



South Australian Centre for Economic Studies

Impacts of COVID-19 Lockdown:

A Case Study of the South Australian Hotel Industry

November 2020

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Report prepared by:

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University of Adelaide

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Author: Assoc Professor Michael O'Neil, Executive Director, SA Centre for Economic Studies
Mr Darryl Gobbett, Visiting Research Fellow, SA Centre for Economic Studies

Published by: South Australian Centre for Economic Studies
University of Adelaide
SA 5005
AUSTRALIA
Telephone: (61+8) 8313 5555
Facsimile: (61+8) 8313 4916
Internet: <http://www.adelaide.edu.au/saces>
Email: saces@adelaide.edu.au

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The Case Study was initiated by the AHA | SA not on the basis that they sought any special assistance or treatment relative to other sectors of the economy or that they were not cognisant and responsive to the impact of COVID-19. The study is intended as a contribution to policy considerations with respect to COVID-19, the lockdowns and health responses designed to stem the tide of the pandemic and what we have learnt to date.

The Case Study was undertaken with the assistance of SACES Independent Research Fund and we acknowledge the founding members of that fund and their on-going support.

Executive Summary

The South Australian hotel industry was heavily adversely impacted by the South Australian Government's decision on 18 November 2020 at, effectively, seven hours notice to impose a six-day COVID-19 circuit breaker (aka the lockdown). This decision effectively required the sector to close apart from takeaway sales.

For the initial lockdown period:

- employment is estimated to have dropped by some 79 per cent or 20,000 per day between Thursday 19 November and Wednesday 25 November. This was equivalent to 2.4 per cent of South Australia's employment prior to the lockdown;
- all types of workers were affected. Around 30 per cent of hotels responding to the survey reported over 80 per cent of permanent employees were put off and over half of their casual employees, which comprise some 61 per cent of total employment in South Australian hotels, lost employment; and
- some \$7 million to \$10 million of food, alcohol etc was wasted by having to be disposed of quickly. 40 per cent of survey respondents reported that with more notice they could have reduced this waste by between 76 per cent and 100 per cent.

Despite the lockdown being later reduced to three days, i.e. ending 12.10am Sunday 22 November, other severe restrictions remained in place. The resulting cancellations or disruptions to planned functions; limited dining and drinking capacity; and heightened uncertainty about what new restrictions could be quickly imposed without consultation with industry sharply reduced business activity, turnover, purchases and employment in the following weeks through to 31 December:

- employment is estimated to have, on average, been 12,500 lower per day through the period 26 November to 31 December than would have otherwise been the case if the new COVID-19 restrictions had not been in place;
- turnover is estimated to have been lower by some \$100 million, or between a quarter and a third, in the five weeks to 31 December;
- spending on food and produce is estimated to have been lower by between \$21 million and \$30 million. 42.7 per cent of respondents to the survey reported a reduction of purchases of between \$10,000 and \$50,000;
- spending on services that would have otherwise been provided by subcontractors or tradespeople is estimated to be down by between \$11 million and \$15 million;
- total accommodation revenue lost for the 30 days following the lockdown is estimated at between \$4.7 and \$15.5 million.

Mental health conditions were reported by respondents to have deteriorated in the hotel sector, including amongst customers. This is consistent with analysis reported in an increasing volume of peer-reviewed literature internationally and in Australia, about the employment, financial distress, societal and personal impacts, including loneliness, of the COVID-19 pandemic and the associated policy responses, including lockdowns. This literature points to more concern amongst citizens about how societal changes will impact their psychological and financial wellbeing than getting ill with COVID-19.

In future cases of COVID-19 or other pandemic outbreaks, consultation with the South Australian hotel industry can help meet the SA Government's desired suppression outcomes while likely reducing the risks of adverse mental health, societal, employment, business and economic outcomes that have resulted from the November lockdown.

To provide superior outcomes for all, the consultation should include:

1. reasons for the proposed measures;
2. type and coverage by industry and geography (see a below) ;
3. timing of implementation and duration (see b below);
4. what options/alternatives may be available for discussion;
5. conditions that may result in faster rollback or extension of the measures;
6. communication processes; and
7. what, if any, compensation is being considered.

In addition, other industries would presumably support this type of approach.

- a) A more nuanced approach to sector and geographical measures, coverage and timing we consider is feasible to minimise the adverse impacts while ensuring that the proposed health benefits are still met. For example, there would appear to have been no justification to close country pubs/venues on 19 November and ban weddings and funerals when there were no indications of country community infections and no country medi-hotels. Other States seem to be able to handle a more regional approach.
- b) Timely, albeit limited but advanced warning is critical to minimise disruption and wastage that also allows food stocks to be sent elsewhere to the benefit of the community.
- c) It would be helpful to host discussions with the AHA (SA) to investigate and agree what state-wide measures can be adopted that would prepare the sector to operate in the event of another outbreak while meeting the health objectives, e.g. the deployment and monitoring of attendance utilising the QR app now and potential for hoteliers in future to restrict entry by unvaccinated clients and not have to employ unvaccinated staff. That would presumably allow the Hotels to have a "quarantined" set of people allowed in which might assist the smaller bars and hotels compared with a blanket restriction via space per person. There may also be consideration of the operation of gaming facilities in the event of a lockdown as this activity currently must provide for social distancing and staff time to clean machines (that rely on hand activation with the potential to readily transmit the virus).

Introduction

The Australian Hotels Association (SA Branch) has commissioned the South Australian Centre for Economic Studies (SACES) of the University of Adelaide to undertake a brief survey of the hotel industry in South Australia relating to the sudden lockdown of South Australia due to COVID-19 in November 2020.

Size and scope of the study

Contribution of the hotel industry to South Australia

The hotel industry is a major contributor to employment, the economy and the social fabric of South Australia. Disruption to its activities, particularly such as those imposed at very short notice without consultation as with the 18 November lockdown, are likely to have severe impacts on employment, the economy, social fabric and mental health.

In 2016 the SA Centre for Economic Studies, in conjunction with the AHA (SA), released the **Economic Contribution of the Hotel Industry in South Australia** report. The report estimated that in 2015 total employment in the South Australian Hotel Sector was 26,250¹, representing about 3.2 per cent of South Australia's then total employment. The broad characteristics of this employment were:

- 15,750 were employed in the 280 metropolitan venues;
- 10,500 were employed in the 351 non-metropolitan venues;
- 25.4 per cent were permanent full-time employees;
- 13.9 per cent were permanent part-time employees;
- 60.7 per cent were casual employees; and
- on average metropolitan hotels employed 56.2 staff and non-metropolitan hotels employed 29.9.

The broad characteristics of income and expenses were:

- Total income of \$3,627 million, comprising:

○ Sale of liquor and other beverages on premises	18.9 per cent
○ Sale of liquor and other beverages (take-away)	27.0 per cent
○ Accommodation	13.8 per cent
○ Net Gaming revenue	17.4 per cent
○ Takings from meals and food sales	18.8 per cent
○ Other	4.0 per cent
- Outgoings and expenses comprised:

○ Total Wages and Allowances	\$958 million
○ Purchases of liquor and beverages	\$963 million
○ Purchases of foodstuffs	\$240 million
○ Overheads including Rent, Utilities, Repairs & Maintenance	\$710 million
○ Taxes – Gambling	\$307 million
○ Taxes – Other	\$139 million

This report provides an important background to the understanding and analysis in the following report.

Survey methodology

The South Australian branch of the Australian Hotels Association, in conjunction with SACES, conducted in mid-December 2020 an online survey of its members to get an understanding of the various impacts on the South Australian hotel industry of the SA Government's announcement of the November six-day lockdown.

