

Video transcript – Managing your business through a crisis and preparing for the recovery

Introduction from Luke Gregory

Good afternoon everybody and welcome to our new way of connecting and supporting our customers. My name is Luke Gregory I'm the Head of Commercial Business and Specialist Banking here at Bankwest and I'm pleased that you can join us this afternoon.

I'd like to begin by acknowledging the traditional custodians of the land on which I am located today, the Whadjuk people of the Noongar nation and extend my acknowledgement to all traditional custodians of the land in which everyone on the conference is located today.

Bankwest and Ernst & Young share a strong working relationship in this state that has been born out of successful customer engagement and delivery on projects for the betterment of our mutual customers.

This success and delivery has formed a bond founded in the knowledge that both parties know they are doing what is best for their customers from both a banking and business advice approach.

I'm delighted that today we can support you our Bankwest business customers in working with the experts at EY to deliver a valuable and informative webinar.

Covid-19 continues to be an unfolding event that is bringing significant uncertainty to organizations globally with no prediction on when the crisis will end it is critical for organizations to consider likely impacts on their business, on their customers and to understand where to focus resources so they can best prepare and respond to the evolving situation.

As you know from the invite we had Joe Masters joining us for the economic update today but unfortunately Joe is unable to join us and her colleague Bonnie Barker, Oceania Senior Economist with EY will present on Joe's behalf. Thank you Bonnie for stepping in at the last minute.

Now Bonnie is a senior economist with EY in Australia for the past six years. She's a macro economist covering all aspects of the Australian economy with a particular passion for housing and housing affordability in Australia. Bonnie has a Bachelor of Science in Economics from the London School of Economics and before joining EY she spent a number of years working in Swiss investment bank UBS. Bonnie will be providing an overview of the current economic climate here in Australia capturing the impact of covid-19 and a near-term economic outlook for the Australian economy.

Following Bonnie we will hear from Marc L'Huillier EY Sweeney Managing Partner. Marc will give us an overview on findings from EY's latest global research on consumer sentiment behaviour and outlook. Marc is an advisory partner and the managing partner of EY's consumer research practice, EY Sweeney.

Over two decades Marc has played a key role in building EY Sweeney to be one of the largest and most prolific consumer research firms in Australia. As a researcher he has a strong reputation for delivering astute thought leadership, sharp market insight and strategic thinking to senior management of ASX listed companies and major government departments.

Marc will be presenting some of the key findings from a wise latest global research on consumer sentiment, behaviour and outlook. The research spans 13 countries providing global insight in a local context the research focuses on the future consumer and the impact of covid-19.

And finally, we welcome Kate Hillman, EY Oceania People Partner from the People Advisory Services division based in Brisbane. Kate will give us some insights on resilient working focusing on people, places and productivity. Kate is EY's people partner for Oceania and the leader of the People Advisory Services practice within EY's Brisbane advisory practice.

As the people partner Kate is responsible for people and culture across the region ensuring EY's talent are future focused and fit for the future. Employee engagement development and retention lie at the heart of EY's business and Kate's portfolio. In addition, Kate works actively in the Australian market supporting her clients with their workforce challenges and opportunities. Kate is a passionate advocate for inclusive workplaces and leadership and strives to

create psychologically safe workplaces that can truly build a better working world.

Kate has been acting as EY's Crisis Managing Partner for Oceania since January. When EY's pandemic plans were triggered Kate led the transition of all Oceania staff to remote working arrangements in early March and is leading the ongoing office reopening plans for the firm.

Now following the presentations we've got some dedicated time for you to ask our experts from EY any questions. At any time during today's stream you can send your questions using the dedicated Q&A box on your device. Just look for the question Marc box. You can also choose to remain anonymous by taking the anonymous box if you like. If you have a specific question for any of our presenters today, please preface your question with their name. For example, 'question for Bonnie'. I will now pass over to Bonnie to start the presentation.

How do we emerge from the 'Great Lockdown' - presented by Bonnie Barker

Thank you very much for the introduction Luke and hello everyone, thank you for having me along today. If you want to flip to the first slide. So I'm going to be giving as it mentioned an overview of the current economic climate that we're facing here in Australia.

So the current global pandemic and economic impact is like nothing we have ever seen before. A health crisis at its core that has hit supply, demand and liquidity here in Australia. The economic destruction around the globe is on a scale and breadth not seen since the Great Depression in the 1930s, despite globally a very large and coordinated policy response.

Here in Australia we have seen significant fiscal stimulus targeting households and businesses through the crisis and importantly making sure they come out of this with enough economic fabric to support the recovery as of course the health crisis stabilizes. Key policies we've seen here in Australia includes the \$1500 a fortnight JobKeeper payment as well as the doubling of the JobSeeker payment to \$1,100 per fortnight. The Reserve Bank in Australia has also done their bit

lowering interest rates, commissioning to keep them low and supporting the flow of credit.

Despite this intervention recent economic data indicates that the Australian economy contracted by 0.3% in the first quarter of 2020. Although the restrictions were imposed at the very end of the quarter they were large enough and the issues were significant enough to have an impact and they'll have an even more substantial impact in the June quarter.

This marks the start of Australia's first recession in 30 years. So just for a bit of context this is the first time that Australians under the age of 50 will be working during recessionary conditions unless of course they've worked overseas for example during the GFC. So that's quite that's quite critical for our labour market going forward.

So I'm not going to dwell too much on the only Q1 data that we've seen but there are two things that I'd like to highlight that I think are quite important. The first is the speed at which the economy shut down. So you can see by the chart on the left how quickly tourism imports. That's Australians traveling overseas and having holidays. And tourism related exports, so that's international visitors to Australia for holidays or for education purposes contracted as we shut our borders.

