

COVID-19 and Consumers: from crisis to recovery

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ABOUT CONSUMER POLICY RESEARCH CENTRE (CPRC)

CPRC is an independent, not-for-profit consumer research organisation. CPRC undertakes interdisciplinary and cross-sectoral consumer research. Our mission is to improve the lives and welfare of consumers by producing evidence-based research that drives policy and practice change.

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COVID-19: a consumer crisis

Our world has changed in just a few months, upending the lives of Australian consumers. The COVID-19 pandemic and the associated economic shocks have dealt a sudden and immediate blow to household incomes and financial security. Many people are concerned about paying the rent or mortgage, keeping the lights on, and remaining digitally connected to work, education, information, family and friends. While these problems are not new, the scale and ‘everydayness’ of their occurrence presents a unique challenge for regulators, policymakers and business.

The COVID-19 consumer impacts are not only about paying the bills. Rapid job loss, income insecurity and strict social distancing measures have triggered a demand shock. Consumer confidence has fallen. Changes in consumer spending behaviour during the lockdown have fractured some industries and benefited others. Reduced or volatile consumer spending has created a feedback loop, placing people in affected industries at risk of insufficient work, unemployment and financial vulnerability.

Social distancing measures are also accelerating structural shifts in consumer behaviours and needs. Digital markets and services were ubiquitous pre-pandemic, but their reach and essentiality has only intensified as a result of COVID-19. Now more than ever, Australians require fair, safe and trusted digital markets, that provide a protected environment in which consumer needs can be met, and allow people to participate in economic recovery.

And while COVID-19 is introducing new consumer challenges, it is also the case that history repeats. As with previous economic events such as the Global Financial Crisis, scams and exploitative practices are on the rise both online and offline, as financial vulnerability grows, fear and anxiety proliferate, and people struggle to navigate a mass of information.

COVID-19 is one of the defining challenges of our lifetimes. The policy choices made during this period will have long-term consequences – flexible, adaptive consumer supports over the coming months and years can allow people to cope with transitory difficulties, avoid problems snowballing, and re-build their lives. Sustaining consumer spending and fostering trust and participation in markets will help prevent a deep and prolonged recession.

Understanding evolving consumer concerns, behaviours and experiences will enable successful regulatory, government and business actions that are truly responsive to consumer needs during the crisis. To assist that work, the CPRC team has prepared this report amid the lockdown, which explores:

- the consumer impact of COVID-19, historical lessons and their limits—the nature of COVID-19 as an economic event, the central place of consumers in the crisis, key differences between past economic crises and COVID-19, and major features of consumer support measures during previous economic downturns
- the first findings from a survey of 1114 Australian consumers and their experiences of COVID-19, conducted in May 2020—the first of six monthly surveys exploring Australian consumers’ concerns, behaviours and experiences during the COVID-19 pandemic
- consumer vulnerabilities in the COVID-19 environment—the amplified and emerging risks arising from income shocks, increased demand for essential services, barriers to consumer engagement, and the challenges of complex markets
- consumer support measures locally and globally—an international, cross-sector review of measures being taken in relation to income support and stimulus, access to essential services, protections against unfair practices, and refunds and cancellations of services

- building blocks for consumer recovery—this journey will be highly uncertain and it will be critical for policy and business practice to adapt to consumer needs at different stages of the crisis. Effective consumer support requires a suite of complementary measures over the coming months and years, ranging from rapid, dynamic assistance to help consumers cope with financial shocks during the initial stages of COVID-19 and beyond, through to longer-term market reforms that foster consumer trust and build confidence and resilience.

As a consumer think tank, our focus in this report is on the consumer policy dimensions of COVID-19, including access to essential products and services – encompassing energy, housing, telecommunications and financial services; access to important consumer protections; and the potential for greater harm when living our lives so pervasively online. However, given the scale and impact of COVID-19 as a health and economic event and its unprecedented impact on consumers, we have also taken a more holistic view of relevant policy issues at this time. At various points in this report we consider the interplay of consumer policy with issues of government income support and economic stimulus measures, and distributional fairness in the funding of consumer support.

This report does not explore broader macroeconomic or public health policy development and design. Our focus on the COVID-19 crisis has been through the lens of consumers and the policies and practices that impact their interactions, experiences, wellbeing and daily lives.



Key report findings

Consumers are central to economic recovery

COVID-19 has induced many shocks, and the consumer crisis is chief among them. As at June 2020 Australia is in recession. The downturn in consumer spending as a result of job loss, financial insecurity and social distancing is a major cause of the economic contraction. With household expenditure making up over 55% of Australian GDP, a hit to consumers is a hit to the whole economy. Correspondingly, a recovery in consumer incomes must be coupled with consumer trust and confidence for household spending to drive economic recovery. Fair treatment, safety and inclusion for all Australians must be at the heart of the recovery mission. It is the treatment of, experience and actions of consumers that will ultimately determine the trajectory of our economic and social recovery over the coming months and years.

Understanding the changing needs of consumers will be essential to designing effective support measures

Understanding the experiences of consumers is fundamental to designing and delivering effective support measures that reach the people who need them most. To obtain these insights for policymakers, CPRC has commenced an in-depth monthly survey tracking the experiences, needs and behaviours of Australian consumers from May to October 2020. The key findings from the May 2020 survey are set out in Chapter 2.

Amplified and emerging vulnerabilities are playing out across the Australian community – aggregate figures do not tell the full story

COVID-19 is amplifying consumer vulnerability, due to the scale of job loss and financial concerns, and the greater use of services such as energy and telecommunications while socially distancing. More people are finding it difficult to pay for the essentials. COVID-19 is also exacerbating family violence, mental health challenges and digital exclusion, each of which can make it difficult for people to engage with service providers and access support. And while the scale of consumer vulnerability has increased, some people are more exposed than others, including those working in services sectors, young people, renters, those with limited internet access and temporary migrants facing destitution on job loss.

High household debt levels and use of finite resources mean stimulus and support measures need to be adequately sustained

Some of the greatest consumer vulnerabilities are likely to emerge towards the end of 2020. Early indications are that consumers are drawing down on finite resources (such as accessing credit, dipping into savings, borrowing from family and friends or applying for early access to superannuation) to make ends meet. JobKeeper, JobSeeker and short-term consumer support measures appear to be delivering support. Once removed, in addition to debt accrued, this may trigger significant financial distress. The period ahead requires careful policy design based on evidence of evolving consumer needs. History shows us that withdrawing consumer stimulus and support measures too soon can entrench unemployment, mute consumer confidence and prolong economic recovery.

Structural shifts present new opportunities and risks in an increasingly online environment

During the COVID-19 economic events, some business sectors are going to contract, while others will grow. Structural shifts are already emerging in the ways we consume technology, how we commute and work, and how we transact. The increasingly online orientation of the economy provides new channels for consumer spending and keeping people in work, provided we build in enduring, strong protection frameworks that engender consumer trust and confidence.

Australian consumer experiences of COVID-19 in May 2020

CPRC engaged Roy Morgan Research to conduct a nationwide survey of 1114 Australians in May 2020. This includes a Computer Assisted Telephone Survey (CATI) with 50 participants to capture low/non-internet users who cannot participate in the online survey and may be facing digital exclusion. The survey is repeated each month from May to October 2020.

12 million Australians are concerned about their financial wellbeing as a result of COVID-19

- 60% of Australians are concerned about the impact of COVID-19 on their financial wellbeing, with one in five stating they are very concerned.
- Groups who were most concerned include those whose income was directly impacted as a result of COVID-19, casual workers and renters.

Worries about household expenses are common – with housing and energy the greatest cost pressures

- Consumers report most concern about their ability to pay rent (37%), mortgages (27%), energy bills (27%), followed by insurance (25%), credit (22%), groceries (25%), and telecommunications (20%).
- Falls in income combined with increased consumption of some household expenses may be partly driving these concerns with many Australians also reported spending more on essential expenses such as groceries. 32% of people reported spending more on groceries in-store, 16% more online and 30% reported spending more on energy compared to their pre-COVID-19 levels.

Australians are drawing on finite resources and taking on debt to manage household expenses

- Almost half of Australian consumers (49%) are taking steps to manage their household expenses, including dipping into savings (28%); using credit cards or buy-now-pay-later services (22%); cancelling services such as insurance and subscriptions (15%); borrowing money from family or friends (7%); and/or seeking early access to superannuation (6%).
- People whose income was directly impacted by COVID-19, renters, casual workers and young people are the most likely to have drawn down on these resources.

Australians are taking the most action to grapple with housing costs

- 1 in 5 Australians took actions in May to manage rent or mortgage payments. This includes refinancing with the same mortgage provider or switching to another provider, moving rental premises, seeking payment assistance, or missing a payment.
- People most active in taking actions to manage housing costs were those who were casual workers (30%), people whose income has been affected by COVID-19 (27%) and young people (20%).



Consumer subgroups most impacted by the COVID-19 pandemic

Building blocks for consumer recovery

Fairness and inclusion are essential objectives for the recovery mission. Consumer confidence and trust is not built on the back of industry stimulus, but the extent to which people experience financial security; are protected from exploitation and unsafe products and services; have diverse needs and vulnerabilities addressed by service providers; and have confidence that consumers' best interests are at the heart of policy, regulatory and business action.

The journey from crisis to recovery is uncertain and there is no linear trajectory. Effective consumer support involves both shorter-term responses to shocks, and long-term actions to improve consumer outcomes in markets.

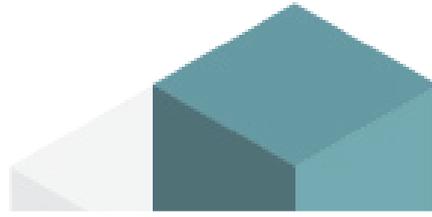
Policymakers and business can build consumer resilience and help drive economic recovery by taking the following actions:

Help consumers cope with the shocks

- Move rapidly to keep people connected to essential services, including housing—it is now time to build on the large-scale responses already seen, by providing dynamic and sustained measures that can expand where and when necessary in response to consumer needs
- Build an understanding of lived consumer experience during the crisis—to be effective, evolving consumer protections and supports need to be based on evidence of actual consumer experiences during the crisis, particularly those of vulnerable consumers
- Ensure consumers are able to access refunds—providing strong protections and nurturing consumer trust will be crucial while there remains a risk of reinstated social distancing measures.

Sustain, adapt and adjust consumer support measures

- Foster collaboration across essential services sectors—coordinated responses will be vital to avoid amplifying consumer vulnerability, particularly as different sectors begin contemplating how support measures might be wound back.
- Adjust support based on evidence of consumer experience—policymakers can delve deeper into consumer experiences as the pandemic progresses to inform policy adaptations as we move beyond the initial crisis phase.
- Develop stronger protections for consumers online—including privacy reforms, prohibition of unfair business practices, and introduction of a general safety right.



Build resilience through fairness and inclusion in recovery

- Design policies and markets that drive inclusive growth—adopt a consumer-centric approach to policy and market design that includes meaningful citizen participation and integrates equity aspects from the start.
- Ensure innovation generates real value for consumers and increases wellbeing—policy and government funding should be geared towards ‘mission led approaches’ to innovation that stimulate smart, inclusive and sustainable economic growth.
- Foster trust in markets—trust can be generated through strong consumer protections such as privacy and unfair trading reforms.
- Build consumer resilience—develop permanent regulatory and business capacity to handle adversities such as COVID-19 and natural disasters, which trigger large-scale consumer vulnerability.



1. COVID-19's consumer impact: historical lessons and their limits

The COVID-19 pandemic has dramatically changed life in Australia since the first social distancing measures came into effect three months ago. The public policy response is entirely unlike anything Australia has experienced before – a necessary, deliberate shutdown of much of the economy and life as we know it, engineered to protect public health during a global pandemic.

These measures have left Australia in an enviable position when compared with many other G20 nations. However, the ramifications of these measures – taken locally and internationally – are expected to have significant long-term consequences for the economy and society more broadly. The EU is now expecting a contraction of its economy at 7.5% this year on the back of already weak growth. The IMF has predicted Australia's economy will shrink 6.7%¹ this year, and the Reserve Bank of Australia has estimated a 10% decline over the first half of 2020.² The global economy is forecast to experience the worst recession since the Great Depression of the 1930s.