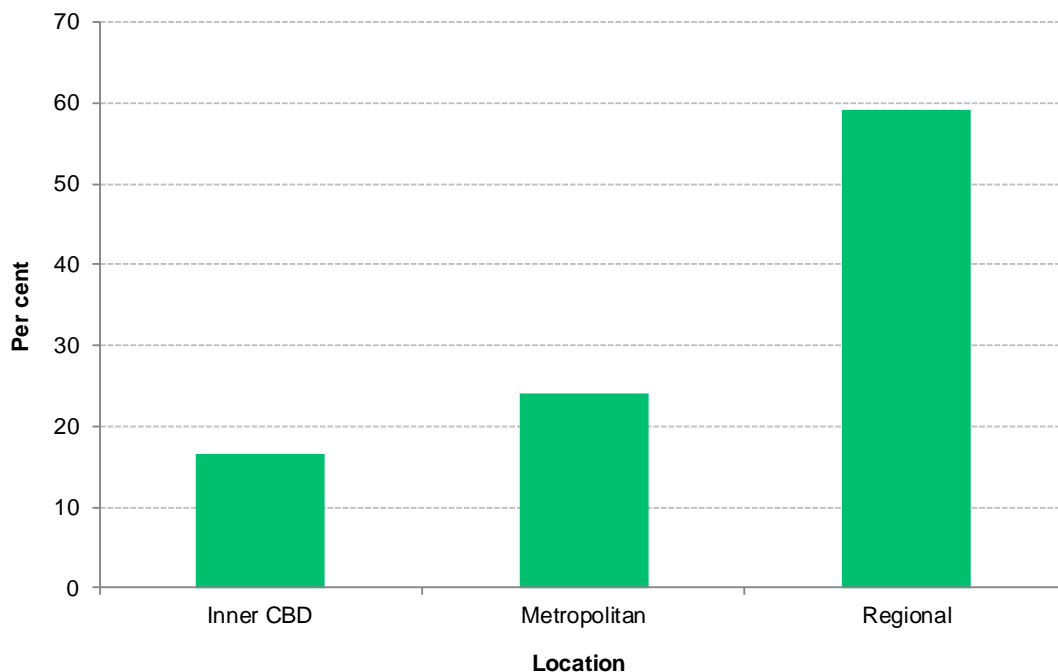
SACES independently designed the survey questions and provided them to the AHA who formatted the survey and sent out to a random selection of AHA members. Responses were returned direct to the AHA and collated using the Survey Monkey methodology. There were 120 survey responses, representing around 20 per cent of the estimated hotels in South Australia. (*From the SACES 2016 Report*).

¹ "Economic Contribution of the Hotel Industry in South Australia" (2016), The South Australian Centre for Economic Studies, University of Adelaide, January.

Location of respondents

As shown in Figure 1, 16.7 per cent of the responses were from inner CBD hotels, 24.1 per cent from non-CBD metropolitan hotels and 59.2 per cent from country and regional hotels. It is estimated that there is likely to be some over representation of country and regional hotels, but from previous surveys we know that they are on average smaller businesses relative to metropolitan hotels and accommodation venues and hence may lead to an understatement of impacts overall.

Figure 1 Location of hotel



Source: Survey of South Australian hotel industry, December 2020.

Expected employment prior to lockdown

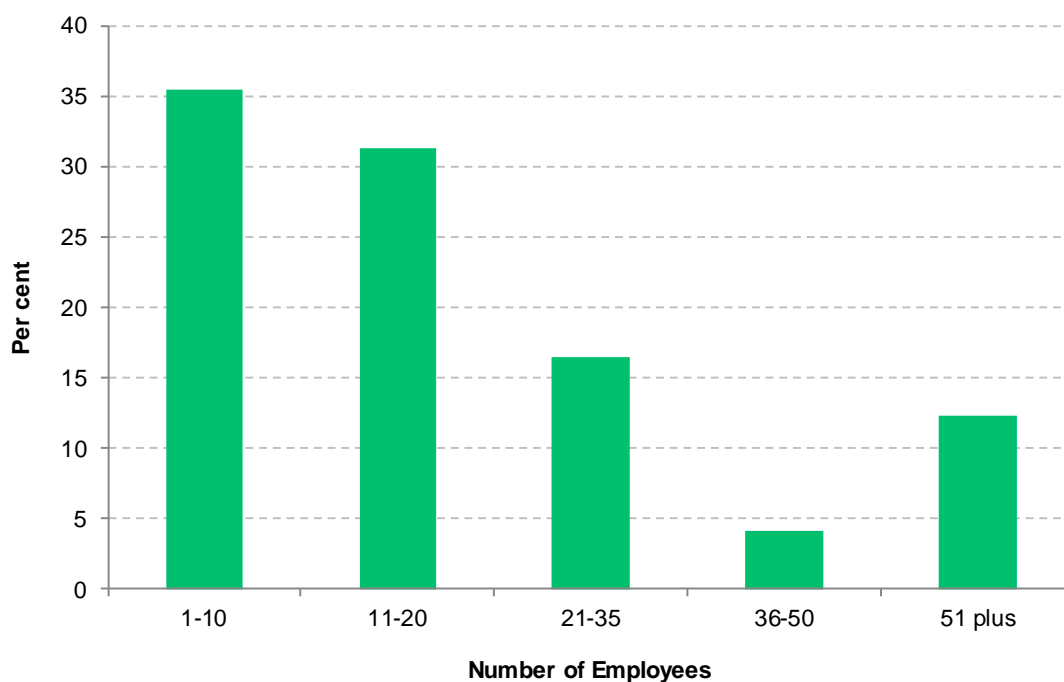
The respondents reported a range of expected employment in the week beginning 19 November 2020. Some 35.4 per cent expected to employ between 1 – 10 people per day while 12.4 per cent expected to employ 51 or more per day. We estimate these respondents were expecting to employ some 2,500 people per day on average in the week beginning 19 November 2020. We estimate this comprised about 10 per cent of total people employed in the South Australian hotel industry in the period prior to the lockdown.

To put this in context, the Australian Bureau of Statistics (ABS) estimated that hotels, taverns and bars in South Australia in November employed on average 13,735 people per day.² The ABS November Labour Force Survey covered the fortnight to Sunday 14 November and was therefore prior to the announcement of the South Australian lockdown.

However, for definitional and methodological reasons, this may be a considerable underestimate of employment in South Australia in the hotel industry when considering its broader operations including:

- liquor retailing, in house and packaged, i.e. takeaway;
- meals;
- accommodation;
- entertainment, including live music;
- conferences; and
- electronic gaming machines.

² ABS Cat 6291.0.55.003 – EQ06- Employed Persons by Industry group of main job (ANZSIC), Sex, State and Territory, November 1984 onwards. Released 11.30am 23 December 2020.

Figure 2 Expected employment numbers, 19-25 November 2020 (Q3 survey)

Source: Survey of South Australian hotel industry, December 2020.

In the **Economic Contribution of the Hotel Industry in South Australia** report noted above, total employment in the South Australian Hotel Sector in 2015 was estimated at 26,250. We will use that aggregate and the associated details as the basis for our estimates of the employment impacts in 2020 of the lockdown.

The ABS estimates for jobs from the quarterly data by industry of main occupation released from the monthly Labour Force surveys for 2015, 2019 and 2020 were averages of:

	2015	2019	2020
Accommodation	8,543	7,858	4,934
Pubs, Taverns and Bars	8,070	11,482	11,253
Clubs	1,079	1,620	1,118
Total of Above	17,692	20,960	17,305

Source: ABS Electronic Delivery 6291.0.55.003 - EQ06 - Employed persons by Industry group of main job (ANZSIC), Sex, State and Territory, November 1984 onwards Released 23 December 2020.