This is a definitive indication of the impact that this lockdown has had and this impact on tourism is quite significant because a lot of people don't know this that tourism is actually Australia's third-largest export behind coal and iron ore.

Over Q1 we saw net exports contribute 0.5 percentage points to growth. However unfortunately this isn't really a good news story as this contribution was driven by the fact that we saw a 6.2% reduction in imports. This is the sharpest decline since the GFC and is an indicator of a weakened domestic economy.

The second thing I'd like to point out is the unusual consumption behaviour, so this is the chart on the right. We saw a bump in goods in consumption of goods as households stocked up on essentials like pasta and toilet paper and we all went and kitted out our homes with new offices and exercise equipment. But this bump in goods was very much offset by a significant reduction that we saw

in services as people stopped going to restaurants and we were asked to stay at home. The fact that the goods and services moved in the opposite direction is an indicator of how unique this crisis is and how unprecedented the situation we're facing is.

So what does it all mean? Well this shock to economic activity has really hit the labour market quite hard. The hardest-hit sector has undoubtedly been accommodation and food which has shed more than a quarter of jobs since mid-March but the impact is no longer isolated to these population and tourism serving industries. It's starting to become more broad and is spreading to industries such as real estate IP and admin services.

Jobs in some sectors are faring a little better and you can see on the right of the chart a number of industries that have seen only minor job losses and even some industries gaining jobs that are having a much smaller impact.

Overall in Australia in April 600,000 people became unemployed and 1.75 million people who are considered employed worked 0 or fewer hours than usual and hours worked fell by 9% in the month and this is fundamentally what drives economic activity. In theory if you're working more hours you should be producing more outputs.

Some good news, unemployment only jumped to 6.2% so not the 8% that was expected by economists. A key reason for this however is the fact that the participation rates dove to the lowest level since 2004. This is half a million Australian left the labour market and the fact the participation rate dropped so much is key to the speed of our current recovery. Not only do we need to find jobs for these people but before we can even look for the jobs they have to be enticed back into the workforce.

And we know that unemployment rises really quickly but it takes a long time to fall. If we look at the last recession we had in Australia in the 1990s it took seven years for unemployment to get back to levels before the recession. Forecast at the moment estimates that by the end of 2021 unemployment in Australia could still be as high as seven and a half percent.

So what's causing this crisis? This will be won't be news to most of us but there have been three main elements that have impacted the economy as a result of

this unique situation. International and domestic border closures and social distancing.

Analysis by the economics team at EY suggests that at least 50% of the economic impact is from social distancing. And this will be no surprise when you consider how rapidly we shifted almost every aspect of our lives: where we work, where we eat, how we exercise. The good news is that social restrictions have been eased, some states faster than others as I'm sure many people on this webinar know and now it's a case of seeing how quickly we can bounce back.

But the way out will be very different to the way in. It will be slow, it will be varied across the states and it will even be varied between different regions within the state. The first wave of easing that we're going to see, already starting to see might not have that the economic impacts that we're expecting. I'm thinking AFL games played in empty stadiums so whilst people can still enjoy watching the sport they're not going to consume any food or buy any alcohol at halftime. We're also seeing half-empty restaurants are dedicating to new social distancing guidelines so this will be really key to how we come out on the other side.

So I've already talked about how the recessionary conditions are impacting the labour market but how does it impact firms? For firms it means a reduction in demand for goods and services and that's exactly what we're seeing. This chart shows the extent to which firms in different industries are experiencing reduced demand. Hopefully you can read it but it shows that in most industry somewhere between 60% and 80% of firms have experienced reduced demand because of covid-19.

What I find particularly interesting from this chart though and this resonates with the same theme as the labour market data, is that industries that were immediately impacted, so your accommodation and food and transport sectors, are actually suggesting that they're improving, whereas other industries are now starting to worsen such as real estate and IT as these recessionary conditions spread wider in the economy.

And now on to the recovery. When it comes to the economy confidence is critical in generating a sustainable recovery. Confident consumers go out and spend, confident businesses invest in R&D and they invest in their people. Confidence plummeted earlier this year driven by the huge uncertainty we were facing

particularly in terms of how we would handle the health crisis what policy intervention government would implement and how we would support Australians impacted by the coronavirus and the lock down. Don't forget that we're already starting off a low base as at the start of the year we had the devastating bush fires that were severely impacting most of our capital cities.

Confidence has started to rebound but it's still somewhat lower than it was just a few short months ago. What's also challenging for the outlook for the economy is that the recovery is not going to be led by households. We're facing low wage growth rising, job insecurity and falling house prices. And we're already starting to see households tightening their purse strings, boosting precautionary savings and paying down debt. It's clear that the government will be supporting the economy for some time to come.

The good news is the Australian economy actually appears to be doing a little better than we expected just a few months ago and when you compare us to other countries Australia is in a very favourable condition. However make no mistake, we are going to experience recessionary conditions and a very weak labour market which will be particularly challenging for young Australians who are unfortunate enough to be finishing school or graduating from University this year and entering the workforce in a really challenging labour market.

Over the year the economy is expected to contract somewhere between 4% and 6% but it won't contract forever and it is expected to grow by again somewhere between 4% and 6% next year. This may sound like a "V" and in the charts that you can see it might look like a "V" but it's more of a "U". Possibly a bumper "U" or even double "U" if we do in fact see a second wave of coronavirus as they're seeing in Beijing at the moment. The fact remains the economy will likely be smaller at the end of 2021 than it was at the end of 2019. It will also be different given the structural changes that have taken place, where and how we work for example being front of mind for me.

This economic crisis however also presents us with a great reform opportunity here in Australia, so we need to think about our tax system, how we price prioritize and build infrastructure, how we train our students and our workforce and how the current regulatory environment might hinder economic activity. It also leads us to an opportunity to drive our climate change agenda and digital and innovation objectives.