In this chapter we outline the nature of the COVID-19 economic crisis and examine the impact of the COVID-19 public health measures on consumers more broadly, given the centrality of consumer spending to the economic crisis and recovery. We also explore lessons from previous economic crises both domestically and internationally, considering key differences between these shocks and the current COVID-19 induced shock, as well as major consumer support measures adopted in previous shocks.



What kind of economic crisis is COVID-19?

Different kinds of economic shocks warrant different kinds of policy responses. The Global Financial Crisis (GFC) in 2008 was the result of inherent weakness in the financial system and the consequent behaviour of market participants – known as an ‘endogenous’ shock. When market participants came to doubt assumptions that had previously been made almost without question, and all sought to sell similar assets to avoid exposure to the same risky subprime housing loans, the consequence was an acute lack of liquidity within the financial sector.³

By comparison, the COVID-19 pandemic, like wars or natural disasters, is an ‘exogenous’ shock – one caused by unexpected factors external to an economic system. Exogenous shocks can often cause significant damage and loss of life, but may be absorbed by a resilient financial system and economy. In the case of COVID-19, the anticipated Australian recession is the result of a necessary public health measure, deliberately induced by government to limit a public health crisis.⁴ Unlike other historical recessions, where unemployment tends to grow over a number of years, the current crisis has seen a far more rapid increase in unemployment as a consequence of social distancing and lockdown measures that have required industry shutdowns.

One of the key questions is whether the shock caused by COVID-19 interacts adversely with the latent feedback loops in the financial system and exposes existing vulnerabilities, which in turn might culminate in a systemic financial crisis – an ‘endogenous’ shock.⁵ Though financial institutions are in significantly better shape than in 2008, some commentators note that significant private sector debt, itself a consequence of government policy and low interest rates following the GFC and Great Recession, might create a structural weakness.⁶ Baldwin and Weder di Mauro argue that to ‘flatten the recession curve’, governments should ‘act fast and do whatever it takes’ to keep their economies running.⁷

Some economists around the world are even now referring to COVID-19 as a ‘triple shock’⁸ – while historical recessions have generally been driven by either a supply shock, a financial shock, or a demand shock, COVID-19 could deliver all three concurrently.

COVID-19 as a demand shock: consumers central to crisis and recovery

While it is unclear to what extent COVID-19 will adversely affect the financial system, the public health measures introduced to limit the spread of the pandemic have created a very significant demand shock, by curtailing opportunities for consumer spending, rapidly reducing employment and household incomes, and fracturing consumer confidence.

Consumer spending opportunities

Consumer spending is a major driver of the Australian economy. According to the Organisation for Economic Cooperation and Development (OECD) household expenditure accounted for 55.6% of Australian Gross Domestic Product (GDP) in 2018.⁹

Necessary COVID-19 restrictions implemented to limit the movement of people and respond to the rapidly advancing health crisis were implemented in Australia from the period of March 2020 onwards.

The timeline for major restrictions being introduced, which impact the movement of people and expenditure by Australian consumers, can be found in Figure 1 (p. 11-12).

1. International Monetary Fund, Australia – “At a Glance”, (accessed 1 May 2020), <https://www.imf.org/en/Countries/AUS>;

2. Reserve Bank of Australia, “Statement on Monetary Policy Overview”, (May 2020), <https://www.rba.gov.au/publications/smp/2020/may/overview.html>

3. Jon Danielsson, Robert Macrae, Dimitri Vayanos & Jean-Pierre Zigrand, “The coronavirus crisis is no 2008”, (26 March 2020), <https://www.weforum.org/agenda/2020/04/the-coronavirus-crisis-is-no-2008/>

4. Richard Baldwin & Beatrice Weder di Mauro (eds.), *Mitigating the COVID Economic Crisis: Act Fast and Do Whatever It Takes*, (Vox CEPR Policy Portal, 2020),

5. Danielsson *et al*, “The coronavirus crisis is no 2008”, (26 March 2020), <https://www.weforum.org/agenda/2020/04/the-coronavirus-crisis-is-no-2008/>

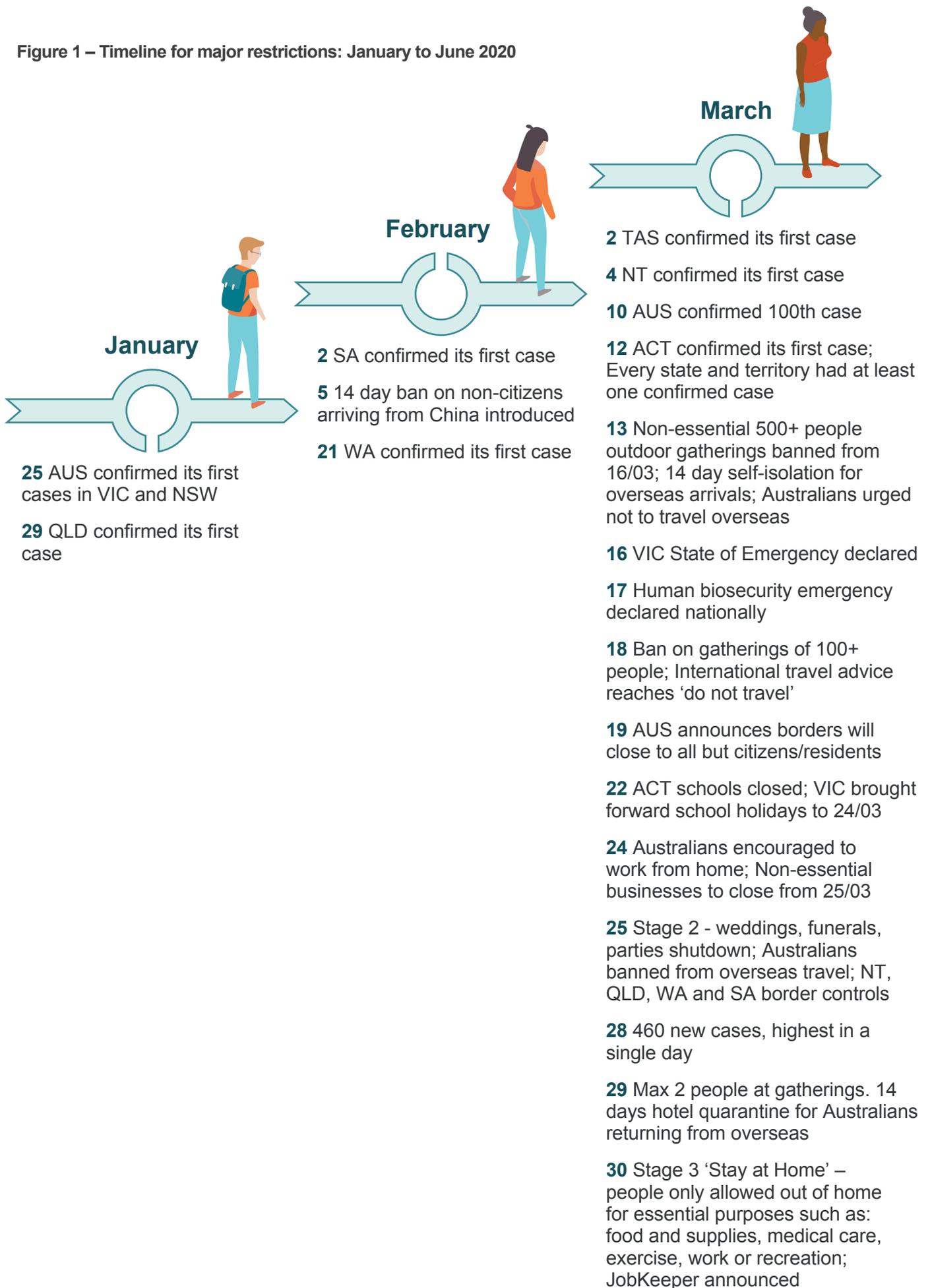
6. See Reserve Bank Australia, “Financial Stability Review”, (April 2020), <https://www.rba.gov.au/publications/fsr/2020/apr/overview.html>; Danielsson *et al*, “The coronavirus crisis is no 2008”, (26 March 2020), <https://www.weforum.org/agenda/2020/04/the-coronavirus-crisis-is-no-2008/>

7. Baldwin & Weder di Mauro, *Mitigating the COVID Economic Crisis: Act Fast and Do Whatever It Takes*, (Vox CEPR Policy Portal, 2020), 14.

8. Adam Triggs & Homi Kharas, “The Triple Economic Shock of COVID-19 and Priorities for an Emergency G-20 Leaders Meeting”, (17 March 2020), <https://www.brookings.edu/blog/future-development/2020/03/17/the-triple-economic-shock-of-covid-19-and-priorities-for-an-emergency-g-20-leaders-meeting/>

9. OECD, “Household Spending (Indicator)”, (accessed 29 May 2020) <https://data.oecd.org/hha/household-spending.htm> and OECD, “National Accounts At a Glance”, (accessed 29 May 2020), <https://stats.oecd.org/viewhtml.aspx?datasetcode=NAAG&lang=en>

Figure 1 – Timeline for major restrictions: January to June 2020



April



5 WA closed its border

15 Daily growth in total confirmed cases drops below 1 per cent

May



8 Australian Government announced three-step roadmap to lift restrictions

9 QLD schools resume

11 WA eases restrictions

15 NSW eases restrictions

16 Cedar Meats outbreak in VIC reaches 98 infected cases

25 NSW schools re-open

26 VIC schools re-open; ACT opens gyms, beauty salons, cafes and restaurants

June



1 VIC eases restrictions: cafes, restaurants and pubs open to 20 patrons at a time; NSW allows 50 patrons in dining areas

While variations exist on specific restrictions from state to state, non-essential service restrictions most greatly impacted the following sectors:¹⁰

- Cafes, food courts, pubs and clubs (apart from delivery or takeaway)
- Retail
- Beauty and cosmetics (hairdressers remain open with 1.5m distancing)
- Entertainment - cinemas, nightclubs, amusement parks and arcades, play centres
- Leisure and recreation – gyms, indoor sport/personal training, swimming pools
- Hostels, hotels, campsites caravan parks for non-residents
- Galleries, museums, libraries, community centres

The closures of businesses and venues, along with restrictions on the movement of people, has driven a major reduction in the demand for goods and services, or an aggregate demand shock.

Data from the Australian Bureau of Statistics (ABS) Business Impacts Survey in May found almost three quarters (72%) of businesses have seen reduced revenue as a result of the COVID-19 pandemic and a similar number (73%) have accessed government support measures.¹¹ More than half of all businesses (53%) reported that staff had worked reduced hours, while a quarter (24%) reported they reduced the total number of employees working for the business.¹²

Falls in household income

At a household level, people employed within non-essential service sectors saw immediate reductions in income as businesses closed their doors. These reductions in income exacerbated contractions in consumer spending already restricted as a result of business closures and necessary stay at home measures.

Survey data from April suggests a third (33%) of Australians have seen their income decrease since the start of the COVID-19 pandemic, while 56% said their income had stayed the same; 11% said it had increased.¹³ Among the Australians who recorded a decrease in income, almost three quarters (72%) reported they were planning to cut unnecessary expenses to manage their finances, 29% have sought government assistance, and a quarter (24%) have drafted a personal budget.¹⁴

Payroll data from the Australian Taxation Office, analysed by the ABS, shows the number of employees on payroll fell by 7.3% between 14 March and 2 May 2020, with a more significant drop in payroll jobs for young Australians under 20 (14.6%).¹⁵ Accommodation and food services were hit hardest, with a drop of 27.1%, followed by arts and recreation services (19%).¹⁶ Combined with this growing unemployment, the ABS estimates that total wages have fallen 5.4% over this same period, led by mining (22.2%), manufacturing (12%) and accommodation and food services (11.8%).¹⁷

10. Australian Government, "Restrictions on Services", (8 May 2020), <https://www.business.gov.au/Risk-management/Emergency-management/Coronavirus-information-and-support-for-business/Restrictions-on-non-essential-services>

11. Australian Bureau of Statistics, "5676.0.55.003 - Business Indicators, Business Impacts of COVID-19, May 2020", (28 May 2020), <https://www.abs.gov.au/ausstats/abs@.nsf/mf/5676.0.55.003>.