We make the assumption that employment in the South Australian hotel industry as defined in the SACES report, which were collected from employers in 2015, moves broadly in line with the combined totals of the ABS quarterly estimates of employment in the three industry sub-categories as collected from the labour force participants.

In that case we estimate total hotel industry employment heading into the November lockdown at 26,000. This is likely to be an underestimate as this figure is based on 2015 as a likely average for the year whereas employment would have been on a seasonal upswing by mid-2020.

The Survey respondents estimated expected employment is therefore estimated to be in the order of 10 per cent of total employment in the South Australian hotel industry in November. The estimated share in the hotel sector of the respondents, as a proportion of total establishments and of the employment they were expecting to provide, suggests their responses should not be unrepresentative of the South Australian hotel industry as a whole.

The costs of lockdown

With the announcement on 18 November of the six-day lockdown to begin 12.01 am Thursday 19 November, hotel businesses had to move quickly to reduce staffing; cancel already booked functions; dispose of perishable supplies; cancel new food and other orders; and cancel or reschedule work planned to be done by contractors and tradespeople.

While the lockdown was progressively raised after three days, the initial planning by hotel operators was for a full lockdown of six days and possibly longer. In addition, it was difficult to immediately reopen hotel businesses as a result of getting people back to work; re-scheduling social and other functions; ordering and getting deliveries of food and other supplies; and meeting the new post lockdown requirements of the State Government.

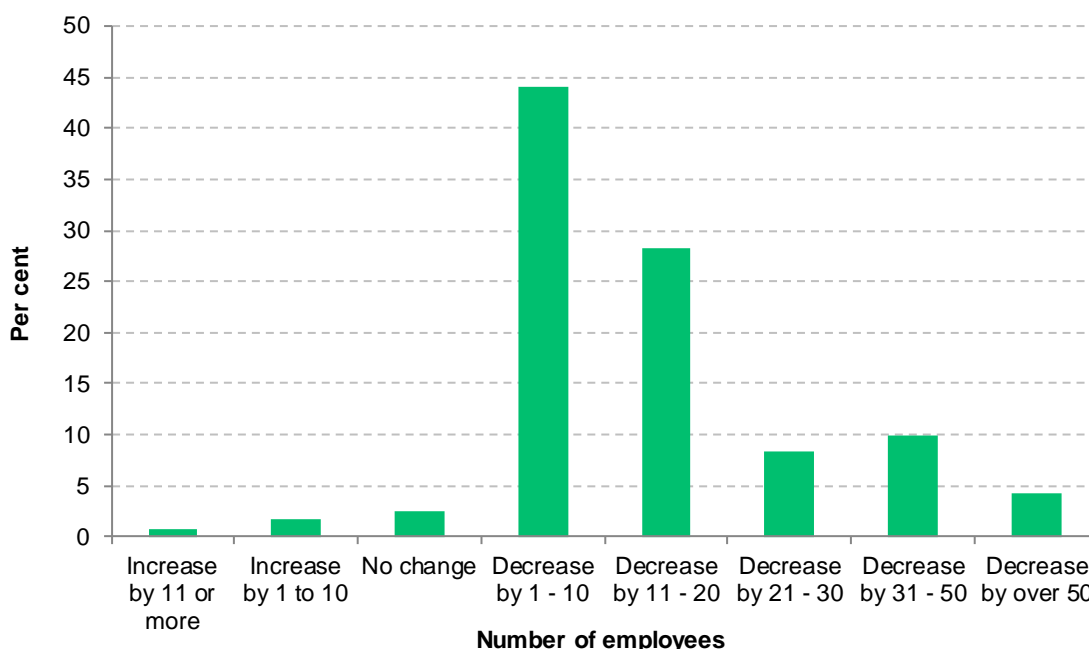
Employment losses

The hotel sector, being a high touch service industry, is very labour intensive across a broad range of occupations. The sector employs a large number of South Australians both directly and as associated suppliers such as food and produce suppliers; cleaners; maintenance, trades and security workers etc. Their employment is generally directly related to the number of people attending and consuming hotel services on site.

It is not an industry that can easily or effectively provide its services remotely. As a result, employment and turnover will be, generally, immediately affected by the lockdown.

Some 95 per cent of survey respondents reported they had decreased direct employment during the period Thursday 19 November to Wednesday 25 November with 44.2 per cent reporting a decrease in employment on an average per day by between 1 and 10 staff; 37 per cent by between 11 and 30 staff and 14 per cent by over 30 staff.

Figure 3 Actual employment numbers, 19-25 November 2020 (Q4 survey)



Source: Survey of South Australian hotel industry, December 2020.

We also note as shown by ABS labour force estimates, that South Australian employment and average hours worked in hotels, taverns and bars and clubs generally lifts in November in line with the late Spring and early Summer temperature increases; the seasonal lift in end of work social functions; and the build-up to Christmas social events.

In addition, this increase in employment is most marked for females who generally comprise over 50 per cent of the sector's workforce. On average over the 10 years to November 2019, November female full time and part time employment has risen 29 per cent and 11 per cent respectively on the previous August. This likely reflects many workers moving from part time to full time hours. For the last decade, total hours worked by both sexes was on average 12 per cent higher in November than in August.

The lockdown therefore came at possibly the very worst time for employment and hours worked in hotels, taverns and bars and clubs. This was not only for the expected seasonal lift but also as activity was rebounding as earlier COVID-19 restrictions were being lifted. The ABS estimated hours worked in November 2020, based on conditions prior to the lockdown, at 14 per cent higher than in February 2020 and 20 per cent higher than

in November 2019. In prospect, it was to be the best November since 2011. The lift would also have helped in part offset the losses in accommodation turnover, and associated employment, through 2020.

As noted above, we have used an estimate of 26,000 as employment in the South Australian hotel industry prior to lockdown. On the basis of the survey results, this would suggest employment in this industry dropped by an average of around 20,500 jobs per day over the period Thursday 19 November to Wednesday 25 November inclusive.

This would be equivalent to around 2.4 per cent of South Australia's total employment in November prior to the lockdown.

According to the survey results, and as shown in the Table 1, most workers in the sector suffered a loss of employment. Over a third of hotels reported reducing employment substantially across permanent full and part time positions and casual full and part time positions:

- 39.3 per cent of employers reported reducing employment by at least 50 per cent for permanent full-time employees. 24.3 per cent of employers reported employment being reduced for this group by between 91 and 100 per cent;
- 35.5 per cent of employers reported reducing employment by at least 50 per cent for permanent part time employees. 26.9 per cent of employers reported employment being reduced for this group by between 91 and 100 per cent;
- 54.7 per cent of employers reported reducing employment by at least 50 per cent for casual full-time employees. For these employees, 10.5 per cent of businesses reported reducing employment between 81 and 90 per cent and a further 32.6 per cent reported employment being reduced for this group by between 91 and 100 per cent; and
- 68.7 per cent of employers reported reducing employment by at least 50 per cent for casual part-time employees. For these employees, 10.4 per cent of businesses reported reducing employment between 81 and 90 per cent and a further 41.7 per cent reported employment being reduced for this group by between 91 and 100 per cent.