But I'll leave it there as I know we're quite short for time and we have the time for a short Q&A at the end of course and if anyone wants to get in touch with me and ask how the data might be relevant to their business or sector, please do get in touch. But for now I'll pass over to my colleague Marc who's going to talk about the outlook for a critical component of our economic recovery and that's a consumer sentiment and behaviour. Thank you very much, over to you Marc.

Consumer sentiment, behavior and outlook – presented by Marc L'Huillier

Terrific, thanks Bonnie and great to hear a clear read on the economic data and what's happening out there. Good afternoon everybody, as mentioned at the outset my role this afternoon is just to provide you with a perspective on how Australians are feeling, how values and behaviours are changing and what it mean. So what sort of things you need to be thinking about to engage with consumers and one of the considerations into the future.

So nobody has a crystal ball but I guess one of the ways you can actually look to the future is to understand how people's sentiment outlook behaviour value is, how everything is shifting and then interpret that in terms of what it means.

So as Luke mentioned at the start we're doing comprehensive research every month right up across the globe, so we're doing it across 16 countries now. 16,000 surveys right across all the major markets and including Australia and New Zealand and I'll be sharing primarily Australian data with you today and we also do what about the qualitative research and so forth as well.

We want to start is in terms of outlook and this is consumer outlook so I guess that the headline there and not surprising people are apprehensive but particularly self-protective at the moment. So the rapid halt that came through earlier this year really did leave people are distant disorientated. Always important, remember this is one of the big distinctions with this downturn is this is a health crisis first and foremost and what that meant was it does it was a really immediate hit and quite a big brute force hit on the economy and on consumers. In many downturns you often see a staggered decline where different sectors get hit and different parts of the economy but in this case the

whole Australia and the whole of the globe you know pretty much shut down at once.

A counterpoint to give you some context we did a lot of research through the GFC. I guess the last major downturn six months into the global financial crisis we're still hearing a lot of people saying 'look I feel like I should be here too or I should have some sort of change but I haven't experienced it yet', whereas I guess this downturn the covid-19 impact is much different, much more immediate.

Also there's that the scale of the hitters as Bonny has outlined just the sheer number of I guess people have become unemployed not working as many hours as I want but I guess the way we also look at this is in terms of the emotional impact on those who are still in a job so there's that the job security side of things as well. It's critically important and we're know around one in three Australians are worried about the security their jobs there's a huge impact and weight on and confidence.

So a lot of anxiety out there there's a lot of lack of certainty and lack of control. Australians like a stable foundation certainly some spontaneity and but at the heart there needs to be a stable foundation in place and the moment that's not there so people are looking for more predictability that's not there it's a much more opaque future and difficult to see I guess what the future holds for many.

So that has an emotional impact and as I said people are much more inward focused and much more self-protective so the emotional impact is really what underpins confidence out there. So this introspection means that they're much more self evaluative and they're asking what matters most to me and this is this is one of the big dynamics were seeing at the moment.

How do I live my life? How do I work you? How do I spend my time and money? So a lot of questioning and introspection playing out at the moment and that's having a big bearing on and I guess many of the figures you can see up on the screen there

As a bit of a sign one of the things that you often see in a downturn like this and a particularly pronounced one is you can see a hardening of social attitudes as well given the scale of the hit and and I guess the pace of which is come through.

So you see how hard social attitudes emerge and more extreme views can come to the fore. So certainly in areas like immigration and border control and racial tolerance you know attitudes to welfare but we're even seeing it in the consumer space as well they're consuming the goods and where goods are coming from.

So there is very much a big domestic focus but you know certainly expect to see you know quite a more volatile political and social environment going forward. So as I've been talking probably looking at the chart and on the right there with the two figures in the middle it shows some of the key figures and I won't go through those in detail but I guess that the key point along in a lot of that data is that it is realistic outlook for a lot of a lot of Australia's at the moment.

There are those who are optimistic and bullish but they're by and large the exception we're currently underway with their next round of research and it's interesting to see that a lot of the shifts what we would expect to see some shift but it's not a big uptick at the moment so people are still I guess subdued and concerned about the future by and large.

Particularly interesting point is that the one on the right there in the economy that only 16% expect the economy recover the next 12 months. A fair degree of pessimism out there, we're also picking up that around one and two people worry about catching the virus as well. A range of different dynamics going on

What I want to share is just some of the global data. I have statistics up here, there's a lot of data on each of these countries as you can imagine but I want to give you just a headline around how Australia compares to consumers and other countries.

In terms of US consumers, largely a similar sentiment prevailing at the moment, in fact the US consumers are slightly more positive in a couple of areas and that's actually holding true in the research that we've got underway at the moment. What's fascinating about this I guess is if you look at what's happening the U.S. at the moment with the highest infection and fatality rate or social unrest up to 40 million people unemployed you know it is quite resilient in terms of what we're seeing in terms of consumer attitudes not too far off what we're seeing around Australia.

New Zealand is very similar to Australia slightly more positive and certainly an uptick is coming through so a bit more positive than Australia.

The UK is more subdued and depressed than the Australian market in terms of consumer sentiment and outlook and certainly less than what we're seeing in the US.

China and Japan are interesting, so Chinese consumers are certainly the most bullish across most of dimensions well particularly around spending intent so across we look at 31 categories in our research and selling the most bullish in all the markets that we are doing the research in. Japan a counterpoint really important given the third biggest economy in the world, they're pessimistic across the board.

Quick snap sort of some of the different variables I guess across the globe you know Australia despite the fact that I guess we have managed covid-19 comparatively well compared to many countries in the world. Our consumers to our guess you know reasonably pessimistic and worried about the future. One of the things we do to help understand I guess consumers in a lot more detail is try and profile and break them into segments so we've done that in the context the study.