12. Ibid.

13. ME Bank, "ME's COVID-19 Financial Sentiment Snapshot", (20 April 2020), <https://www.mebank.com.au/news/one-third-of-australians-see-incomes-fall/>

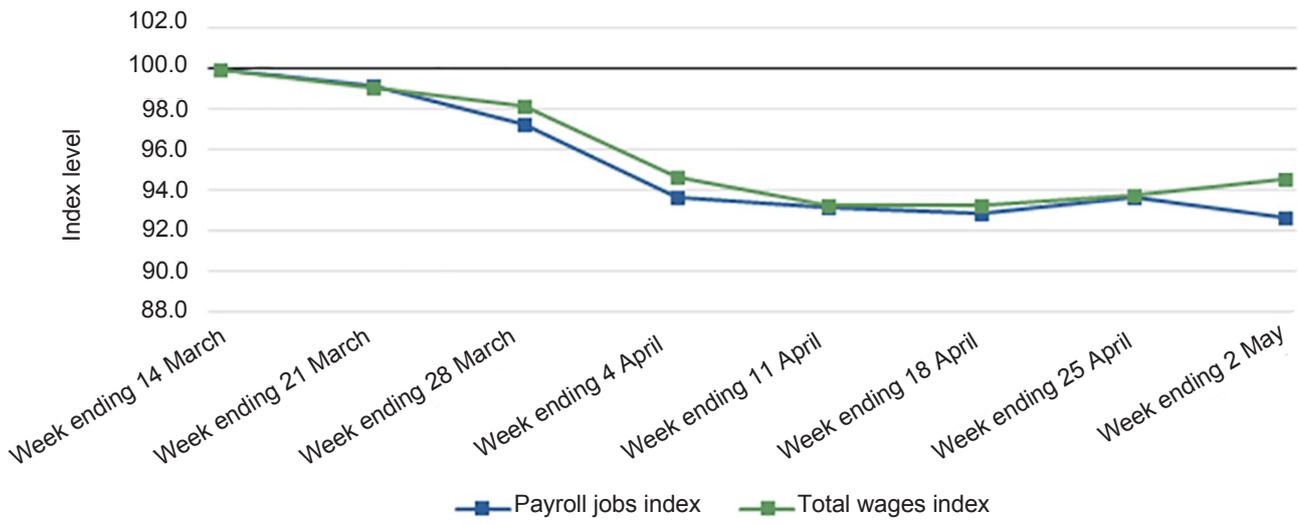
14. Ibid.

15. Australian Bureau of Statistics, "6160.0.55.001 - Weekly Payroll Jobs and Wages in Australia, Week ending 2 May 2020", (19 May 2020), <https://www.abs.gov.au/ausstats/abs@.nsf/mf/6160.0.55.001>

16. Ibid.

17. Ibid. Note the Mining industry estimates for the week ending 2 May are based on a higher degree of imputation and the ABS expects this data will be subject to larger than usual revision in subsequent releases.

Figure 2 – Changes in payroll jobs and total wages indexed to the week ending 14 March 2020



Collapse of consumer confidence with some rebound

PWC estimates Australian household consumption will reduce by \$37.9 billion over the next year, with our economy potentially more exposed relative to other jurisdictions due to our significant services sector, high consumption levels, and reliance on imports which may be impacted by constrained supply chains over the ensuing period.¹⁸

Consumer confidence has been identified as a useful indicator of future expenditure and helps to predict future recovery or recession.¹⁹ In April 2020, the ANZ-Roy Morgan Consumer Confidence Index fell to its lowest level (79) since the 1990s recession (71.3).²⁰ However, since April the Consumer Confidence Index has bounced back in May (90), which may reflect the lifting of restrictions and reopening of some businesses.²¹

Figure 3 – ANZ/Roy Morgan - Monthly Consumer Confidence, 1979-2020



18. PWC, "The Possible Economic Consequences of a Novel Coronavirus (COVID-19) Pandemic", (March 2020), 8, <https://www.pwc.com.au/publications/australia-matters/economic-consequences-coronavirus-COVID-19-pandemic.pdf>
 19. Ivan Roberts & John Simon, "Reserve Bank of Australia Research Discussion Paper 2001-09 - What do Sentiment Surveys Measure?", (November 2001), <https://www.rba.gov.au/publications/rdp/2001/2001-09/previous-research.html>
 20. Roy Morgan, "ANZ-Roy Morgan Australian CC Monthly Ratings 1973-2020", (accessed 9 June 2020), <http://www.roymorgan.com/morganpoll/consumer-confidence/consumer-monthly-results>.
 21. Ibid.

Historical lessons and their limits

The COVID-19 economic shock is sending Australia's economy into recession for the first time in over a quarter of a century.²² This has led many designing consumer policy response to ask the question: what can we learn from previous economic crises such as the Global Financial Crisis, and Australia's experience of recessions? We consider this briefly below, before identifying key differences between previous shocks and the current COVID-19 shock, and exploring some of the consumer support measures adopted in previous economic downturns.

Key lessons from major economic crises in Australia

Australia experienced several major economic crises over the twentieth and early twenty-first centuries, some of the most prominent being the Great Depression, the 1990s recession and the Global Financial Crisis, which subsequently resulted in the Great Recession at an international level. Across all three events, the economic aftershocks that followed recession were significantly longer than the crisis, often lasting many years. Evidence from the Great Recession has strengthened the case for 'hysteresis' – that is, economies do not necessarily return to pre-recession levels of potential output in the years after a recession; this output may be lost indefinitely.²³ Even after an economy returns to positive growth, unemployment can be persistent.²⁴ For example, during Australia's 1990s recession, although GDP growth returned in late 1991, it took a little over three years for unemployment in Australia to reach its peak of 9% in 1993 (young people unemployment peaked at 17% in 1992), and then a further 7.6 years to return to its pre-recession level.²⁵

Recessions can have 'scarring' effects on the workforce, limiting the job opportunities and longer-term outcomes for younger workers while potentially resulting in older workers exiting the workforce entirely.²⁶ This has consequences for consumers' ability to pay for essential services. As explored further below, recessions also increase susceptibility to scams and other kinds of fraud, as well as affect consumer confidence and spending more generally.

Consequently, one of the important lessons of previous economic events was the role of stimulus measures to support demand and consumer confidence, helping to stave off cascading unemployment – demonstrated perhaps most clearly during the GFC in Australia. For many countries, the Great Recession which followed the GFC was the deepest since the Great Depression, with sustained double-digit unemployment after austerity measures were introduced.²⁷ By contrast, Australia avoided the worst of the GFC and the Great Recession, a consequence of a more resilient financial sector less exposed to US subprime loans, the stimulus measures adopted by government, and the strength of export markets.²⁸ As international credit markets seized up, the government also moved quickly to guarantee deposits – a measure intended to avoid a run on the banks and support consumer confidence.²⁹ Australia did experience a minor economic downturn, with unemployment reaching 5.9% in 2009, a drop in consumer confidence and reduced consumer spending. Notably, young people unemployment has remained stubbornly high in the decade after the GFC.³⁰

22. John Hawkins, "How Will the Coronavirus Recession Compare With the Worst in Australia's History?", *The Conversation*, (15 April 2020), <https://theconversation.com/how-will-the-coronavirus-recession-compare-with-the-worst-in-australias-history-136379>; John Kehoe, "IMF predicts deep recession, V-shaped rebound", *Australian Financial Review*, (14 April 2020), <https://www.afr.com/policy/economy/imf-predicts-deep-recession-v-shaped-rebound-for-australia-20200414-p54jot>; Patrick Durkin, "Australia Dangerously Exposed to Deep Recession", *Australian Financial Review*, (21 May 2020), <https://www.afr.com/policy/economy/australia-most-exposed-to-great-crash-20200521-p54v1u>
23. Laurence M. Ball, "Long-Term Damage from the Great Recession in OECD Countries", *NBER Working Paper No. 20185*, (May 2014); Jesse Rothstein, "The Lost Generation? Scarring after the Great Recession", *Goldman School of Public Policy*, (2019) <https://gspp.berkeley.edu/research/working-paper-series/the-lost-generation-scarring-after-the-great-recession>
24. *Ibid.*
25. Coates et al., "Shutdown: Estimating the COVID-19 Employment Shock", *Grattan Institute*, 34, <https://grattan.edu.au/wp-content/uploads/2020/04/Shutdown-estimating-the-COVID-19-employment-shock-Grattan-Institute.pdf>
26. Matthew Gray, Ben Edwards, Alan Hayes & Jennifer Baxter, "The Impacts of Recessions on Families", *Family Matters*, 83, (2009); Philip Oreopoulos, Till von Wachter & Andrew Heisz, "The Short- and Long-Term Career Effects of Graduating in a Recession," *American Economic Journal: Applied Economics*, vol 4(1), (2012): 1-29.
27. Restrepo-Echavarría and Arias find in countries with stronger economies - the US and Germany - recession lasted a few years, with GDP growth resumed around 2010. By comparison Spain, Italy and Greece, experienced a much slower recovery – Spain only returned to its pre-recession level of real GDP in 2016. See: Paulina Restrepo-Echavarría & Maria Arias, "U.S., European Economies and the Great Recession," *Federal Reserve Bank of St. Louis*, (27 February 2017), <https://www.stlouisfed.org/on-the-economy/2017/february/unemployment-rate-dynamics-us-europe>
28. Michael Priestley, "Australia, China and the Global Financial Crisis", *Briefing Book for 43rd Parliament*, Parliamentary Library, Canberra, (September 2010), https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook43p/australiachinagfc
29. ABC News, "Rudd Guarantees All Bank Deposits", (12 October 2008), <https://www.abc.net.au/news/2008-10-12/rudd-guarantees-all-bank-deposits/538956>
30. Geoff Giffillan, "Developments in the Young people Labour Market Since the GFC", *Research Paper Series, Parliamentary Library*, Canberra, (31 August 2016),

Key differences between past events and COVID-19

Compared with many of the historical shocks Australia has experienced, the COVID-19 pandemic poses new challenges for consumer policymakers and regulators. The exogenous shock, the induced economic recession and ongoing public health measures may require a different approach to policy interventions. The policy environment has also changed, presenting new challenges and opportunities.

Limits to consumer stimulus measures

Household expenditure is a key component of the Australian economy at 55.6% of GDP, and therefore plays an essential role in economic and social recovery after a recession.³¹ In previous recessions where stimulus measures have been deployed, this additional income helped to sustain consumer spending, and support sectors that might otherwise see reduced demand and contract their activity in response.³²

In the current context, the initial 'stimulus' measures enacted to address this drop in consumer spending may have a more limited effect in the short to medium term, due to the social distancing measures still in place that constrain spending across a range of areas, such as tourism, food venues and in-store shopping. Boosts to income support have cushioned the impact for many of those unable to work, better enabling them to pay bills and maintain some level of spending during social isolation.³³ However, unemployment has already surged (at time of writing), and it remains to be seen how many businesses will be able to reopen once social distancing measures are modified. Further stimulus measures may be required to maintain and help grow the economy as individuals return to existing work or look for new work where businesses have been unable to survive the shutdown period.

The link between movement of people and economic activity

The impact of restricted movement of people on broader economic activity also separates the current crisis from previous recessions. Unlike the other recessions examined here, restrictions on movement of people is likely to be an ongoing feature of the COVID-19 pandemic.

Social distancing policies necessary for public health protection have had the direct effect of preventing some workers from working, which might trigger or exacerbate a supply-side recession, as well as preventing consumers from spending in particular sectors – potentially deepening a demand-side recession.³⁴ The modification and easing of social distancing measures will go some of the way to re-stimulating demand. However, the ongoing nature of these measures (e.g. restrictions on customer numbers in premises), and structural shifts in consumer behaviour, could continue to constrain consumer demand and require policymakers to consider other ways of enabling economic activity, such as by improving the efficiency and quality of online retail services, and building fair, safe and trusted digital markets.

