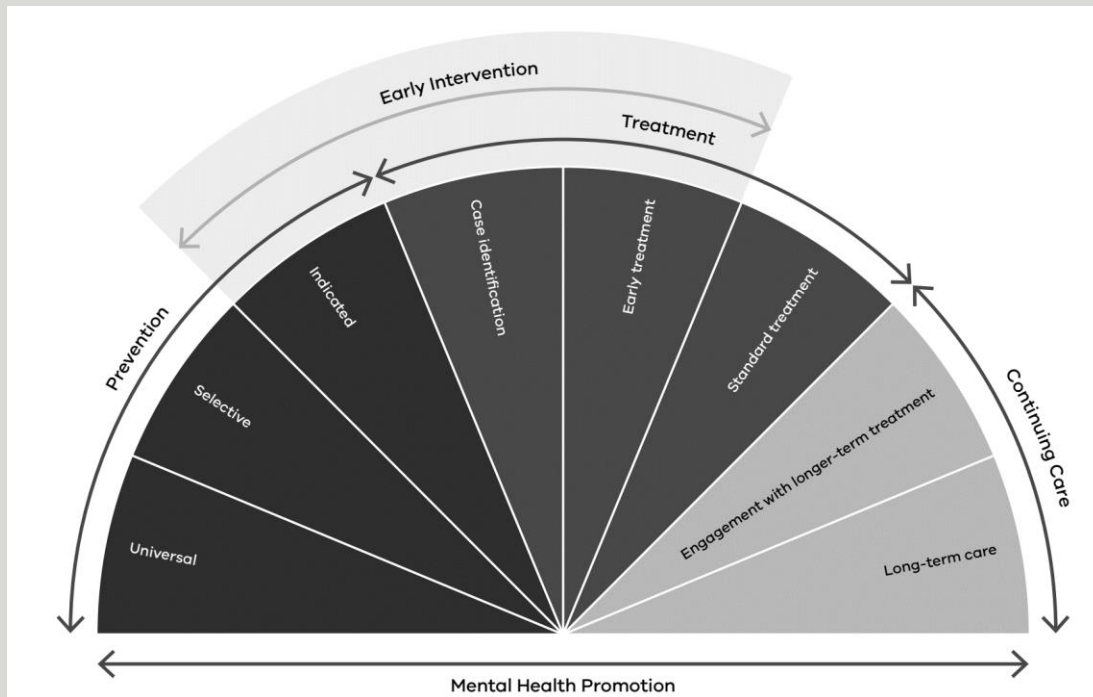
Reduction in likelihood of entering out-of-home-care / residential care, by selected Evidence-Based Programs (estimated 5-Yr cost saving per participating child)



What can be done in health and social services?

From crises in the tertiary system to filling the missing middle

Promotion, prevention, early intervention and care 'spectrum' (mental health)



“Service gaps are more pronounced among people whose mental health needs are too complex and enduring for primary care services but not considered severe enough to meet the high access threshold to receive public specialist mental health services—often described as the ‘missing middle’.”

Royal Commission into Victoria’s Mental Health System (2019), Final Report

Key points

What now?

- Despite the recovery so far, 2020 saw the greatest economic contraction since the Great Depression.
- Temporary government measures are delaying more impact on employment. They end soon.
- Temporary measures are failing to protect some groups:
 - Young people
 - Small businesses
 - Part-time employees
 - Low income earners
 - Specific sectors
 - Unemployed
- The cost of temporary measures will constrain governments for years to come.
- Health and social services can be an economic solution, not a problem.

Close



About the contributors



Kathryn Anderson – Partner

Kathryn draws on thirty years of public sector experience to help organisations solve complex problems. Her skills in organisational transformation and driving change are underpinned by a strong commitment to diversity and inclusion. Her ability to help organisations transition to contemporary ways of working, while strengthening their culture makes Kathryn a highly sought after and trusted advisor.

Prior to joining Cube Group as a Partner, Kathryn Anderson served as Deputy Secretary at the Victorian Department of Health and Human Services, and at the Department of Environment, Land, Water and Planning. She served on the board of Cenitex, and is Deputy Chair of Whitelion. A Fellow of the Institute of Public Administration Australia (Vic), Kathryn was named one of the Top 50 Public Sector Women in Victoria in 2019.

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Tom Craven – Director

Tom is an economist and public sector strategy expert known for his insights, creative thinking and attitude of genuine partnership and dialogue. Tom is committed to tackling the biggest problems in the most important spheres of government, economy and community. His broad experience in social and economic reform, impact assessment, legal and regulatory change, policy development and evaluation make him a highly regarded policy analyst and advisor.

Tom has more than a decade's experience working in and for government and not-for-profit agencies across Australia on strategy and policy reform. His experience includes senior appointments in the Victorian Government and major consulting projects across the state and federal government and not-for-profit sectors.

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About the contributors



Andrew Belton – Director

Andrew leads Cube's community services practice, building off his deep knowledge and connections in social services sectors. Andrew has extensive skills and project experience in the children youth and families sector, both within government departments and public entities, and across the community services sector.

Andrew is a skilled project and change management practitioner who helps community service organisations move from vision to confident execution. He leads significant change processes, including in relation to major policy reform (like the rollout of the NDIS) and organisational change (from strategic planning, partnership development, business development and people/cultural change).

Andrew's project and change management experience enables clients to confidently plan and implement strategic projects that deliver real and lasting change.

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Rob Camm - Partner

Rob leads Cube's healthcare sector. His diverse experience includes strategic roles in strategic planning, service planning, project management, business analysis, financial modelling, tender evaluation, budget formulation and financial management.

Rob has extensive experience in the health sector and is well known and has strong relationships with health services within Victoria and NSW. Rob is helping healthcare providers, across all parts of the system, to plan and design services that deliver the best value for their community in a rapidly changing healthcare environment

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