There is a rapid evolution in in consumer behaviour at the moment and a sustained shift in in values and attitudes in the way people are looking at the world. We're breaking people down into different categories and the way we do this is looking at people now and how they break apart into different segments.

I guess one of the key points I'll talk through next minute or two is to really reflect on the fact that not all consumers the same. There are quite different ways people react to this and it has a different impact.

What you can see on the screen there are four segments that that we've broken down which are right at this point in time in the middle of the crisis and the recovery. We see those who cut deep so the hit hardest by the pandemic and the most pessimistic about the future we see those who are still saving and stockpiling so not so concerned about the pandemic but a pessimistic about the longer term effects but that's the biggest proportion in Australia.

Those who are staying calm and carrying on so not changing their spending habits a great deal other than where they've had to and in terms not be able to get out and spend as much. Not as directly impact on the pandemic and those that are hibernating and spending is the fourth category there, so these are people who are concerned about the pandemic but actually reasonably well positioned and optimistic about the future.

A lot of colour on the screen as you can probably see there and what we have in terms of what we call it next so this is really looking in in the next sort of five to six months and what we're predicting how it will evolve. Really what the colour on the screen there is just showing how the segments I just ran through are likely to evolve into five new segments in the future.

The different titles I gets a fairly self-evident but we've got those who 'keep cutting' these are the least likely to be working and continuing to make deep spending cuts. We've got those who are quite pessimistic and will 'stay frugal' so spending a slightly less across most categories. Those who are keen to 'get to normal' so the spending is largely unchanged not as affected as others around the impacted covid-19 and a bit less concerned. The 'cautiously extravagant' is driving it up 26% so these are the people who will still I guess pay a premium for certain types of products fall middle to higher income. A smaller segment but a really interesting one which is skewing younger and particularly the younger one seeking work is what we're calling 'back with a bang' so they're the ones that are actually turning and becoming much more optimistic and expecting to spend more and coming months.

We'll continue to analyse and look at I guess how segments are going to evolve and what we predict in terms of the way that the way it will shift in the future I guess is we're going to see a real breakdown in these couple of years between those who are very much focused on affordability and all the dynamics around value. We could have those who are very much focused on experiences and maximizing and living life to the full. Those that are very much focused on planets and much more mindful and not wanting to waste anything. Those are much more focused on society so when you see a better intersection between citizens and companies and governments and much more focuses our collective than in the individual. Those that are much more safety oriented and I guess a fearing you know what will come, so afraid of the unknown and that's worried

about the next crisis or the next financial impact next personal crisis. So a range different ways that people are going to continue to split apart but the key point to take why I guess is that there is real fragmentation and evolution the way this is a this is unfolding.

Jump into shopping now and just a couple of key points around what we're seeing in terms of the way people shop on the next slide. As I said consumers are much more introspective there's certainly huge amount of constraint out there where people may not have thought twice that by something past they are certainly now re-evaluating at all levels. There is a degree of what we call 'promiscuity' so people are trying different products or services but that can be a function of netting to downshift due to affordability and also that I guess the mindset around wanting to be frugal.

What we'll probably see in the next couple of months you know in the research is there's a lot of pent up demand so a lot of people have been locked down as we all have for the last few months coming out a degree of hedonism. Breaking forever lockdown so the flashes of a positive data but I think given the scale of what we're seeing in the economy the general gets malaise and mood and mindset said it is going to be a slower ride out than a quick upturn as Bonnie mentioned earlier.

Digital has been a huge part of what we've seen through covid-19 and I guess the way we're presenting today is a great testament to that as well. Australia is most one of the most connected nations in the world, huge uptake in services and hardware early adopters of all new technology. As we know covid has forced change right across the spectrum so whether it's work, leisure, exercise, travel shopping, communications every which way.

As you can see in the first box on the screen there certainly even a lot of positive sentiment around the rail technology has played to help people get through us and also optimistic about technology in the future. What's fascinating is when you look at the impact in terms of shopping so we know people are shopping more in line as a function of covid-19 and being in lockdown but it's more that the behaviour in the future that we're really interested in. The top figure there 35% expected shop online more for products previously bought in store so that's a that's a really profound shift. Whether it holds it exactly that amount I guess is not necessary the point is the fact that there is over one and three

Australian expect to buy products more online their previous bought in store. That's a massive shift in behaviour and that's one of the key areas that's certainly where we're going to see shift.

Down in the bottom box, its interesting to throw in Virtual Assistants. Siri, Google or all the variations on the smartphones but also the hardware they have at home is a really important influencing channel. One in five people are expecting to use them more in the future to make purchasing decisions so and actually influence on purchase decisions. Where it's particularly important is when you look at younger generation so generations in Generation Y is particularly high at 31% so really important channel to be aware of and depending on which industry, you're involved with something to really factor in.

Shopping versus buying is one of the big areas of acceleration and in a nutshell I guess shopping these days has become much more automated as a function of tech but it's also become much more experiential. We're seeing a big divide across different categories and the way people approach categories based on whether they want to shop for something. Whether they're prepared to invest the time and energy and passion to do that and the experience or whether they're just buying something and going through the motions and more of a transactional approach to a much more functional.

The whole dynamic around shopping and buying is a big future consumer trend that we talked about quite a bit and it's accelerated over the last couple of months so it is really I guess pulling apart the customer journeys and the way people are approaching different categories and there's a huge amount that we've written on that and you can certainly share that with everybody.

Data is critically important as well so a lot more propensity was seeing in our research for people to share data. Often it's been talked about in terms of personalizing and tailoring products that's been talked about is rewards. One of the big areas were seeing is preparedness to share more data if they get better value. Again as a function of I guess the whole dynamic around being in a recession in the frugality and just the economic impact of what we're seeing.