31. OECD, "Household Spending (Indicator)", (accessed on 29 May 2020) <https://data.oecd.org/hha/household-spending.htm> and OECD, "National Accounts At a Glance", (accessed 29 May 2020), <https://stats.oecd.org/viewhtml.aspx?datasetcode=NAAG&lang=en>

32. David Gruen, "The Return of Fiscal Policy", *Australian Business Economists Annual Forecasting Conference*, (8 December 2009), https://treasury.gov.au/speech/the-return-of-fiscal-policy#P63_6644

33. Matt Wade, "Spending Would Collapse Without Crisis Payments to Households", *The Age*, 18 May 2020 <https://www.smh.com.au/business/the-economy/spending-would-collapse-without-crisis-payments-to-households-20200516-p54tk8.html>

34. Richard Baldwin, "The Supply Side Matters: Guns Versus Butter, COVID-Style", *Vox CEPR Policy Portal*, (22 March 2020), <https://voxeu.org/article/supply-side-matters-guns-versus-butter-covid-style>

Digitisation as an enabler of economic activity

During the GFC many economies had already begun shifting online, with online shopping and commerce contributing significantly to the broader economy. However, the rate of growth of online markets and commerce, as well as rapid expansion of new web-based communication tools and services, has rapidly accelerated in the decade since.

CPRC's own consumer research found 97.3% of Australians in 2019 shopped online.³⁵ Initial forecasts predicted Australians would spend \$29.3 billion online in FY 2019/20, however estimates are already being revised upwards to account for the significant growth in online shopping through the social distancing period.³⁶ Online food delivery platforms have grown rapidly in recent years: data from early 2020 suggests nearly 4 million Australians aged 14 and over now use meal delivery services, compared with 1.98 million users in mid-2018.³⁷ This shift has enabled many restaurants and cafes to remain open during the COVID-19 period and introduced some households to new channels to access local hospitality businesses.

The more recent shift to cloud-based computing and video call software has also enabled many firms to remain open with staff working from home. In early April, video conferencing software company Zoom claimed it had 200 million daily meeting participants, up from an average of 10 million users in December 2019.³⁸ Many expect these online shifts in the workplace to become more permanent with flow-on reductions of people travelling to and spending within city centres.³⁹

The increasingly online orientation of the economy raises questions about the nature of digital infrastructure as an essential service which may enable much existing economic activity to continue despite the social distancing measures required to protect our health.

Essential services delivery: now and then

Since Australia's last recession around 30 years ago, many of the essential services Australians rely on – including telecommunications and energy – have transitioned through structural separation, privatisation and deregulation.⁴⁰ Broadband internet is now a central pillar of the economy and how we live our lives, effectively an additional essential service since the recession in the early 1990s. While we do not offer analysis on the broader impacts and merits of this transition, it is important to note the potential differences in deployment of consumer support measures.

In previous recessions, state-run utilities offered uniform supports across the customer base in line with government policies, to ensure vulnerable and low-income consumers retained access to essential services. Today, policymakers and regulators rely on regulations and agreements to influence and require the delivery of support measures from businesses to consumers. It is often the case that commercial businesses have variations in delivery mechanisms and policies such as billing and payment processes and communication strategies and channels and this can introduce varying levels of support available to consumers across the community.

35. Ben Martin Hobbs, "Online Reviews: A guide not a gospel", *Consumer Policy Research Centre*, (December 2019), https://cprc.org.au/wp-content/uploads/CPRC_Online-reviews-a-guide-not-a-gospel_December-2019.pdf

36. Australia Post, "Inside Australian Online Shopping - 2019 eCommerce Industry Update", (2019), citing *Quantium, Online Physical Goods Index*, (2019), p.3, https://auspost.com.au/content/dam/auspost_corp/media/documents/inside-australian-online-shopping-fy19-e-commerce-report.pdf; IBISWorld, "Online Shopping in Australia - Market Research Report", (May 2020), <https://www.ibisworld.com/au/industry/online-shopping/1837/>

37. Roy Morgan, "Meal Delivery Services Double Usage In Only 18 Months", (3 February 2020), <http://www.roymorgan.com/findings/8270-food-delivery-services-september-2019-202002030451>

38. Maggie Miller, "Zoom CEO Says Company Reached 200 Million Daily Users in March", *The Hill*, (2 April 2020), <https://thehill.com/policy/cybersecurity/490794-zoom-ceo-says-company-reached-200-million-daily-users-in-march>

39. Angus Loten, "For Many, Remote Work Is Becoming Permanent in Wake of Coronavirus", *Wall St Journal*, (21 May 2020), <https://www.wsj.com/articles/for-many-remote-work-is-becoming-permanent-in-wake-of-coronavirus-11590100453>

40. Note residential energy has not been fully deregulated in all states and territories.

This variation between the responses of firms in a competitive market was evident in the UK during the Great Recession. Ofgem, the energy regulator of Great Britain, found retail energy businesses took varying approaches to vulnerability assessments. Their review observed an inconsistent approach among firms in understanding 'customers' circumstances and offering an appropriate repayment amount and method tailored to those circumstances'.⁴¹ Moreover, their research found this 'inconsistency applies not only across suppliers but within them depending on the approach taken by the individual customer service agent'.⁴² Ofgem also observed that suppliers' incentive mechanisms may have led staff to 'agree inappropriate payment plans or to put customers onto payment methods which are unsuitable and may be in breach of the relevant licence conditions'.⁴³

It is therefore important for policymakers and regulators to assess and consider the impacts of variance in the quality and effectiveness of support measures being delivered to consumers by different essential service business, as this variance can further exacerbate the vulnerability of consumers impacted by the crisis.

Key lessons for consumer support measures from crisis to recovery

Consumer support and protection measures have been essential during past economic crises. These measures helped to sustain consumer spending, ensure access to essential services, and protect consumers from exploitation and scams. Evidence also points to the need for new approaches to promote consumer confidence and trust in markets more broadly, as Australia takes steps towards recovery.

Consumer stimulus measures

Since the Great Depression, stimulus measures to support consumer spending have become an orthodox fiscal measure during recession. The initial policy responses across the US, the Eurozone, and major Asian economies to the GFC were to enact large stimulus measures. This included increasing liquidity and bailing out industries, one-off stimulus payments to bolster family budgets, reduced taxes, and temporarily increasing the breadth of social programs.⁴⁴ The Rudd Government in Australia took a similar approach with its stimulus package, and Australia largely avoided the Great Recession, experiencing a milder economic downturn. Compared with earlier economic events, stimulus measures were far more viable as a GFC policy response due to the low inflation and low interest rate environment.

Evidence from the US demonstrates initial stimulus measures helped avoid a deeper recession following the GFC.⁴⁵ Drawing on individual-level household data, researchers compared the effects of the stimulus against the counterfactual, and found that tax rebates or bonus payments are effective in stimulating consumption, especially among low-income groups.⁴⁶ Analysis of the aggregate effects of social policies on poverty and hardship during the Great Recession in both the US and EU concluded that social programs reduced poverty among low-income families, with the exception of immigrant households who were often excluded from these supports.⁴⁷

41. Ofgem, "Review of Suppliers' Approaches to Debt Management and Prevention", (June 2010), <https://www.ofgem.gov.uk/ofgem-publications/57397/debt-review-report-pdf>

42. Ibid.

43. Ibid.

44. Cory Maks-Solomon & Robert P. Stoker, "Weathering the Storm: Social Policy and the Great Recession", *Policy Studies Journal*, Vol. 47, No. S1, (2019).

45. Christian Broda and Jonathan A Parker, "The Economic Stimulus Payments of 2008 and the Aggregate Demand for Consumption", *Journal of Monetary Economics*, vol. 68(S), (2014): S20-S36, <https://www.nber.org/papers/w20122.pdf>

46. Ibid.

47. Cory Maks-Solomon & Robert P. Stoker, "Weathering the Storm: Social Policy and the Great Recession", *Policy Studies Journal*, Vol. 47, No. S1, (2019).

While all G20 countries initiated stimulus measures and extended social welfare in response to the crisis, virtually all shifted from stimulus to austerity measures after 2011 with stricter assistance for workers. Reducing the income of the labour force before new jobs emerged may have resulted in protracted recovery, particularly in economies that relied more heavily on construction, exports and tourism as drivers of growth. Notably, trust in governments collapsed in Europe during the Great Recession and the Euro debt crisis, particularly in countries experiencing deeper recessions: only half of Swedes and Finns reported trust in their national government while less than 17% of Spaniards and Greeks trusted their respective governments during this time.⁴⁸ Analysis suggests that the dramatic rise in unemployment, more than any other factor, was the primary reason for the ‘dramatic decline in trust among debtor countries’.⁴⁹

Income support measures introduced in Australia by the Morrison Government in March 2020 – such as JobKeeper and increased payments to JobSeeker – have also been an essential feature of the policy interventions for this crisis. These support measures are further explored in Chapter 4.

Essential services and housing assistance

Ensuring access to essential services during an economic shock is important to prevent people falling into hardship or poverty. Direct one-off payment to those on low incomes has been the primary support mechanism to help consumers afford energy bills. For example, in response to the significant spike in disconnections following the GFC, the US Federal Government significantly expanded the existing program which provided a once-a-year energy grant of approximately \$500 in order to meet greater need among low-income households.⁵⁰ Similarly, during the early 1990s recession in Victoria, the then State Electricity Commission adopted emergency relief grants to help vulnerable consumers avoid disconnection.

In a range of jurisdictions, governments have developed subsidies or subsidised rates to provide low-income or unemployed consumers with access to more affordable energy. During the early 1990s recession, Victoria adopted a concessions program for eligible households, providing a 15% discount off rates. Elsewhere, ‘social tariffs’ – which are in some cases subsidised in part or wholly by other consumers – have been introduced to provide low-income and unemployed consumers with more affordable energy rates.⁵¹

Ensuring people retain access to housing during periods of unemployment is equally important. During the GFC, the US Federal Government provided liquidity to banks to help prevent further foreclosures and launched a program to help families refinance their loans through lower interest and monthly payments.⁵² California imposed additional requirements for lenders and servicers receiving this liquidity, obliging lenders to make reasonable efforts to modify loans to enable repayment before they could begin foreclosure proceedings.⁵³ Analysis suggests these provisions reduced foreclosures by 16%, preventing an additional 124,000 foreclosures.⁵⁴

Though this review has identified fewer rental assistance programs adopted during recessions, obligatory rental reductions were briefly introduced to prevent more widespread hardship in NSW during the Great Depression, along with a moratorium on evictions where renters could prove an inability to afford rent.⁵⁵ Ultimately, concerns about cascading effects on landlords saw these measures repealed by the subsequent government.⁵⁶

We have seen similar efforts this year by policymakers within Australia and internationally to support renters and help consumers maintain access to and manage the costs of essential services (see Chapter 4).⁵⁷

48. Chase Foster & Jeffrey Frieden. “Crisis of trust: Socio-economic determinants of Europeans’ confidence in government.” *European Union Politics* 18, no. 4 (2017): 511-535.