Table 1 Reported reduction by hotel and employee type

	Permanent Full Time Employees	Permanent Part Time Employees	Casual Full Time Employees	Casual Part Time Employees
Number of Responses	107	93	95	115
0-11 per cent	33.6	48.4	30.53	13.91
11-20 per cent	11.2	7.5	5.26	8.70
21-30 per cent	6.5	3.2	5.26	3.48
31-40 per cent	6.5	2.2	2.11	0.87
41-50 per cent	2.8	3.2	2.11	4.35
51-60 per cent	3.7	1.1	4.21	6.96
61-70 per cent	2.8	2.2	5.26	4.35
71-80 per cent	3.7	2.2	2.11	5.22
81-90 per cent	4.7	3.2	10.53	10.43
91-100 per cent	24.2	26.9	32.63	41.74

Source: Survey of South Australian hotel industry, December 2020.

As noted in the SACES 2016 report, the hotel industry is a major employer of part-time and casual workers; 13.9 per cent of employees in 2015 were permanent part-timers and 60.7 per cent were casual workers. In addition, according to the ABS, in 2019, prior to the COVID-19 impacts on business activity and employment, accommodation, hotels, taverns, bars and clubs averaged 13,374 part-time employees per day, comprising 63 per cent of total employment in these areas and 4.4 per cent of all of South Australians employed part-time as their main job.

While the intensive conditions of the initial six-day lockdown period were, at the time of preparation of this Report, being progressively lifted, the lockdown continued to have a seriously adverse impact on employment well past November. This was due to:

- the new isolation requirements;
- the cancellation of already booked social and other end-of-year functions; and

- after the lack of notice and consultation by policy makers with hotel operators when implementing the 18 November lockdown, the heightened uncertainties for both consumers and hotel operators of what policy makers might impose if a new COVID-19 outbreak was to occur through December.

Participants in the survey were asked “what was the estimated impact on employment per day for the period from 26 November to end December 2020 compared to the situation if all restrictions had been lifted”.

Approximately 47 per cent of 120 respondents reported employment would have been lower between 1 and 10 than if restrictions had been lifted while a further 18.3 per cent estimated employment would be down between 11 and 20, a further 8.5 per cent estimated employment would be lower by 31 or more.

Table 2 Change in number of employees that worked during lockdown compared to number of employees usually employed

Options	Change in number of employees at work during lockdown	
	Per cent	Number
Increase by 11 or more	0.8	1
Increase by 1 to 10	6.7	8
No change	15.0	18
Decrease by 1 - 10	46.6	56
Decrease by 11 - 20	18.3	22
Decrease by 21 - 30	5.0	6
Decrease by 31 - 50	4.2	5
Decrease by over 50	3.3	4

Source: Survey of South Australian hotel industry, December 2020. Q10

We estimate employment for this period was therefore down 1,300 on average per day for these respondents compared to what would have otherwise been expected if restrictions had been fully lifted. This compares with the expected employment prior to the lockdown for these respondents of around 2,500 per day.

We extrapolate this foregone employment to 12,500 jobs across the South Australian hotel industry in what would normally be considered to be the sector’s strongest period for business activity, financial turnover and employment overall, and casual and part time employment in particular.

So, while employment would have lifted as restrictions were eased, it would have remained well below what would otherwise have been expected at the busiest time of the year.

This reduction in employment was a reflection of the reduced business activity and turnover due to the restrictions. As noted above, the types of services provided by the hotel sector are very difficult to provide online or remotely.

Loss of business turnover

Looking at the estimated impact on turnover for the period 26 November to 31 December compared with what was planned or expected by hotel operators prior to 18 November, 92.6 per cent of the 120 respondents reported an estimated decline of over \$10,000 while 62.0 per cent reported an expected decline of over \$50,000 and 32.2 per cent of over \$100,000.

Table 3 Estimated change in turnover (due to lockdown and on-going restrictions 26 Nov-31 Dec)

Options	Change in turnover	
	Per cent	Number
\$1 - \$10,000	7.4	9
\$10,001 - \$25,000	12.4	15
\$25,001 to \$50,000	18.2	22
\$50,001 to \$75,000	15.7	19
\$75,001 to \$100,000	14.1	17
Over \$100,000	32.3	39

Source: Survey of South Australian hotel industry, December 2020.

We estimate this reduction in turnover from what was planned or expected by the respondents to be in the order of \$9.7 million. For the South Australian hotel industry as a whole, we project this in the order of \$100 million.³

³ The respondents account for about a 10 per cent share of estimated employment but around 18 per cent of the number of AHA SA members and have a marginally high country weight compared to the base. 44 per cent metro: 56 per cent non-metro in SACES 2016 study of with 41 per cent metro: 59 per cent non-metro in this survey. Turnover per employee is also lower in non-metro (\$127,726) than in Metro (\$145,134) on the SACES 2016 Report.

Looking at losses to accommodation revenue, November is the peak month for rooms sold and total revenue. In November 2019, rooms sold totalled 162,994 with total revenue of \$28.233 million. After the April 2020 slump to 24,134 rooms sold, there had been a part recovery in demand for rooms through to 18 November with total room demand for November to that date running at a monthly rate of 105,000, (*nb average daily room demand 1-18 November 2020 3,483 = 104,490 over 30 days*).

This would have been up 9.6 per cent on October and 59 per cent on September and while still well down on November 2019, the highest since February 2020. A continuation of the recovery through November and into December was therefore of critical importance to revenue and employment.

The immediacy of the lockdown and likely uncertainty surrounding whether the restrictions on travel and the accommodation sector would be relaxed in following weeks but potentially reintroduced, resulted in an accelerated pace of cancellations and drop off in new bookings. Average daily demand for rooms in the week to Sunday 14 November had averaged 3,639. This fell to an average of 1,456 per day in the week to Wednesday 25 November. Total accommodation revenue for the latter period was down 67 per cent compared with the week to Sunday 14 November.

Despite the lockdown being lifted after three days and the progressive lifting of the restrictions, continued uncertainty saw only a gradual recovery in accommodation demand and revenue. It was not until 18 December that room demand and occupancy rates got back to levels consistent with the December seasonal pattern. By then, however, the sector had lost around four weeks of its peak levels of activity, revenue and employment.

Table 4 indicates the losses in activity and revenue compared with the period 1 to 18 November 2020 and 19 November to 18 December 2019.

Table 4 Comparison of losses in activity and revenue, 1-18 November 2020 – 19 November to 18 December 2019

	1-18/11/2019	1-18/11/2020	Difference (per cent)	19/11-18/12/2019	19/11-18/12/2020	Difference to 19/11-18/12/2019 (per cent)	Difference to 1/11-18/12/2019 (per cent)
Average Daily Occupancy (per cent)	90.3	56.1	-34.2	83.5	35.1	-48.4	-21.0
Average Daily Room Rate \$	168.6	133.8	-20.6	161.2	136.5	-15.3	2.0
Average Daily Revenue per Available Room \$	153.1	76.1	-50.3	137.6	49.6	-64.0	-34.8
Average Daily Supply of Rooms (No.)	6,045	6,208	2.7	6,045	6,320	4.6	1.8
Average Daily Demand for Rooms (No.)	5,457	3,483	-36.2	5,047	2,226	-55.9	-36.1
Average Daily Revenue \$'000	925,488	472,260	-49.0	832,039	314,780	-62.2	-33.3

The total estimated revenue loss over 30 days was:

- 19 November – 18 December 2019: \$4,724,405; and
- 1 November – 18 December 2019: -\$15,517,784.

Impact on waste, other suppliers and tradespeople

The lockdown and subsequent isolation restrictions and reduced turnover also had a significant impact on the demand for intermediate inputs, such as foodstuffs, and various overhead items such as cleaning, repairs and maintenance and marketing etc.

The broad magnitude of these types of expenses in 2014/15 were outlined in the SACES report *The Economic Contribution of the Hotel Industry in South Australia (2016)*.