The last point there is around the decline of cash probably not a surprise, but I think a huge shift again and it's of course people online who may not have been online in banking and forced to different channels of payment as well.

We'll go to the last slide on brand and product and one of the things you certainly probably picking up as I go through this is the acute shift in in values it's occurring. We're still very much in a phase of flux but there is a huge amount of change occurring and it will still occur going forward.

Few things I just want to share today and the first one is around what we call 'economic nationalism'. This is very much the theme of supporting Australian brands first and being loyal to them. You can see on the charts on the right that got included today which is good for a researcher but you can see that the second one down is domestic brands produced within my country, brands that people will support post covid and littered throughout that as a whole range in the top area there of domestic audiences behaviour. Partly driven by empathy and unity wanting to support local but also around I guess you perceive quality and provenance and so forth. The whole idea of economic nationalism people being local and parochial there's a really powerful dynamic today

Nostalgia is another one that's come through strongly there's a lot of safety in the past a lot of comfort in predictability and familiarity so that plays through in terms of brands and organizations that people know and trust helps to allay the insecurities uncertainty. One of the big themes is nostalgia and the role of brands that play in that category and we see a huge uptick in in that space not just here but in other markets like the U.S. as well.

Lastly is that the trust and transparency side of things. We've seen I guess organizations that have managed the crisis incredibly well and it developed huge brand equity through this. It's a function of how they I guess behaviour through the crisis and in support of the community but also support their staff and put society first. It's interesting that many of the major retailers, particularly Coles and Woolworths supermarket's come through quite strongly in the research that we run. A lot of positive content and a lot of I guess sentiment that comes through that's building their brand equity. It's very much around I guess the holistic way they've approached this.

I've covered quite a bit of territory today and there's more we can certainly share but on this last slide we've got what we call 'Nine Commercial Imperatives'. Different areas of focus that that you can reflect on and absorb on the research. I won't go through these initiative time today but I guess the key point is really reflecting on the fact that consumers are evolving they are fragmenting and

breaking into quite different groups and you do need to be I guess looking at the way you need to transform to be able to manage that.

The framework we used is thinking about now so what's happening now, what's happening next, so in the next 12 to 18 months and then what's happening into the future so beyond. So now next and beyond is useful way of looking into that.

I've covered a great deal today and I'll pass over to Kate to talk about is all around employees. You can see one of the things that's come out the consumer research is very strongly around employee well-being in productivity and it's one of the areas of profound change. It's a huge impact and with the way consumers are thinking spending and living and socially important area to get right. I'll hand over to my colleague Kate now to run through some insights around resilient working.

Resilient working. People, places and productivity - presented by Kate Hillman

Thank you Marc and good afternoon everyone thanks so much for joining us today. As the people leader at EY I've been responsible for the major transitions and shifts that we've experienced through Covid and was certainly leading the strategies around our people and culture leading into Covid. It's been such an interesting time to see where we intended to be and what's happening now through Covid.

Today I'll talk to a bit about our experience and the way we're looking at planning for the future of our people and our workplaces and importantly about driving productivity and I'll also share some of this in the context of being part of a community of practice where been sharing a lot of our thoughts and thinking with other organizations going on the same journey.

Resilient working came to mind well before we moved towards Covid but I think covert has really put us all through the wringer and has really challenged us around the mantras that we've had about agility and how we're actually all preparing for a world of constant and dynamic change and here it is. I think of many of the strategies that organizations had in place for flexible working have

rapidly been brought to the fore. Organizations like EY who extensively use flexible working through to those who are putting their feet in the water and those who really have had a desire to move towards it but have found it quite difficult to do.

We think that the shift to resilient working is really about saying 'okay so we're now in this place where we've had to be incredibly agile', people are now grappling with this in real time, it's accelerated the longer view that most of us had. Now we're in a world where we need to make sure that we understand and I think Covid has been so incredibly profound for this. How important our people are to our businesses it seems like something that is a no-brainer but I would suggest often the people equation is since what must we do rather than how do we really lend ourselves to the productivity of our people so that the role of people and workforce well-being and safety in the role of business continuity planning has never been more obvious. Like Marcus pointed out at EY we tend to look at these things through the lens of now, next and beyond.

Today I'd like to take you through our thinking and the considerations involved in preparing in dealing with the now, which is new for all of us, what is next or something that I'm tending to refer to at the moment as the interim BAU and what lies beyond where we really can transform rather than deal with the constraints that we're living with right now so businesses need to make sure that they understand the impact of this on their people, on the jobs and skills that they need and we've been very reliant on Marc and his team to actually understand.

We need to understand given all the constraints that Covid has given us what does it mean about our use of space and workplaces and we need to therefore think given that we're working so differently than the way we used to what are the things we need to do to bring that to life. What are the processes we need to change? What are the what are the mindsets and leadership capability that we really need to bring to the table to make sure that we not only survive through Covid but we are thriving on the other side of Covid.

We talked about resilient working has been the chemistry between work force, workplace and ways of working. We think that when you look at things through those three lenses and you really understand those three lens as well you have an opportunity to actually move through survival and into thriving. We know that

people are critical to our success, but we also know that there is a very enduring impact that we are dealing with on our people as a result of Covid.

I do a fair bit of work in the mental health domain and governments, the mental health Commissioner for Australia, are flagging a very significant uptick in mental health needs. A significant uptick in suicidal ideation, our people firstly and foremostly are people and they are experiencing the stress and the anxiety of this moment in time.