49. *Ibid.*

50. Erik Eckholm, “Utility Bill Is One More Casualty of Recession”, *New York Times*, (19 December 2009), <https://www.nytimes.com/2009/12/20/us/20utility.html>

51. In New Jersey those households earning under a threshold had energy capped at 6% of their income through a social tariff. See: Erik Eckholm, “Utility Bill Is One More Casualty of Recession”, *New York Times*, (19 December 2009), <https://www.nytimes.com/2009/12/20/us/20utility.html> In Germany social tariffs were introduced during the GFC with mixed results, see: The Brattle Group, “International Experiences in Retail Electricity Markets - Consumer Issues”, *A Report prepared for the Australian Competition and Consumer Commission*, (June 2018), 87, <https://www.accc.gov.au/system/files/Appendix%2011%20-%20The%20Brattle%20Group%20-%20International%20Experiences%20in%20Retail%20El...pdf>

52. Michael Calhoun, “Lessons from the Financial Crisis: The Central Importance Of A Sustainable, Affordable And Inclusive Housing Market”, *Brookings Institute*, 5 September 2018. <https://www.brookings.edu/research/lessons-from-the-financial-crisis-the-central-importance-of-a-sustainable-affordable-and-inclusive-housing-market/>

53. *Ibid.*

54. *Ibid.*

55. Vanessa Whittington, “Lessons from the Great Depression: how to prevent evictions in an economic crisis”, *The Conversation*, (26 March 2020), <https://theconversation.com/lessons-from-the-great-depression-how-to-prevent-evictions-in-an-economic-crisis-134644>

56. *Ibid.*

57. For an example of measures to protect tenants see: Housing Victoria, “Coronavirus (COVID-19) Rent Relief Grant,” (18 May 2020), <https://www.housing.vic.gov.au/help-renting/rentrelief/>; for an international example of measures to ensure ongoing access to essential services; and: Ofgem, “Impact of COVID-19 On Retail Energy Supply Companies – An Enabling Framework For Regulatory Flexibility”, (8 April 2020), https://www.ofgem.gov.uk/system/files/docs/2020/04/supplier_letter.pdf

Interventions to address scams and exploitative practices

During past economic crises, regulators have stepped up their monitoring of scams and adopted additional regulations to address exploitative practices. Scams and fraudulent activity often increase as a consequence of an economic downturn, exploiting those affected by loss of income, who are increasingly desperate for work, new housing, credit or other sources of money.

Accessing credit and managing debt can become increasingly problematic in a recession, especially for those with poor credit history. In the years after the GFC, Citizens Advice in the UK reported significant growth among sub-prime lenders – both among doorstep lenders and payday loans providers.⁵⁸ Evidence from the Great Recession in the UK also suggests that investment scams were prompted by low interest rates on savings accounts, which encouraged people to look elsewhere for higher returns.⁵⁹ This research also found people who are desperate to find a home can be vulnerable to renting scams.⁶⁰ The UK also saw a range of employment schemes emerge, including dubious education and retraining courses that delivered little, if any, benefit, paid through consumer credit with accruing interest, or requiring a person's banking details as part of a false "on-boarding" process.⁶¹ In its 2010 annual fraud indicator, the British National Fraud Authority identified £3.5 billion in losses to individuals from reported mass marketing fraud.⁶²

In its review of statutory debt management guidance in 2009, what was then the UK Office of Fair Trading (OFT) found widespread non-compliance with debt management guidance, including misleading advertising, non-compliance with ombudsman complaint rules and poor advice. The OFT subsequently took licensing action against a number of debt management companies.⁶³

Ahead of the GFC, consumers were increasingly shopping online and relying on the internet for a range of activities. The OFT found that only one in five businesses using the internet to sell complied with consumer protection law when it published its plan for internet enforcement at the end of 2010.⁶⁴ And although Australia avoided recession after the GFC, the ACCC recorded a 100% increase in reports about online scams between 2008-2009, as part of its broader program to monitor scams.⁶⁵

Today, with burgeoning online shopping, along with the use of digital products and services to work and enjoy leisure time, this economic crisis presents an even greater challenge for regulators and policymakers attempting to identify and address exploitative scams and practices online.

58. Citizens Advice Bureau, *Desperate times desperate consumers*, (June 2011), 11, https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/desperate-times.pdf

59. *Ibid.*, 10.

60. *Ibid.*

61. *Ibid.*

62. *Ibid.*, citing National Fraud Authority, "Annual Fraud Indicator 2011", Attorney General's Office, (17 February 2011).

63. *Ibid.*, 13.

64. *Ibid.*, citing Office of Fair Trading, *National e-Consumer Protection Strategy*, (December 2010).

65. Australian Competition and Consumer Commission, "Media Release: \$70 Million Lost: ACCC Scam Activity Report", (1 March 2010), <https://www.accc.gov.au/media-release/70-million-lost-accc-scam-activity-report>

Building trust and confidence in the economy and markets

Consumer confidence and optimism are important factors for the recovery of an economy after a recession. Where confidence remains muted, consumer spending may also remain limited, which limits the ability of an economy to grow. Consumer confidence and trust are often considered to be interrelated, in that one tends to affect the other.

Economic shocks have an immediate impact on those newly unemployed or underemployed, often leading them to reduce their expenditure in both the immediate term and the longer term. In their study of subdued consumer spending following GFC, Malmendier and Shen found that people who live through periods of high unemployment exhibit lasting consumer pessimism and ‘scarred consumption’, spending significantly less when controlling for the standard life-cycle consumption factors.⁶⁶ They find that this ‘experience-induced frugality’ results in ‘scarred’ consumers building up more wealth.⁶⁷ Evidence also suggests younger consumers lower their spending significantly more than older cohorts after being exposed to severe recessions.⁶⁸

Consumers still employed during a recession may become more concerned about their financial security and wellbeing, adopting heightened price consciousness and frugal consumption behaviours.⁶⁹ Economic crises affect consumption on ‘multiple levels and [in multiple] ways, with a major impact on lifestyles, consumption patterns, routines, worldviews and well-being’.⁷⁰ Researchers have pointed to psychological mechanisms and stressors that help to explain why consumers feel affected well beyond the technical end of a recession.⁷¹ In the years after the GFC, evidence demonstrates consumers remained thrifty with their spending. This frugality endured even after the economy had technically left recession in countries like the US, and has been attributed in part to low consumer confidence.⁷²

Trust is interlinked with consumer confidence. In the absence of trust in markets and governments to deliver positive outcomes and a better standard of living, consumers may shun participation in market mechanisms, resulting in a drop in consumer confidence and spending. Reflecting on the role of trust during the GFC, Stiglitz observed ‘financial markets hinge on trust, and that trust has eroded’.⁷³ Survey data indicates 75% of Americans reported confidence in financial institutions or banks in 2007, but this fell to 45% in 2011.⁷⁴

Despite the milder economic downturn experienced in Australia following the GFC, a crisis of trust has also been identified in Australia in recent years, particularly in essential services.⁷⁵ According to Gillespie, rebuilding trust in institutions in a business-as-usual context requires a demonstrable shift in competence, integrity, and benevolence.⁷⁶ Improving consumer trust in regulators, policymakers and policies more generally requires the inclusion of citizens in the policymaking process, through more consumer-centric approaches including genuine consultation, co-production or co-design.⁷⁷ More broadly, businesses and market stewards need to ensure that the needs and expectations of consumers are being met through timely and repeated interactions. As Australia moves from the pandemic restrictions to recovery, clearer market stewardship will be required from policymakers and regulators to ensure that markets work for people and deliver fair outcomes for all consumers.

66. Ulrike Malmendier & Leslie Sheng Shen “Scarred Consumption”, *International Finance Discussion Papers* – No. 1259, (October 2019), <https://doi.org/10.17016/IFDP.2019.1259>

67. Ibid.

68. Luigi Pistaferri, “Why Has Consumption Remained Moderate After the Great Recession?” In *Federal Reserve Bank of Boston’s 60th Economic Research Conference ‘The Elusive “Great” Recovery: Causes and Implications for Future Business Cycle Dynamics’*, Boston, 2016, 30.

69. Maria Sarmento, Susana Marques, & Mercedes Galan-Ladero. “Consumption Dynamics During Recession and Recovery: A Learning Journey.” *Journal of Retailing and Consumer Services* 50 (2019): 226-234.

70. Sebastian Koos, Triin Vihalemm, & Margit Keller. “Coping With Crises: Consumption and Social Resilience on Markets”, *International Journal of Consumer Studies* 41, no. 4 (2017): 363-370.

71. Sarmento et al., “Consumption Dynamics During Recession and Recovery”, (2019).

72. Pistaferri, “Why Has Consumption Remained Moderate After the Great Recession?”, (2016).

73. Joseph Stiglitz, ‘The Fruit of Hypocrisy’, *The Guardian*, (16 September 2008), <https://www.theguardian.com/commentisfree/2008/sep/16/economics.wallstreet>

74. Justin Wolfers, “Mistrust and the Great Recession”, *Freakonomics*, 9 March 2011. <https://freakonomics.com/2011/03/09/mistrust-and-the-great-recession/>

75. Danielle Wood & John Daley, “A crisis of trust: The Rise Of Protest Politics in Australia”, *Grattan Institute*, (12 March 2018), 70, <https://grattan.edu.au/wp-content/uploads/2018/03/902-a-crisis-of-trust.pdf>.

76. Dr. Nicole Gillespie, “Restoring Trust in the Financial Services Sector”, *A report published by the Industry and Parliament Trust Notes from the Policy Event Meeting ‘Restoring Trust in the Financial Services Sector’*, (October 2013), <https://espace.library.uq.edu.au/view/UQ:313548>

77. Chris Eccles, “Restoring Trust in Government”, in Penelope Marshall, John Wanna, and Evert A Lindquist (eds.) *New Accountabilities, New Challenges*. ANU Press, 2015; and: Emma Blomkamp, “The Promise of Co-Design for Public Policy”, *Australian Journal of Public Administration*, vol. 77, no. 4, (2018):729–743

Key findings: a different kind of crisis

The COVID-19 pandemic and the induced recession pose unique challenges for policymakers seeking to support consumers and reinvigorate consumer confidence. Key lessons from previous economic events for policymakers to consider include:

- Recovery from recession is typically slow, particularly the recovery of employment. Shifting away from stimulus measures too soon may have the effect of sustaining unemployment, muting consumer confidence and prolonging recovery.
- Compared with previous economic events, the effects of stimulus measures may be more muted due to social distancing measures, but there are opportunities to encourage spending through fairer, safer and more trusted digital markets.
- Historically, policymakers have focussed on the delivery of consumer support mechanisms to ensure people remain able to access essential products and services.
- The potential variance in consumer support measures delivered by essential service providers, particularly in digital services, will require sharper co-ordination among regulators, business and government to ensure consumers retain fair access to essential services and receive adequate support.
- The increasingly online orientation of the economy may provide new channels for consumer spending and keeping people in work; however, it also brings increased risks for consumers in scams and fraud.
- Building consumer trust and confidence will be an essential part of recovery, which requires policymakers to pay close attention to effective protection mechanisms so they deliver fairer, safer and more inclusive markets.



2. Australian consumers and COVID-19: survey findings

Effective policy and program interventions are underpinned by a strong understanding of consumers concerns, needs, activities and expectations. While data concerning aggregate consumer activity, on a macro level, helps with understanding broad economic trends during COVID-19, it is less useful for providing data and insights on the precise nature of the economic shock and how different consumers are coping with, and responding to, its effects. Such data and insights are an important tool to have when assessing how measures to support consumers are performing, and how they may need to adapt and change to support consumers during COVID-19.

To help boost understanding of the consumer experience during the COVID-19 pandemic, CPRC's nationwide online survey seeks Australian consumers views, on a monthly basis, from May to until at least October 2020. In addition to this online survey, Roy Morgan is also conducting a Computer Assisted Telephone Survey (CATI) with 50 participants each month.⁷⁸ A total of 1,114 consumers were surveyed throughout May 2020.

All consumers surveyed are asked questions across a range of issues including:

- concerns regarding financial wellbeing and affordability of essential services;
- activities to manage household expenses, including shifts in spending;
- experience with essential product and service providers; and
- support measures in the sectors of energy, telecommunications, finance and credit, housing and insurance.

The major findings from the May 2020 survey are presented below with additional findings in Appendix A. This analysis explores results across all consumers who completed the survey, as well as drilling down into different non-exclusive subgroups of consumers – many of whom may be more susceptible to harm during these tough economic times.⁷⁹

Significant levels of concern about financial wellbeing

12 million Australians reported concern about the impact of COVID-19 on their financial wellbeing in May 2020—with one in five reporting they are 'very' concerned.⁸⁰ This follows Australian consumer confidence reaching its lowest levels since the GFC.⁸¹ While there are numerous factors that can influence lower consumer confidence levels, the results partly reflect the higher than typical levels of underlying concern about financial wellbeing in the six month period leading up to March 2020, compared to previous years. COVID-19 is therefore an event that is severely exacerbating what was already a challenging time for many consumers.