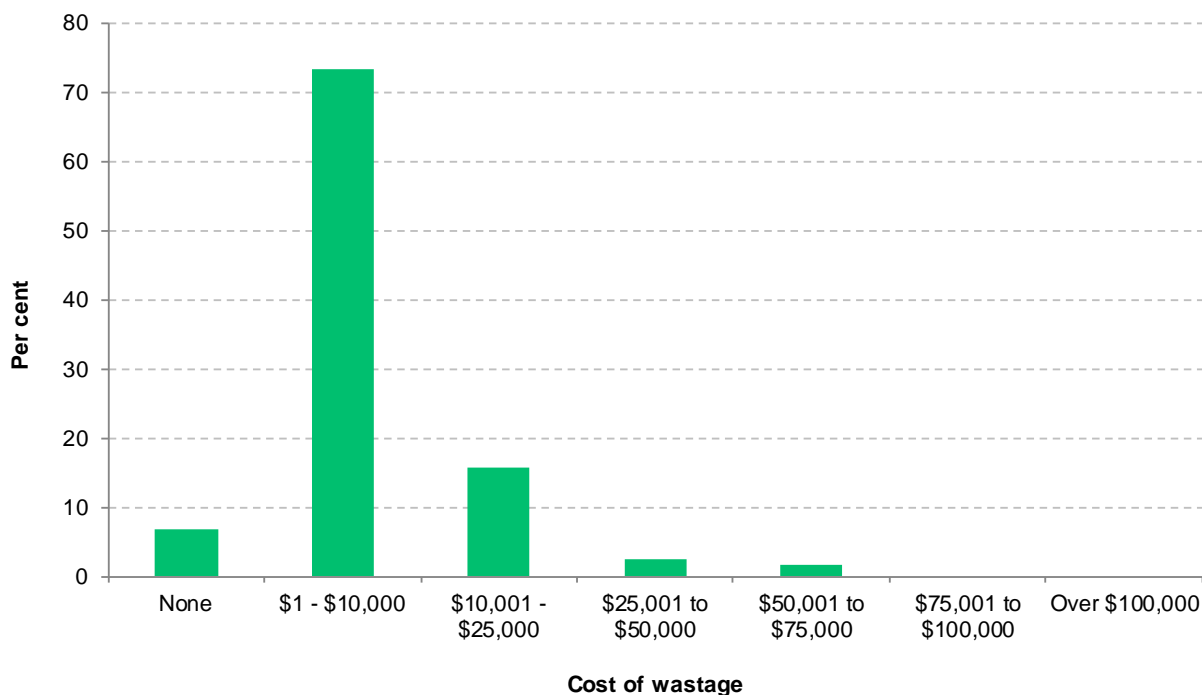
In 2014/15, spending on such purchases likely to be affected was estimated as:

- purchases of foodstuffs used to prepare meals: \$240 million;
- repair and maintenance \$48 million;
- advertising, marketing, promotion and sponsorships \$92 million;
- other contract, subcontract and commission expenses \$29 million.

An immediate impact was having to dispose of food, alcohol and other items that would have perished or deteriorated over the expected six-day lockdown period.

Some 73.3 per cent of the 120 respondents reported wastage costs of up to \$10,000 over the period from 19 November to 25 November with an additional 15.8 per cent reporting wastage costs of between \$10,001 and \$25,000, 4.2 per cent reported wastage costs of between \$25,001 and \$75,000. We estimate the overall costs to the respondents to be in the order of \$7 million to \$10 million across the sector.

Figure 4 Cost of wastage of food, alcohol and other items (19 November-25 November)



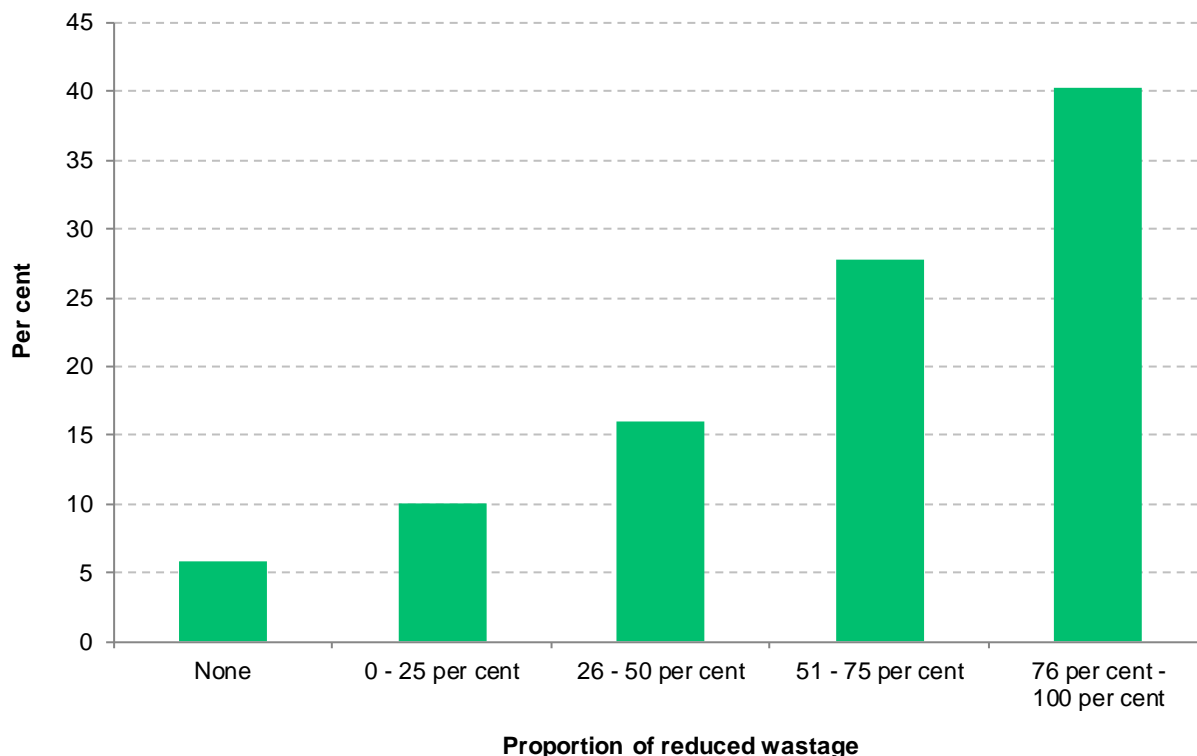
Source: Survey of South Australian hotel industry, December 2020.

The survey also revealed a major part of this wastage could have been reduced by more warning of the lockdown.

Almost all venues (94 per cent of respondents) said they could reduce some wastage, while 40 per cent of respondents reported they could have reduced wastage by between 76 per cent and 100 per cent.

While the survey did not ask how the wastage may have been reduced, it could be reasonably expected some of the food could have been diverted to charities for distribution.⁴

⁴ Foodbank reported in 2019 it was providing meals in South Australian to around 134,620 people per month of which the School Relief Program comprised 126,000.

Figure 5 Proportion of waste that could have been reduced by pre-warning of lockdown

Source: Survey of South Australian hotel industry, December 2020.

Looking at longer term disruption following the lockdown, the South Australian hotel industry is a major purchaser of food and other produce, particularly from local suppliers. As noted above, in 2014/15 South Australian hotels spent \$240 million on food purchases for the estimated 837 meals served on average each week that year by the 684 hotels, pointing on average to a third of adult South Australians having a hotel meal each week.

Reducing the purchases by hotels would therefore have a substantial impact on local suppliers and producers across the broader hospitality sector.