Our workplaces need to be redefined many of us have been able to move to remote working reasonably simply but there are very few workplaces that are 100% virtual or remote and so as people have had to suddenly make this transition there's an impact on everybody and that has an impact on productivity, there's no doubt and therefore working smart. How do we work differently?

We often talk about it telecommuting to work. I challenge that the issue really is that we are telecommuting into our people's homes to conduct our business that requires a really big shift in our thinking. Firstly it requires a deep level of respect for our people, we're going into their homes and they are conducting business in their homes. Not everybody has an equal environment from our most junior workers right through to our most senior partners so providing ways of working and learning new management techniques and roles is so important to make sure that we conduct ourselves appropriately within that new working context and continue to support the well-being of our people.

At the end of the day only the operator controls the process and if the people and operators in our business don't feel well, don't feel safe, can't work effectively remotely and you don't have the right process to support them then the future of our businesses are clearly at risk. The productivity impacts will be profound.

We definitely noticed a productivity impact as we move to remote working. We've said we've managed fairly well and started to accelerate out of that but it takes a great deal of effort and focus on our people to do that. No matter what you do with your workforce, workplace and ways of working and whether you're considering now next or beyond, the purpose of your organization, your culture

and your values are essential to having a meaningful and coherent response to the things that are happening around us.

To look at any of those lenses without your purpose and your values as the anchoring point for those things you run a huge risk of having a divergent approach, lots of things contradicting themselves and leading to even more confusion. The reality is that in a crisis people feel overwhelmed and the clarity and the way in which you take them through these processes is absolutely fundamental to their ability to be able to engage and deal with it.

At EY our purpose was to build a better working world. The ability for us to put that at the centre of our thinking and for me as a crisis managing partner allowed us the speed and the confidence to move forward. That was our North Star that was our ability to keep saying 'Is this actually going to build a better way or is this actually going to take us backwards?'

So with our purpose at the centre enabled by technology and with a very strong risk lens on this we decided to frame up a set of guiding principles that would take us through the crisis. Our first principle was clearly safety for all, above all. When we thought about the immediate withdrawal of our people from centralized offices and to remote working our focus there was not only the well-being of our own people but of our community our friends and our families.

With a workforce of 8,000 people we knew that we're drawing them from the public health. The public transport infrastructure would actually allow for people who needed to be at work physically to use that public transport infrastructure in a less crowded way. We really put that at the centre of everything that we did.

What is the safest thing for everyone? We knew that we needed to lead with empathy, information and agility. We needed to look at this through the lens of what people experience as people instead of just looking at our workforce as a set of ranks and job descriptions. We looked at our workforce as a community What would this mean for our young people living alone in single apartments with no company? What would it mean for our parents trying to work and look after small children at home? What would it mean for the empty nesters we thought about things in terms of people's impacts and we worked very hard to give people the right information.

Again in a crisis people are panicking. How do we make sure that we're getting the right public health data and that we're communicating in very simple and streamlined ways. How did we integrate our workplaces? How did we try to make sure that the work that we delivered from remote working places and our homes was going to meet the standards of the type of work that we could deliver in a shared workplace. We needed to assess our risk wisely and with intent there's a lot you can panic about in a crisis. Be very clear and focused about what you're addressing and how and be very human the cost-cutting exercise can be self-defeating if you don't deal with that through a humanistic lens and you don't deal with it creatively.

If we look at our timelines and the timelines are really important if we look at now emerging from the crisis you know it's that quintessential building the plane while you're flying it you're not just building the plane while you're flying it you're also training the pilot at the same time. We are all deeply immersed in this crisis. We are all trying to work out which way is up. We decided that we would look at it through these lenses and we would really try to consider it through the workforce workplace and work smart ways of working.

In this moment with everyone else we've been developing that return to office strategy. So very important because it's the confidence and the mindset of our people that we are going to rely on and making them feel safe in the work environment was really really important. We wanted to assess the employee bio-psycho-social risks. It's quite hard to pronounce but basically the total well-being of our people. The reality is that we knew with our return to work strategy based on all their social data that we have in the great work of people like Marc and our economist was that we would have people under stress. We would have people who may have been experiencing very unsafe conditions at home. We might have had people who were struggling with their economic environment or people who were really struggling in isolation.

We wanted to make sure we understood that because if we were going to create an office re-entry strategy we needed to be prepared for those people re-entering the workplace making sure we have the right supports and environment available to them.

That's where the analytics in the surveys became so incredibly valuable. We were fascinated to learn because I often say 'just because we love you doesn't

mean we can read your mind'. We were fascinated to ask our people and learn what their thoughts were about returning to the workplace. Interestingly only 11% presented our staff indicated a real designer to come back and work in the office and some of my clients are sharing with me that as low as 1% of their people are anxious to re-engage.

Whatever you do you need to understand what's frightening people, what the needs of people are and make sure that your re-entry strategy doesn't just include the hygiene factors but critically it also includes those other well-being factors that are so important. We know that we also really just wanted to make sure that we had the right partners available so that while we have limited staff coming back in we want to make sure that there are a handful of well suited partners to be able to support those people

In terms of our workplace clearly we needed to make sure that we had the ability to accommodate a number of people who originally needed to be back in the office but to really support and embed them the concept that that flexible working that remote working is an entirely appropriate way of working as well as understanding what the longer term impacts because this really has been something that we've not done before with long term working from home for everybody and you cannot forget your obligations around providing a safe workplace physically for people.

We obviously needed to do all of the things that I think everybody is talking about and WorkSafe is guiding well on so I won't unpack that but suffice to say an extremely hygienic environment. Don't be deceived by the level of detail involved in that though so if you think about like we did you know one point of entry, one point of exit and then to have one member of our team in my local office who uses a wheelchair could only use one of the doors which was set up for him.