78. In total, 1,057 online surveys (including a boost of 50 extra respondents in Victoria) were conducted in May 2020, combined with 57 additional telephone surveys with low or non-internet users.

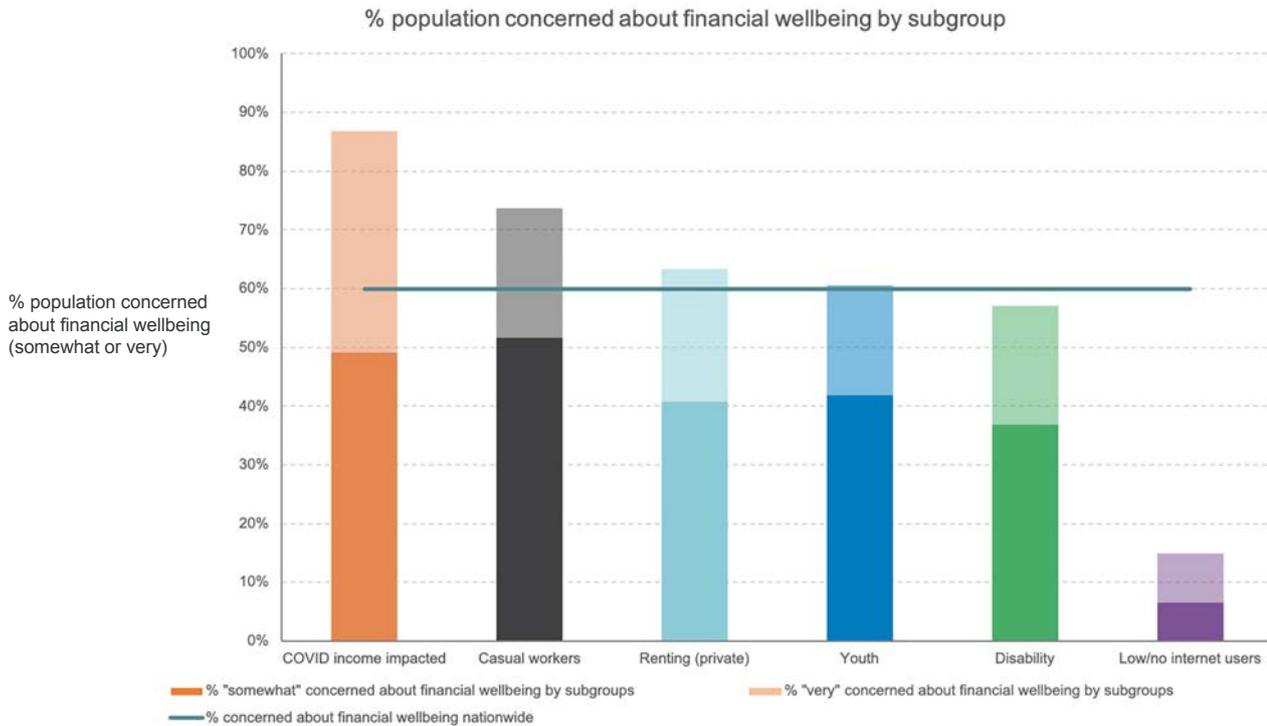
79. These subgroups include: consumers whose income is impacted by COVID (that is, consumers whose main income source has changed since late March to either Jobkeeper, Jobseeker, other government income support or now have no income); consumers who are financially very concerned; consumers with a disability; consumers in the 18-34 Young people cohort; low incomes, on JobSeeker, private renters, mortgage holders, low/non internet users and casual workers.

80. Source: Q3. How concerned are you about the impact of COVID19 on your own financial wellbeing?

81. The ANZ-Roy Morgan Consumer Confidence levels over December-February 2019-20 averaged 108.1, the lowest results since 2008-09 when the result was 98.6. Confidence was also at its lowest levels since 2009 during the spring (September to November), averaging 112.0 during 2019, compared to 94.9 in 2008. See: Roy Morgan, "ANZ-Roy Morgan Australian CC Monthly Ratings 1973-2020", (accessed 9 June 2020), <http://www.roymorgan.com/morganpoll/consumer-confidence/consumer-monthly-results>. (accessed 29 May 2020), <https://stats.oecd.org/viewhtml.aspx?datasetcode=NAAG&lang=en>

Figure 4 – Levels of consumer concern regarding their financial wellbeing

QTN: How concerned are you about the impact of COVID-19 on your own financial wellbeing?



Groups with above average concern about their financial wellbeing understandably includes those whose income has been impacted by COVID-19.⁸² Other groups with higher levels of concern include casual workers with less secure employment, renters and those living in metropolitan areas (see Appendix A). The higher levels of concern in metropolitan areas, compared to regional populations, may reflect a deeper impact from COVID-19 on urban economies, coupled with higher costs of living in many metropolitan areas. We will continue to track how concern about financial wellbeing evolves across different consumer subgroups over the next few months.

Concerns about ability to pay essential household expenses

Consumers are also reporting concerns about their ability to meet essential household expenses. More than one in four Australians are reporting concern with their ability to meet rental payments or mortgage repayments. Most concerned were renters with 37% of people concerned about their ability to make rental payments in May, and 27% of homeowners with a mortgage concerned about their ability to make mortgage repayments.

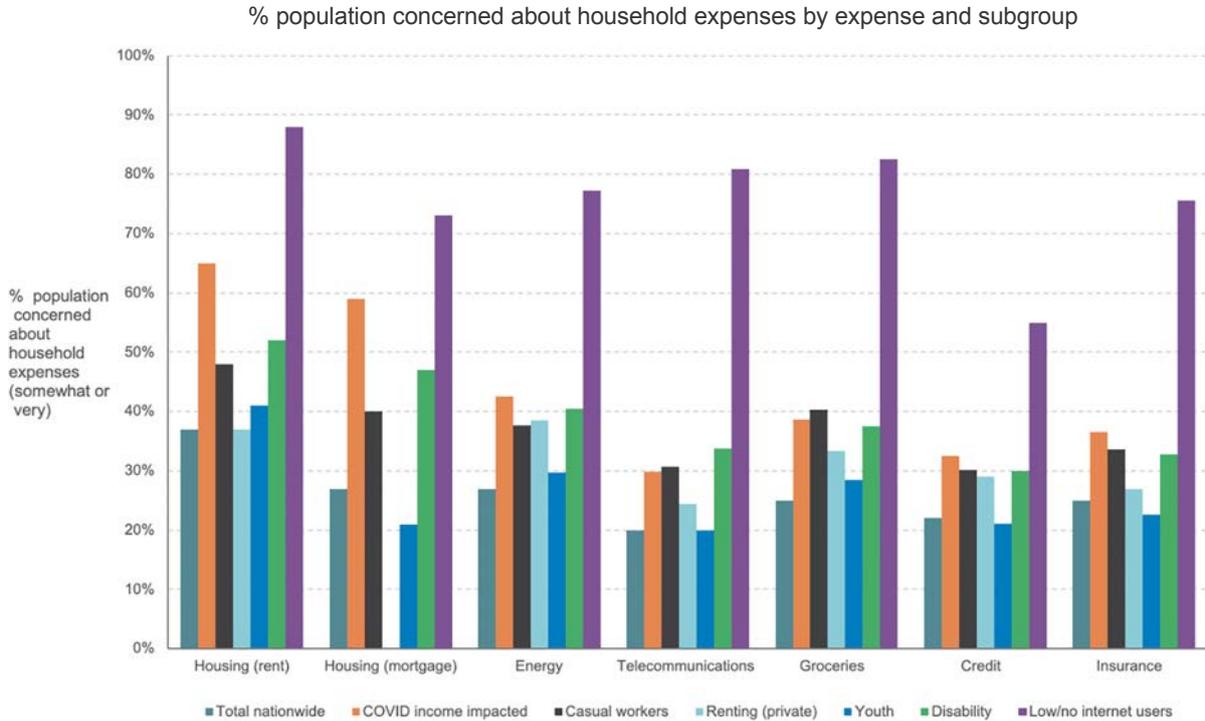
Energy costs have also resulted in worries for consumers with 27% of Australians reporting concern about paying bills. This was closely followed by groceries and insurance (25%), credit (22%) and telecommunications (20%).⁸³ Figure 5 below compares the different levels of concern subgroups of consumers had towards their essential household expenses during May.

82. These consumer had the an income source before COVID (either Full-time employee, Part-time employee, Casual employee, Self-employed / own business, or Investment income) and have now sought or received Jobkeeper, JobSeeker or other government benefit, or now have no income.

83. Source: Q8. How concerned are you about your current ability to pay for any of the following bills?

Figure 5 – Levels of consumer concern regarding ability to pay bills

QTN: How concerned are you about your current ability to pay for any of the following bills?



The survey results confirm that consumers who are more likely to be in a vulnerable situation due to their circumstances – such as consumers with a disability, low or no internet usage, renters, or those whose income has been directly impacted due to COVID-19 – do have higher levels of concern about their ability to pay essential bills, relative to the general population. This concern is particularly pronounced in regard to low or non-internet users⁸⁴ – and we will monitor this closely over coming months.

The same groups of consumers appear to be having concerns about their ability manage not one but several basic household expenses at higher rates than the general population at the same time. This underscores the benefits of policymakers and businesses taking more of a joined-up approach when seeking to support consumers who are worried about their ability to pay. This consumer-centric approach to delivering support is further covered in Chapter 5 of this report. We will continue to track concerns about essential household expenditure over the coming months as support measures are either removed, adapted or extended.

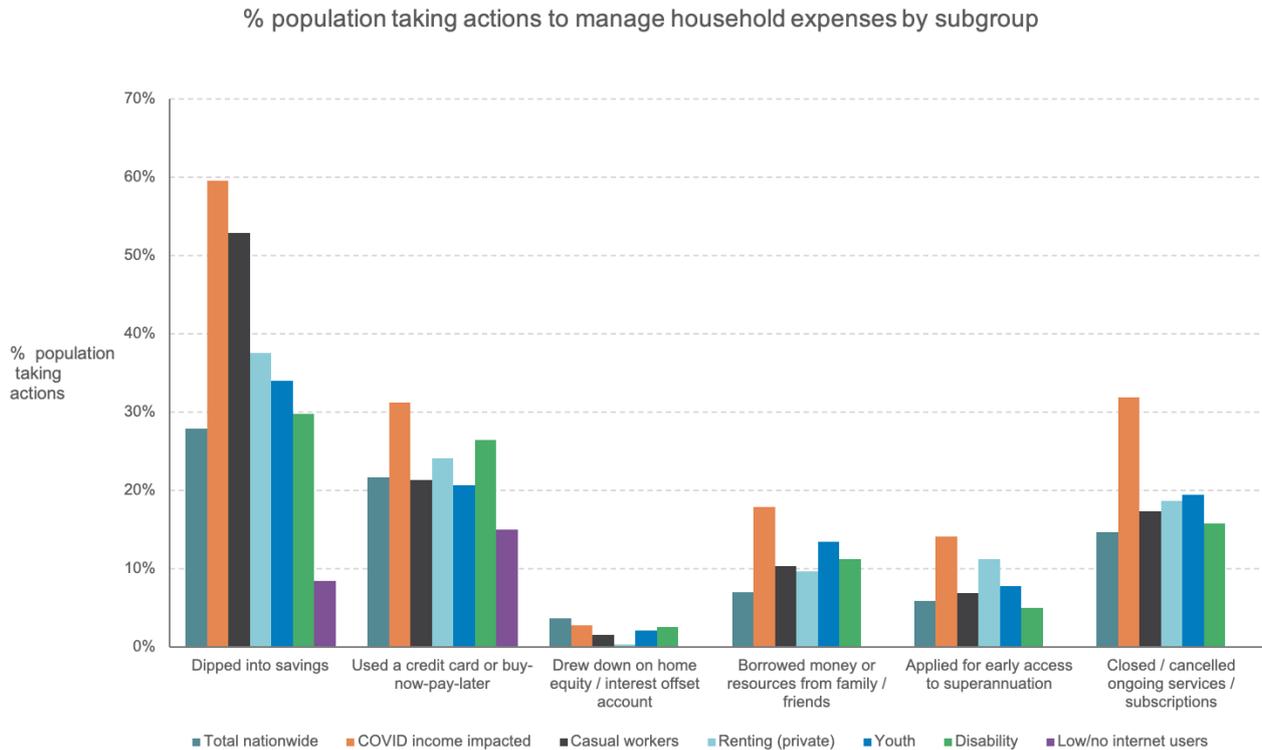
84. In the survey population, low or non-internet users were comprised mostly of people aged over 50 years.