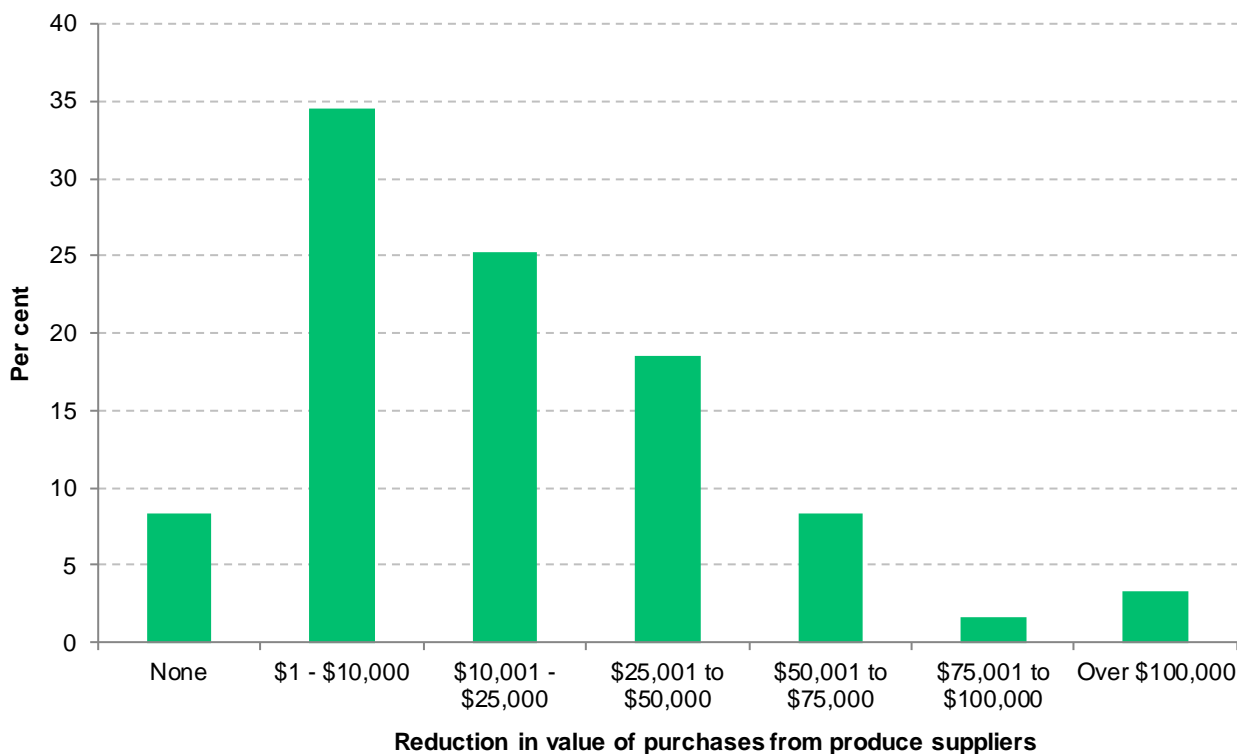
The lockdown and ongoing COVID-19 isolation restrictions caused disruption to, or cancellation of, already organised functions at SA Hotels, made planning of new functions highly problematic and severely limited capacity for ongoing dining.

Over a third of the 120 respondents reported they would be reducing the value of their purchases by up to \$10,000 up to 31 December. A further 42.7 per cent indicated a reduction of between \$10,000 and \$50,000 while an additional 13.4 per cent reported a reduction of over \$50,000.

We estimate the total reduction in spending on food and produce by the respondents at around \$3 million and between \$21 million and \$30 million across the South Australian hotel industry.

The lockdown and associated subsequent isolation restrictions and reduced turnover also affected spending on various overhead items such as cleaning, repairs and maintenance and marketing etc and likely disrupted investment spending.

As noted above, in 2014/15 this type of spending was estimated by SACES in the order of \$170 million per annum. In addition, capital expenditure averaged \$133 million per annum over the five years to 2014/15. In view of the upswing occurring in South Australian economic activity more broadly through the second half of 2020 as previous COVID-19 restrictions were being eased, it would be expected spending in these categories would have been at least in this order on an annualised basis in late 2020.

Figure 6 Reduction in value of purchases from produce suppliers (to end December inclusive)

Source: Survey of South Australian hotel industry, December 2020.

Survey respondents reported that for the period 26 November to 31 December, 49.1 per cent had reduced spending on services normally provided by subcontractors or tradespeople by up to \$10,000, 41.5 per cent had reduced spending by between \$25,000 and \$50,000 and 9.4 per cent had reduced spending by over \$50,000.

Table 5 Change of spending on subcontractors or tradespeople (end November to 31 December)

Options	Change in spending	
	Per cent	Number
\$1 - \$10,000	49.06	52
\$10,001 - \$25,000	30.19	32
\$25,001 to \$50,000	11.32	12
\$50,001 to \$75,000	5.66	6
\$75,001 to \$100,000	0.94	1
Over \$100,000	2.83	3

Source: Survey of South Australian hotel industry, December 2020.

We estimate this spending reduction was in the order of \$2.2 million for these respondents and between \$11 million (and \$15 million across the South Australian hotel industry overall).

Mental health impacts

Mental health disorders in Australia and South create substantial costs to individuals, the community, business and the broader economy. In South Australia, drawing on the studies noted below, we estimate the current costs to the economy in 2018/19 could be in the order of \$4.5 billion to \$5.0 billion. This is the equivalent of between 4 to 4.5 per cent of Gross State Product (GSP) in 2018/19 or around \$2,800 per head of population.

There is an increasing volume of medical research on the impacts on mental health and wellbeing of the policy responses to the COVID-19 pandemic, including through the effects on work and social functioning. This research points to some of these policy responses having adverse impacts on mental health and wellbeing.

We see no reason why these responses would be lower in South Australia than reported nationally and should be taken into account when policy makers are setting and implementing policies such as lockdowns.

The latest National Health Survey report by the ABS⁵ estimated that in 2017/18 there were 4.8 million people, or 20.1 per cent of the Australian population of all ages, with a mental or behavioural condition. This was up 17 per cent on the previous survey in 2013/14.

South Australia was broadly in line with the national estimates with 19.9 per cent of the population over 15 years of age having a mental or behavioural condition. The ABS estimates the proportion for South Australian standardised for age was 19.7 per cent. These proportions represent the second highest selected current long-term condition after hayfever and allergic rhinitis.

In *Mental health in Australia: a quick guide* prepared by the Australian Parliamentary Library in February 2019⁶, the following studies on the costs of mental illness were reported:

1. the cost of severe mental illness was estimated at \$56.7 billion per annum in 2014 in a report commissioned by the Royal Australian and New Zealand College of Psychiatrists. This included “the direct economic costs of severe mental illness arising from the use of health and other services, as well as indirect costs due to lost productivity ...”. This was similar to the \$60 billion cost reported in 2016 by the National Mental Health Commission;
2. In 2018, KPMG and Mental Health Australia reported an average workplace cost of \$3,200 per employee with mental ill health for a total cost of workplace mental ill health of \$12.8 billion in 2015/16; and
3. the Australian Institute of Health and Welfare (AIHW) estimated spending in 2015/16 on mental health related services was around \$9 billion. Of this, \$5.4 billion was provided by State and Territory governments; \$3.1 billion by the Federal Government and \$0.5 billion by private health funds.

For 2017/18, the AIHW estimated Federal Government spending had risen to \$3.4 billion while in 2018/19 4.3 million Australians received mental health related medication prescriptions.⁷

These measures indicate the substantial financial costs of mental ill health in the Australian community and economy prior to the COVID-19 pandemic.