The devil will line the detailing this and I'd ask everybody to work locally with your local geographies to make sure that you get that right. I think also remembering that very few of us have our own buildings so what's going on with your neighbours, what are their work health and safety regimes and your buildings and facilities owners and then also your customers.

You need to have for that work smart you need to have a way of working in a hybrid sense with clients it'd be great in a consulting world for all people to be back in client site but in our experience our clients I've just as busy preparing their own environments for limited numbers of staff. Really working through with your client how you can help them to do business remotely is very important to all parties being able to continue business.

We know that we have to look at those downside impacts and I think making sure that we've got the right tools for people again if you think about that dialling into people's homes making sure that you've got the lovely corporate background to sit behind them if they choose, making sure we understand the impact on people and their well-being and that leaders have the skills. Then in a very fundamental and fiscal way looking at your real estate impacts looking at insurance for lost business, looking at tax relief, rental abatements, all of those types of real estate strategies that are very important to continuing to work. So that is this moment and I'm sure many of you on this call are already up to your eyeballs in that work.

How do you define the new normal or as I call it the 'interim BAU' because there will be another normal that I hope will be a lot more inspiring than kind of coming to grips and normalizing some of the things that we're going to have to live with for a little while. When we look at our people through that you know we will have them coming back into the office as defined in the earlier strategy and we've categorized them to make sure that we bring the right people in.

We're going to have to though continue this hybrid working models so we're going to have to really deepen the L&D, how do we develop new skills, how do we help that segment of our population in in our workforce that aren't comfortable with the technology. What are the new ways and thinking in my organization we have important events called milestone events where we bring people together often internationally to give them those sharing experiences and networking experiences. We've got to rethink how we do that and still bring the same level of energy and engagement to our people.

We're going to have to change policies there's clearly need for changed policies and to formalize some of the guard rails around flexible working for example. I think again in really working with our leaders the critical piece of leaders is going to be management by outcomes not necessarily watching what everybody is up

to. It's not an activity-based world anymore I think it's a great thing that's going to force the hand and really bring us to grips with what is it that we are asking of our people.

How do we have confidence we know what we're asking them and how we're measuring their deliverables? For our workplace you know we're going to have to continue to monitor our environments. We're going to have to test new models and approaches. Does this way of looking at our workplace makes sense anymore? We're going to have to really make sure that this is a highly engaged piece of thinking. We're going to use this interim BAU to bring more of Marc's capability to the table. We need to ask our people what's working well for you what's not working. That way we can focus in on the barriers and the impediments to remote and virtual working but importantly we can enrich the physical environments that we need to.

We are really going to have to focus on optimizing the place-based data with new digital enablers. We've got to make sure we understand that well. That works smart is to constantly engage our people in thinking about new ways of working. New technologies. I think importantly what is the meaning of coming together when we polled our people through Marc's work and we asked them why do you want to come back to work all of them practically told us they want to come back to work for the social engagement. What does that mean for our workspaces now? They also told us that they're actually thriving with some of the work that they do in the remote environment and I don't it'll surprise anyone to hear that they're thriving with their deep concentration tasks and their own analysis.

So we know that there is perhaps a very important conversation to be had about the open plan and the hot desking. I do think hot desking is an interesting terminology in the new world and brings with it a range of connotations that we are genuinely going to have to think through. So we know that we've got to continuously build technology that is far more human centered, far more engaging, far more real-time and we need to look again at what that means then for that technology footprint.

The beyond for me is where it gets really exciting. Clearly we'll have to review the workforce size and shape based on what happens economically when we listen to Bonnie's comments around what's going on in the market. What will we need for the future? How many more digitally capable people do we need? How much more analysis so we go to one what is the shift in that workforce design. We know that then that new norms are new cultural norms and ways of working you know my organization has a very innovative arm but it also has some very traditional parts of the business.

The shift to this virtualized world is has been more of a challenge for them so we need to be listening and again asking our people what they want and how it works. We're going to be much more worker centric. I think this is really highlighted for us the dependence on our people we're all very focused on automation and robotics and rightly so but whilst machines can answer any question, it's humans that pose the questions and the right questions are going to be more valuable than ever. How we're developing a workforce that asks the right questions? How are we following through on that promise to our people of exciting work?

We're going to need to do all the nuts and bolts that go around that culture change because of course our processes and our policies are the way we embed our culture. For our work, for our workplace the real conversations now that are beyond conversations are our work space is going to be event based workspaces? Is it going to be coming in for workshop? Coming in for a meeting? Not packing my bag at 6:00 every morning and heading into a central office what's the opportunity for suburban hubs and urban hubs where people might come to collaborate and meet their colleagues because they're telling us they want that. But then go back to their to their remote workspaces for those individualized focused tasks now. What is the opportunity here for these spaces what's the opportunity for sharing spaces? What's the new mindset around collaboration and teaming.

Then if we think about where smart we need to be much more savvy about how we understand people's productivity and engagement we know engagement equals productivity. There is a genuine fear whilst we're relaxing around our sense of privacy and data as we've talked about today there is still a sense of fear particularly in a tight economic environment of people feeling the Big

Brother watching them. How we going to understand productivity in a way that rewards and enhances the work-life for our people? How are we going to demonstrate the value of this new way of working?

If we think about our workplaces again that's that that's the whole conversation about workplace versus one work location. Workspaces everywhere now it is where you do your work. Work smart making sure that we're going to have all the information that we need to actually be able to be agile and respond. So people cantered, absolutely data informed and let's keep our minds open about what the physical environment means for us now. Stay connected with your people. Ask them. Engaging our people in future design is the best way of helping them to let go of what was. Back to you Luke.