Consumers are drawing on finite resources and taking on debt to make ends meet

Almost half of Australians (49%) took steps to manage their household expenses in May.⁸⁵ Common actions included dipping into savings (28%); using credit cards or buy now pay later services (22%); cancelling ongoing services such as insurance and subscriptions (15%); borrowing money from family and friends (7%) and/or applying for early access to superannuation (6%)^{86, 87}.

Figure 6 – Commonly reported steps taken by consumers to manage household expenses⁸⁸

QTN: In the past month, have you taken any of the following actions to manage your household expenses?



People who were most likely to be taking these actions to manage household expenses included those whose income was directly impacted by COVID-19, renters, casual workers and young people (18-34 years). Of note, renters have applied for early access to superannuation (11%) at almost twice the rate of the general population (6%) (Figure 6).

We also note that many of the steps consumers can take to manage their finances are “once-offs” (e.g., selling an investment or cancelling a service) or are a finite resource which will often not be sustainable of a long period of time (e.g., dipping into savings⁸⁹ or seeking money and resources from family and friends). Being able to identify consumers that may have (or are about to have) exhausted all steps they can take to manage their household expenses will be critical for policymakers and businesses when facing decisions about how to ensure consumers receive necessary support measures in the coming months.

Identifying emerging at-risk groups may also assist those delivering support to consumers in need. We note that 2% of consumers accessed community help or emergency relief from community organisations (such as Foodbank and St Vincent de Paul Society) throughout May, with assistance most common among those who are very financially concerned (5%) and consumers with a disability (6%) (see Appendix A).

85. Source: Q9. In the past month, have you taken any of the following actions to manage your household expenses?

86. Australian Government, “Early access to your super,” (accessed 21 May 2020), <https://www.ato.gov.au/individuals/super/withdrawing-and-using-your-super/Early-access-to-your-super/>

87. To illustrate the drivers for taking this final step and accessing superannuation – we note that ABS data found 57% of those who had sought early access to their super used or planned to use the money to pay household bills, mortgage, rent and other debts. A further 37% planned on adding it to savings – perhaps to provide wealth to draw down on. See: Australian Bureau of Statistics, “Current job status, superannuation, payment relief”, (29 May 2020), <https://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/4940.0Main%20Features212-15%20May%202020?opendocument&tabname=Summary&prodno=4940.0&issue=12-15%20May%202020&num=&view=>

88. Note – this graph shows the 6 most commonly reported steps taken by consumers. Other steps not shown in the graph include taking out a loan (bank, financial institution, payday lender or consumer lease), drawing down on home equity or using an interest offset account, selling assets, and accessing community support.

89. A possible indicator of how long consumers will be able to draw down on other existing sources of wealth is provided by UBS survey data from April – which found 39 per cent of those surveyed reported they had less than one month in buffers if they were to lose their jobs, while 63 per cent of respondents said they had a buffer of less than six months. See: Australian Financial Review, “Household Fragility Points to Post-COVID Pain”, (25 May 2020), <https://www.afr.com/chanticleer/household-fragility-points-to-post-covid-pain-20200525-p54w4d>

People who may be experiencing significant vulnerability for the first time due to COVID-19 may be unfamiliar with – or unaware of – traditional community and government support channels. Coordinated efforts to maximise, strengthen and broaden support networks and raise awareness may result in greater uptake of support across the community over the coming months.

Consumers are shifting their expenditure patterns in response to the crisis

When consumers compared their expenditure in May to their pre-COVID (prior to March) levels, the broad trends correspond with what you would expect from lockdown restrictions which have seen consumers staying at home more. Compared to pre-March, consumers in May reported:⁹⁰

- spending more on essential expenses such as groceries – with 32% of people increasing expenditure at the store and 16% online, 30% of people are spending more electricity and gas, 14% on water and 8% reporting higher internet expenditure.
- spending more on discretionary expenses that can be consumed at home – with 28% of consumers increasing expenditure on DIY home maintenance, 24% citing an increase on home recreation and entertainment apps, 26% spending more on online shopping for personal items, and 29% reported higher expenditure levels on food and alcohol (takeaway or delivery);
- spending less on discretionary expenses that typically involve leaving the house, such as: restaurants, outdoor recreation and entertainment (81%), travel (70%), personal services such as hairdressing (60%), in-store shopping for personal items such as clothing (59%), and gyms and fitness (41%);
- spending less on major household items (29%) and professional services for home maintenance (22%), perhaps as a sign of income pressures and growing financial concerns.

Alongside broad trends across all consumers, over the coming months we are also planning to examine how different groups of consumers have been changing their spending in response to COVID-19. Tracking expenditure patterns – by both sector and by consumer subgroup – will help with understanding what changes purchasing behaviour caused by COVID-19 could represent a longer-term structural shift in expenditure.

Australian consumers are taking the most action in relation to housing costs

Around one in five renters or mortgage holders either switched mortgages, reduced payments, moved properties, asked for payment assistance, or missed payments in May in grappling with housing costs.

7% of mortgage holders either refinanced with the same mortgage provider or switched to another. 7% of mortgage holders asked for some form of payment assistance including a payment plan or deferral. Some mortgage holders also reported missing a payment in May altogether (3%). Results indicate that casual workers were refinancing their mortgage with the same bank at rates much higher than the national average. Casual workers were also the most active in reducing mortgage payments to interest only amounts, however we note lower numbers of casual worker respondents and will monitor this in the weeks to come (Figure 7).

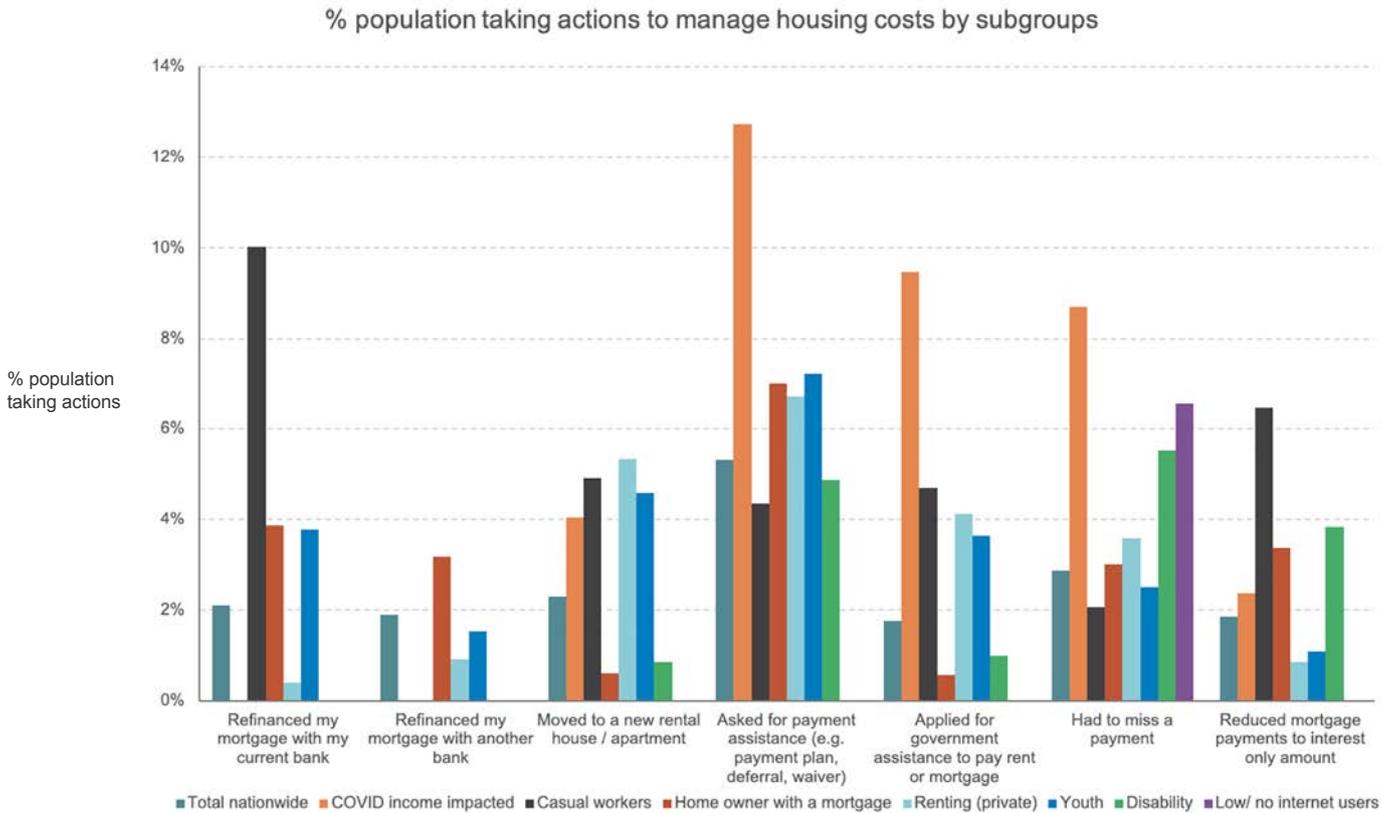
The most common action taken by renters was to ask property managers or landlords for payment assistance (7%), while 5% reported moving to another property. 4% also missed a rental payment in May.

Groups missing mortgage or rental payments at rates more than twice the national average include: those whose income has been directly impacted by COVID-19; those with low or no internet usage; and people with a disability. Australians most likely to refinance, reduce payments, move properties, ask for payment assistance or miss a payment in managing housing costs included: 31% of those concerned about their financial wellbeing, 30% of casual workers, 27% of people whose income has been affected by COVID-19 and 20% of young people (Figure 9, p. 29).

90. Sources: QTN4 & 5 - Thinking of a typical month before the COVID19 lockdown, which began in late March, are you now spending more, about the same, or less on the following essential and discretionary items?"

Figure 7 – Actions taken by Australians to manage housing costs

QTN: Next, thinking about your mortgage repayments and rent, have you attempted any of the following in the last four weeks?



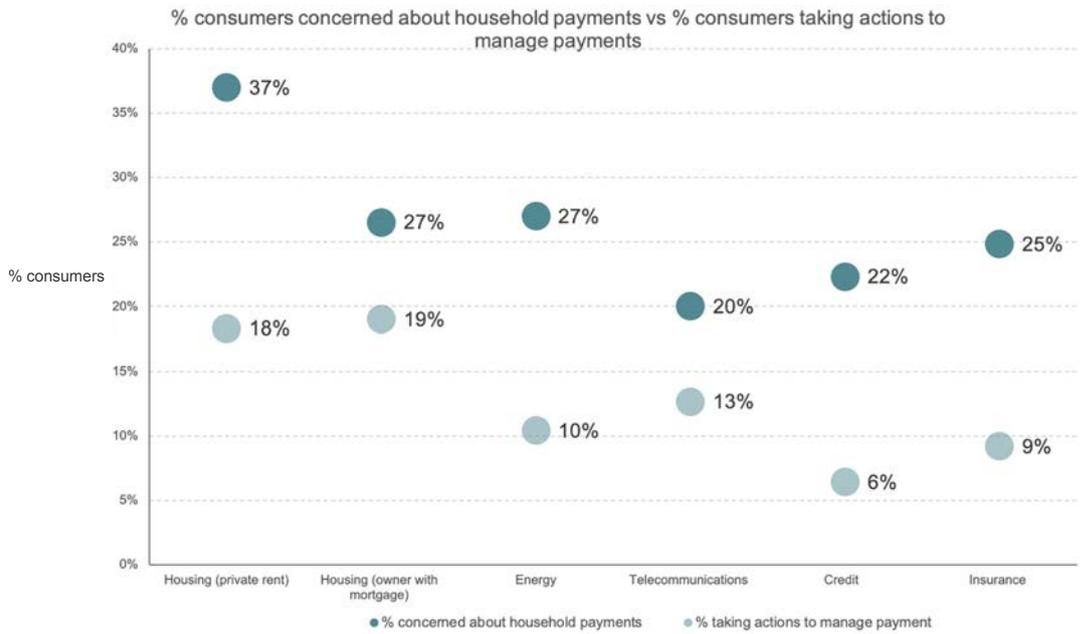
Despite significant levels of concern about financial wellbeing and ability to pay for essentials, much lower numbers of consumers took action to manage payments during May, to switch to a better plan or provider, seek payment assistance or miss a payment.⁹¹

Across most sectors there is a substantial gap between the levels of concern reported about household bills and actions taken to manage these payments, particularly rental, energy, credit and insurance payments (Figure 8). This may indicate lack of consumer awareness about available support; an unwillingness to contact providers; or temporary drawing down of available resources to manage these expenses. This is an important gap for both industry and government to focus on closing when designing and delivering support programs. Further insights may be drawn from some of the negative experiences consumers have reported in engaging providers (Figure 10).