There is a growing body of analysis internationally around the distributional and mental health impacts of the COVID-19 pandemic and the policy responses, including lockdowns.

In June 2020 the International Monetary Fund (IMF) Working Paper 20/96 *The Distributional Impact of Recessions: The Global Financial Crisis and the Pandemic Recession*⁸ looked at the experience in the USA. It noted,

“... the social distancing policy prohibited operations of “social jobs” that require physical interaction, such as leisure and hospitality industries.”

“Social and non-essential industries, particularly jobs in leisure and hospitality, have been much more severely affected than jobs in other industries during the current recession than the previous recession.”

“... this paper corroborates the findings of other research that Hispanic and female workers have been more affected than their counterparts during the current Pandemic Recession.”

“... younger workers, particularly the workers between 21-30 years old, saw a sharper decline in employment during the current pandemic recession than the other age groups.”

“Less educated workers have seen a much sharper decline in both the employment rate and the average hours worked than more educated workers.”

These types of outcomes, while in another country and with different policy responses, can, however, provide important leads as to which demographic groups would have felt the greater increased mental health stress as a result of the policy responses to the pandemic and consequent loss of jobs and incomes, increased financial stress and reduced social contact. In turn, that may provide pointers as to which groups may have been likely to suffer higher adverse mental health and wellbeing outcomes and so how lockdown policies may be better targeted and nuanced.

⁵ <https://www.abs.gov.au/statistics/health/health-conditions-and-risks/national-health-survey-first-results/latest-release#mental-and-behavioural-conditions>. Catalogue 436405001D002-20172018. Released 12 December 2018.

⁶ Mental health in Australia: a quick guide, Lauren Cook, Social Policy Section, Research Paper Series, 2018-19, Parliamentary Library, Parliament of Australia

⁷ Australian Institute of Health and Welfare 2020. Mental Health services in Australia, Canberra: AIHW. <https://www.aihw.gov.au/reports/mental-health-services/mental-health-services-in-australia>

⁸ IMF Working Paper [The Distributional Impact of Recessions: The Global Financial Crisis and the Pandemic Recession WP/20/96](https://www.imf.org/en/Publications/WP/Issues/2020/06/01/the-distributional-impact-of-recessions-the-global-financial-crisis-and-the-pandemic-recession-wp/20/96), IpeI Shibata, Washington USA June 2020

In Australia this type of analysis has been reported in a major longitudinal study of 1,296 adults which began in March 2020⁹. Importantly, and this may reflect Australia's very good results in COVID-19 suppression, the statistically significant impacts on mental health and wellbeing reported came via the policy responses rather than the exposure to, or fear of, COVID-19 infection.

The authors noted:

"We found the social, work and financial disruptions induced by the acute phase of the COVID-19 pandemic were associated with considerable impairments in community mental health in Australian adults. In contrast, exposure to COVID-19 was not found to predict mental health in this cohort."

"... at a population level, changes to social and work functioning were more strongly associated with decrements in mental health than amount of disease contact. This finding is consistent with a recent UK-based finding that their citizens were more concerned about how societal changes will impact their psychological and financial wellbeing, than becoming unwell with the virus."

"This finding is also consistent with emergent work indication that loneliness is playing a central role in the observed mental health impacts of the COVID-19 pandemic."

"... the effects of financial distress and overall work and social impairment (*on mental health impairment*) were independent and not better accounted for by demographic or other background factors. Job loss however did not have a significant independent association with mental health after accounting for financial distress and other covariates. ... In contrast, the regression analyses found no significant unique association between exposure to COVID-19 and depression or anxiety symptoms, or wellbeing."

"... within these regression models, we also found that younger age, identifying as female and having at least one current mental health disorder were each independently associated with higher levels of depression and anxiety, and decreased wellbeing."

These findings suggest policy actions such as lockdowns in the hospitality sector, and more generally, need to be carefully considered and managed as they will impact a large number of:

- businesses, many of which are small and will have owners and managers already under financial stress due to underlying business conditions which have been exacerbated by COVID-19 impacts;
- employees, with many of the cohorts identified in recent studies as already being at relatively high risk of financial and mental stress, i.e. casual and part time, young and female; and
- consumers, for many of which social interaction at hospitality venues may be an important contributor to mental health and wellbeing.

Aside from the personal non-financial distress these policies may incur, the already high financial and broader economic costs of mental ill health in South Australia suggest even small increases in its incidence would have quite large net financial impacts for individuals, households, businesses and government. We note that Beyond Blue and other organisations have reported increased calls for mental health assistance through the course of 2020.

In that regard, the Dawel et al study⁹ notes that 20.3 per cent and 16.4 per cent of its sample scored above the clinical cut-offs for their depression and anxiety measures respectively. These scores were respectively around 4 times and 2.5 times the proportions reported in other representative community-based samples.

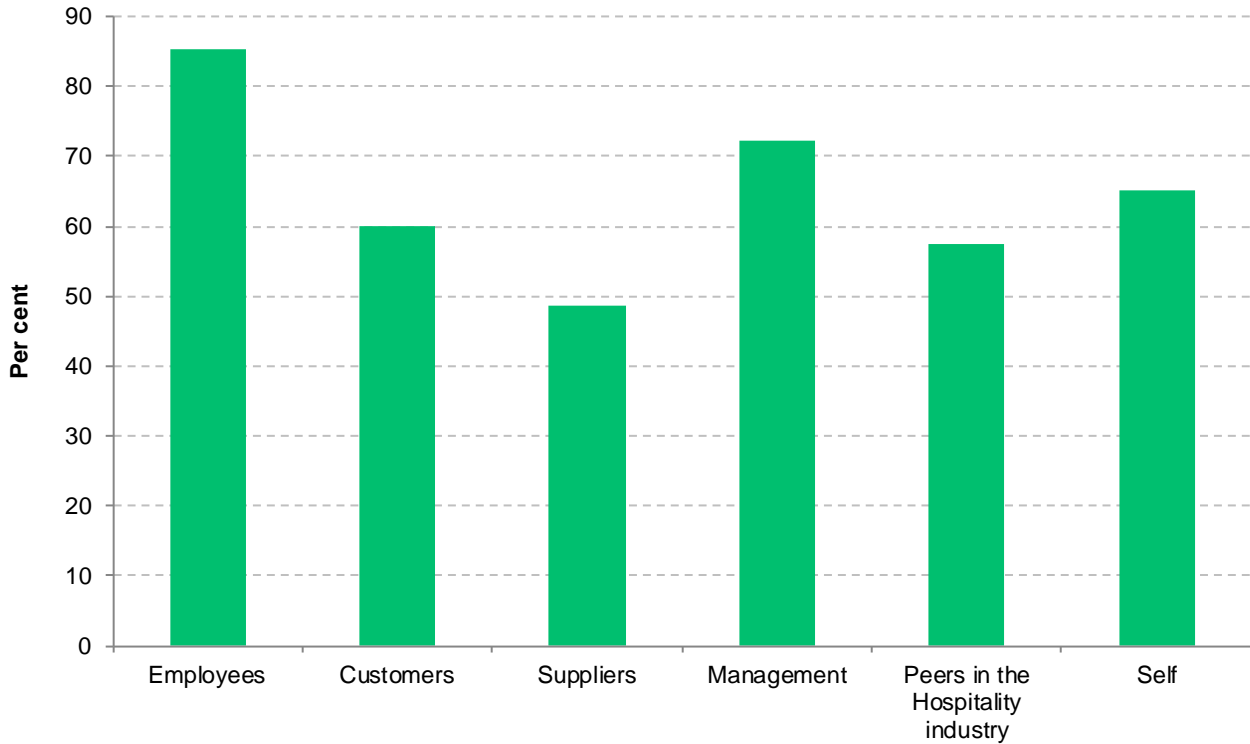
The respondents to the AHA (SA) survey reported high levels of increased awareness of mental health concerns as a result of the lockdown. While this increase was reported across a number of different types of contact groups, employees and management were reported as being most substantially affected. 85.2 per cent of respondents reported an increased awareness of mental health concerns for employees and 72.1 per cent reported an increased awareness for management while 65.2 per cent reported increased concerns for their own mental health.