Panel questions

Luke: Thanks Kate. Thanks Bonnie and Marc as well. Very informative, a lot of information to take in there. Just before we move to question time we've got a few minutes for that. Just to reminder send your questions using the dedicated Q&A box. Look for the question mark box. If you want to remain anonymous, tick the anonymous box if you like. Don't forget if you've got a specific question for a specific presenter, if you could preface that with 'question for Bonnie', 'question for Marc', 'question for Kate'. Okay now we do have some questions here, first one will kick off with Bonnie.

Should businesses be vigilant or concerned since we seem to be operating in a false economy due to the extent of government intervention? Any thoughts on the outcomes for our economy once the government support ceases?

Bonnie: Thanks Luke and this is a great question because it's really hit the nail on the head of one of the challenges that are currently facing policymakers at the moment. We've just got to remember what the support was for. So the support as provided by governments to

help firms during the lockdown. We coined a new phrase it was an economy in hibernation and that's exactly what the support was intended to do. Support jobs whilst people were being told you cannot go to a restaurant, you cannot go to these non-essential services.

Remember the government can't support these jobs forever and in the same way with such a such a substantive stimulus package which is what we've been receiving. The problem at the moment is the fact that everything comes to an abrupt end in September. We see the end of the job keeper wage subsidy, the expanded job seeker, the moratorium on evictions and mortgage freezes and all of these are part of this this wider package that that's propping up the economy at the moment.

If when everything ends up it's unlikely though that the government is going to let everything end abruptly. We're already hearing talks about expanding the job keeper program in a very targeted way. Perhaps targeting regions that might be more impacted or targeting sectors such as the tourism sector. I don't think we're going to see that abrupt end.

We're also seeing the private sector do their part. I was reading an article this morning that suggested that one-fifth of people who have requested through their bank for a mortgage freeze are under severe financial stress. So come September they're probably unlikely to going to be able to continue to be paying their mortgage. Banks are responding to this by offering to extend these more these did mortgage freezes for one three or six months. Of course that also extends the amount of interest that they have to pay and so it's not necessarily a good situation.

But the reality is there will be economic scarring. Some firms maybe lost; some jobs will be lost when this support end. But this isn't necessarily a bad thing and we shouldn't be expecting the government to prop up businesses that are no longer that are no longer kind of needed in this new economy that both Marc and Kate have also talked about. so think of this as an opportunity when the

support ends let's try and be innovative make sure that our firms are supporting that demand that the industries are seeing I also think that where we're likely to see continued government interventions for some time to come. Back to you Luke, thank you.

What are some of the bigger longer-term shifts in how people will look to live life?

Marc: Yeah thanks Luke, a big question. I think the way to think about that is what are the sort of future stay consumers. So we know as you've heard today every aspect of people's lives is changing so the way they work live shop whether communicate. For me the big thing through all this so when you change the lowest fundamentals of people's lives it does see them reassessing their values and what matters most them.

That was one of the big themes I talked about the people are much more introspective at the moment and really reassessing maybe what they did in the past and what they need to do in the future.

What we're thinking going forward is it's very much in that space of talking around the beyond segmentation, the future state consumer so I think some of the big shifts are going to be around the way different people I guess break apart and different types of consumers. There will be those that are certainly going to be hit hard and hit hard for quite a while. One of the areas here that I guess worries me is around the younger generations particularly those coming into the workforce and those in the early years of the workforce. They're often the most vulnerable particularly those in industries as we've seen through the hospitality and support services and retail.

So there's those are certainly gonna be hard that's gonna have a legacy affect that goes on for a long time we've seen that in most answers that have occurred is the younger generations the legacy it has. But as I said when I was talking earlier around they'll be those

that are much more experiential and may not want to own as many assets and want to live life to the full, those are more focused on either that the planners in society first and then those who want risk awareness I think this is it's all around I guess that the value shift and that's one of the most profound. I guess consequences of what's happened in the last few months and that's something that's going to take will be with us for a long time to come and really show how people behave in the future.

Do you have any comments on the impact on tourism and exports with the current difficult Australia Chinese relationship?

Bonnie: Yes so that's a great question because of course Australia is relatively small but very open economy and we have very close ties with China.

I know very short for time so the key thing I'll say here we saw the Chinese ambassador suggest a few weeks ago that that perhaps Chinese students shouldn't come to Australian universities anymore. Which immediately we thought oh that's not that's not ideal but then we actually had realized and we've kind of understood what people are actually thinking.

Chinese families are still going to want to send their families to Australian universities so there's a bit of a difference between these global geopolitical discussions that are happening at a really high level and then actually what we're going to see on the ground.

The other thing that is quite interesting is you might have seen this second wave that's happening in Beijing and I understand that it was a chopping board that was chopping up some imported salmon so Beijing immediately stopped importing salmon. Obviously you know think about Tasmania and Tasmanian salmon that's going to having a huge impact on that regional community.

Australia is in a very lucky position because we are an exporting nation but there does make us slightly more vulnerable than some other nations. Hopefully that answers that question very briefly and happy to have a chat a bit a bit further at another time because it is a very complex situation.

Closing session by Luke Gregory

Thank you and once again Bonnie, Marc and Kate. Thank you very much for your time and thank you all for your questions and for joining us today for what was very comprehensive and informative presentation. If you have any further questions you can contact your relationship manager who available to assist you or direct you to the experts at EY.

On behalf of Bankwest I would like to thank our speakers once again: Bonnie Barker, Marc L'Huillier and Kate Hillman for taking the time out of their busy diaries to be part of today's webinar. We look forward to hosting more of these virtual events in the next few months but also look forward to catching up face to face. We will send out a survey following this afternoon's event seeking your feedback which will help guide us in relation to identifying content for future events aimed at continuing to hopefully add value for you and your business.

So please if you can invest five minutes and completing that that would be greatly appreciated again. Thank you and have a fantastic afternoon.

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