This type of response is quite consistent with the Dawel study noted above in Australia and studies it referenced. This is where mental health concerns related to COVID-19 were not necessarily related to the virus's potential health effects on the individual but more how the policy responses were affecting issues such as current employment; the outlook for employment and the individual's financial situation and social isolation.

⁹ Dawel A, Shou Y, Smithson M, Cherbuin N, Banfield M, Calear AL, Farrer LM, Gray D, Gulliver A, Housen T, MCCallum SM, Morse AR, Murray K, Newman E, Rodney Harris RM and Batterham PJ (2020) The Effect of COVID-19 on Mental Health and Wellbeing in a Representative Sample of Australian Adults. *Frontiers in Psychiatry* 11:579985, doi: 10.3389/fpsy.2020.579985

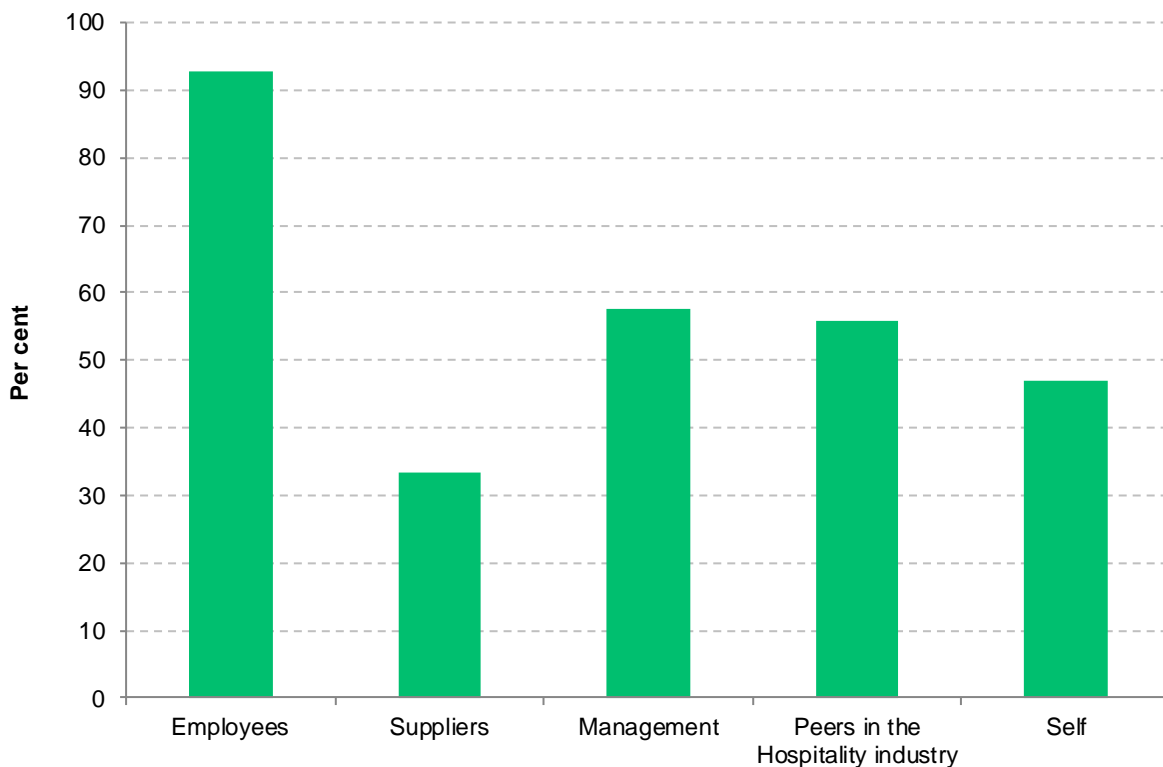
Related to the mental health issues are changing expectations about COVID-19 and the impacts on employees and businesses of the policy responses such as how the lockdown can impact peoples' livelihoods. This is likely to be an issue across many occupations and industry sectors as expectations change about the willingness and ability to effectively and safely enact restrictions in various workplaces or remotely; to use public and private transport; adaptations to social isolation; and new requirements regarding recreation, entertainment, tourism, business travel etc.

Figure 7 Increased mental health concerns



Source: Survey of South Australian hotel industry, December 2020.

Figure 8 Willingness to remain in hospitality industry



Source: Survey of South Australian hotel industry, December 2020.

A number of industries such as retailing, medicine, construction and education have been able to adapt with more or less success to the COVID-19 social distancing policy requirements.

In addition, many policy makers, the media and commentators, and influencers can often work remotely. It is much more difficult, however, to operate and manage businesses that require direct personal interactions with customers and fellow workers. This is particularly when policy responses can have an immediate and adverse impact on employment and business prospects.

This was reflected, as shown in Figure 8, in 93 per cent of respondents reporting they believed the lockdown had adversely affected employee's willingness to remain in the hospitality industry. Over 55 per cent of respondents reported the attitudes of management and peers had been similarly affected.

Conclusion

The authors have indicated that the industry case study was undertaken to make a contribution to policy considerations with respect to Covid-19, the lockdowns and health responses designed to stem the tide of the pandemic and what we have learnt to date. The accommodation and hotel sector acknowledges the pre-eminence of health policy in response to the pandemic, and its success to date in South Australia, while also arguing that industry has a positive and supportive role to play.

We draw some general conclusions from the experience of the recent lockdown and suggestions for future consideration.

- a) Prior to the announcement of any future lockdown or pandemic measures that are likely to affect the hotel and hospitality industries consultation with the AHA (SA) in a timely manner would provide superior outcomes for all. The consultation should include:
 1. Reasons for the proposed measures;
 2. Type and coverage by industry and geography (see b below) ;
 3. Timing of implementation and duration (see c below);
 4. What options/alternatives may be available for discussion;
 5. Conditions that may result in faster rollback or extension of the measures;
 6. Communication processes; and
 7. What, if any, compensation is being considered.

In addition, other industries would presumably support this type of approach.
- b) We consider a more nuanced approach to sector and geographical measures, coverage and timing is feasible to minimise the adverse impacts while ensuring that the proposed health benefits are still met. For example, there would appear to have been no justification to close country pubs and venues on 19 November 2020 and ban weddings and funerals when there were no indications of country community infections and no country medi-hotels. Other States seem to be able to handle a more regional approach.
- c) Timely, albeit limited but advanced warning is critical to minimise disruption and wastage that also allows food stocks to be sent elsewhere to the benefit of the community.
- d) It would be helpful to host discussions with the AHA (SA) to investigate and agree what state-wide measures can be adopted that would prepare the sector to operate in the event of another outbreak while meeting the health objectives e.g. the deployment and monitoring of attendance utilising the QR app now and potential for hoteliers in future to restrict entry by unvaccinated clients and not have to employ unvaccinated staff. Such an approach would presumably allow hotels to admit a "quarantined" set of people in. This might assist the smaller bars and hotels compared with a blanket restriction via space per person. There may also be consideration of the operation of gaming facilities in the event of a lockdown as this activity currently must provide for social distancing and staff time to clean machines (that rely on hand activation with the potential to readily transmit the virus).

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