91. Source: Q10a/11a/12a,13a/14a: Thinking of your (energy bills; telecommunication bills; mortgage repayment or rent; credit card and other debt providers; insurance providers), have you attempted any of the following in the last 4 weeks?

Figure 8 – Levels of concern about household bills vs actions taken to manage payments by sector

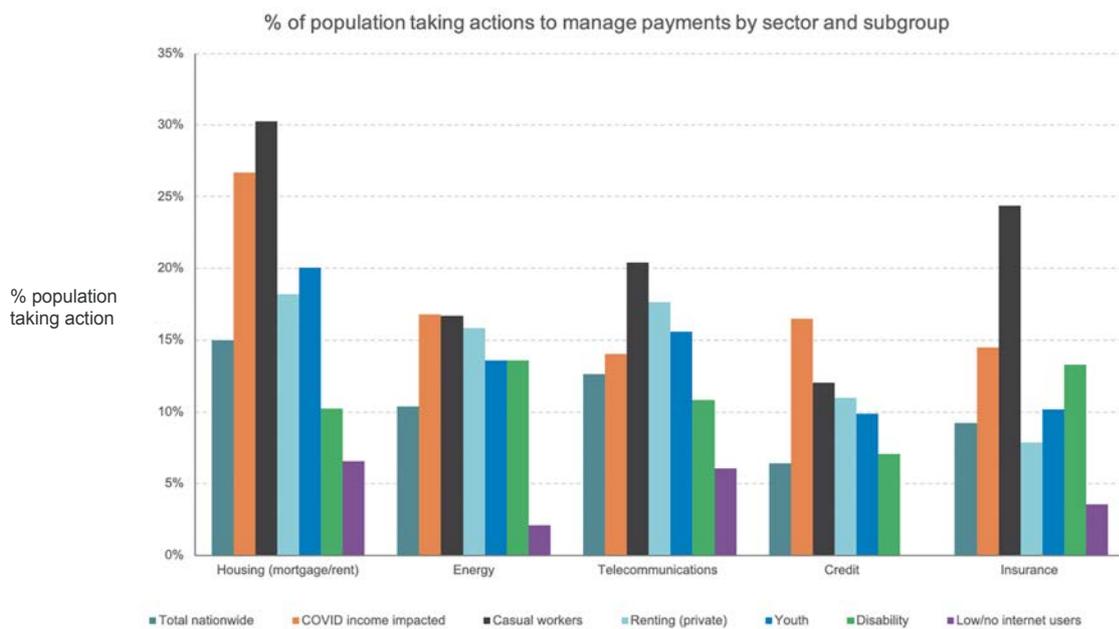
QTN: Thinking of your (household bills), have you attempted any of the following in the last four weeks?



Some groups of consumers have been more likely to switch plan or provider, reduce payments, ask for payment assistance or miss payments altogether when compared to the general population. Groups most over-represented in taking these actions to manage housing, energy, telecommunications, credit and insurance costs include: those whose income has been impacted by COVID-19, those very concerned about their financial wellbeing, casual workers, renters and young people (Figure 9).

Figure 9 – Groups more likely to be taking actions to manage payments by sector

QTN: Thinking of your (household bills), have you attempted any of the following in the last four weeks?

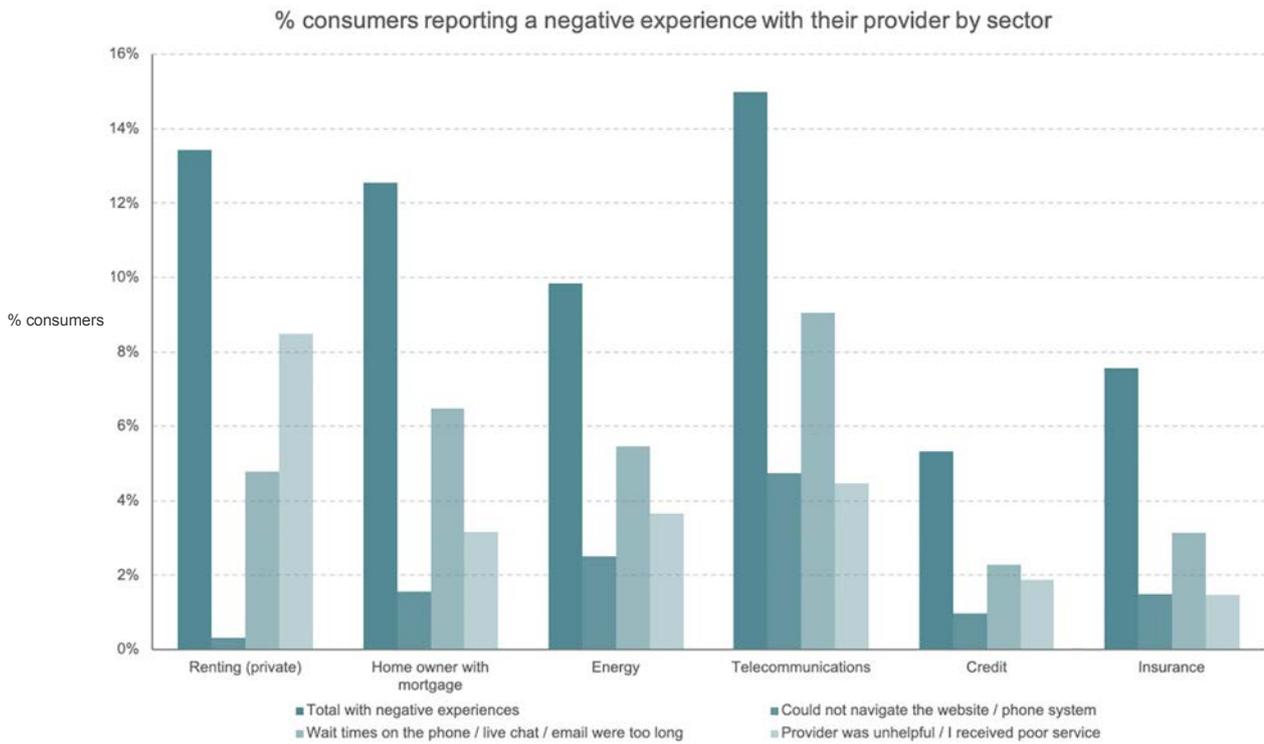


Common problems when contacting providers may play a role in consumers not taking actions

While the majority of consumers throughout May did not report negative experiences when engaging service providers, around one in ten Australians encountered problems. Between 5 and 15% of consumers had a negative experience of some kind in May across all sectors, with most instances recorded in the telecommunications sector (15%) (Figure 10).

Figure 10 – Most commonly reported negative experiences by sector

QTN: Thinking about any actions with your service providers in the last 4 weeks which, if any, of the following have you experienced?



13% of private renters reported some kind of negative experience during May when engaging property managers, including unhelpful service or long wait times; as did 13% of home owners with a mortgage, when engaging mortgage providers.

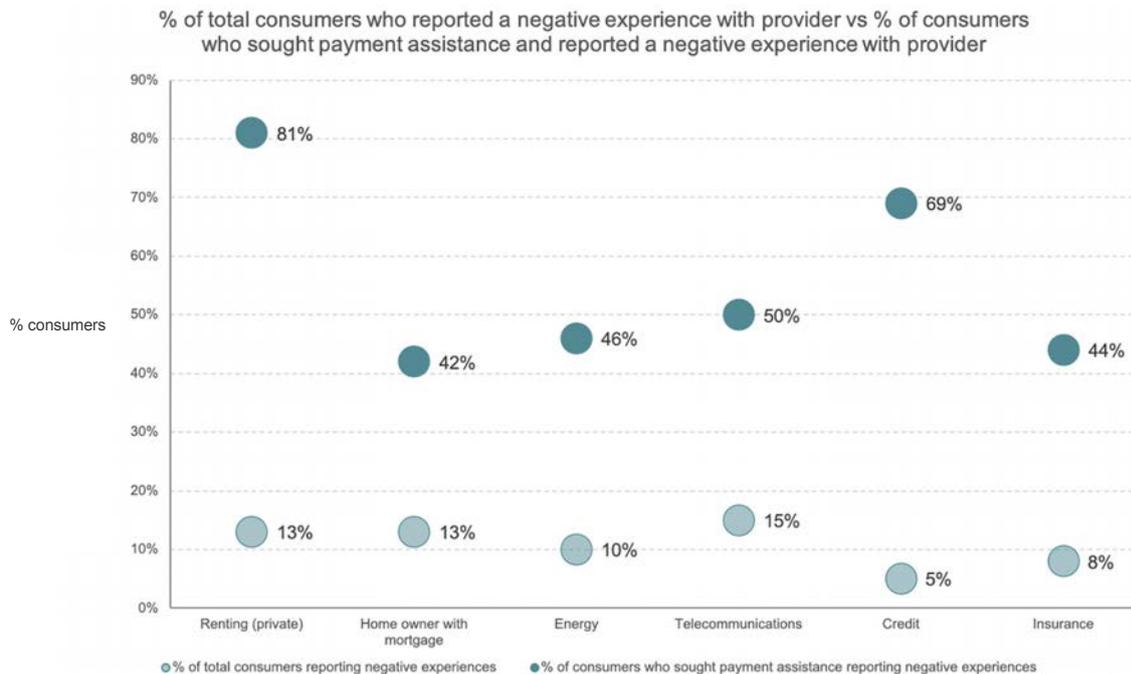
Importantly, some Australians had negative experiences at much higher rates than the general population. People seeking payment assistance particularly reported having much worse experiences across all providers throughout May (Figure 11). This was most pronounced for renters – with 81% of those who had sought payment assistance from their landlord or property manager reporting having negative experiences compared to 13% of the general population. 42% of homeowners with a mortgage who sought payment assistance similarly reported having negative experiences, compared to 13% of the general population.

While 5% of people in general had a negative experience with their credit card, personal loan and / or buy-now-pay-later provider, this jumped to 69% of those who had sought payment assistance. Internet and telecommunications providers jumped from 15% to 50%; energy providers from 10% to 46%; and insurance providers from 8% to 44%. We note some results are indicative only in May due to low sample sizes and we will track this closely in future months.⁹²

92. The low sample sizes involved fewer than 50 responses in relation to the experiences of those who had sought payment assistance in each sector.

Figure 11 – Negative experiences are more common for those that sought payment assistance

QTN: Thinking about any actions with your service providers in the last 4 weeks which, if any, of the following have you experienced?



Some sectors are doing better than others in offering proactive assistance

Our survey also explores how and to what extent consumers have experienced essential providers taking unilateral actions – both positive and negative – over the survey period.⁹³ The amount of consumers who noticed an action from their provider did vary considerably by sector – ranging between 10% (for consumers with credit cards / personal loans / buy-now-pay-later) to 29% (for mortgage holders). Key results from our May survey are set out below. Figure 12 uncovers some interesting insights:

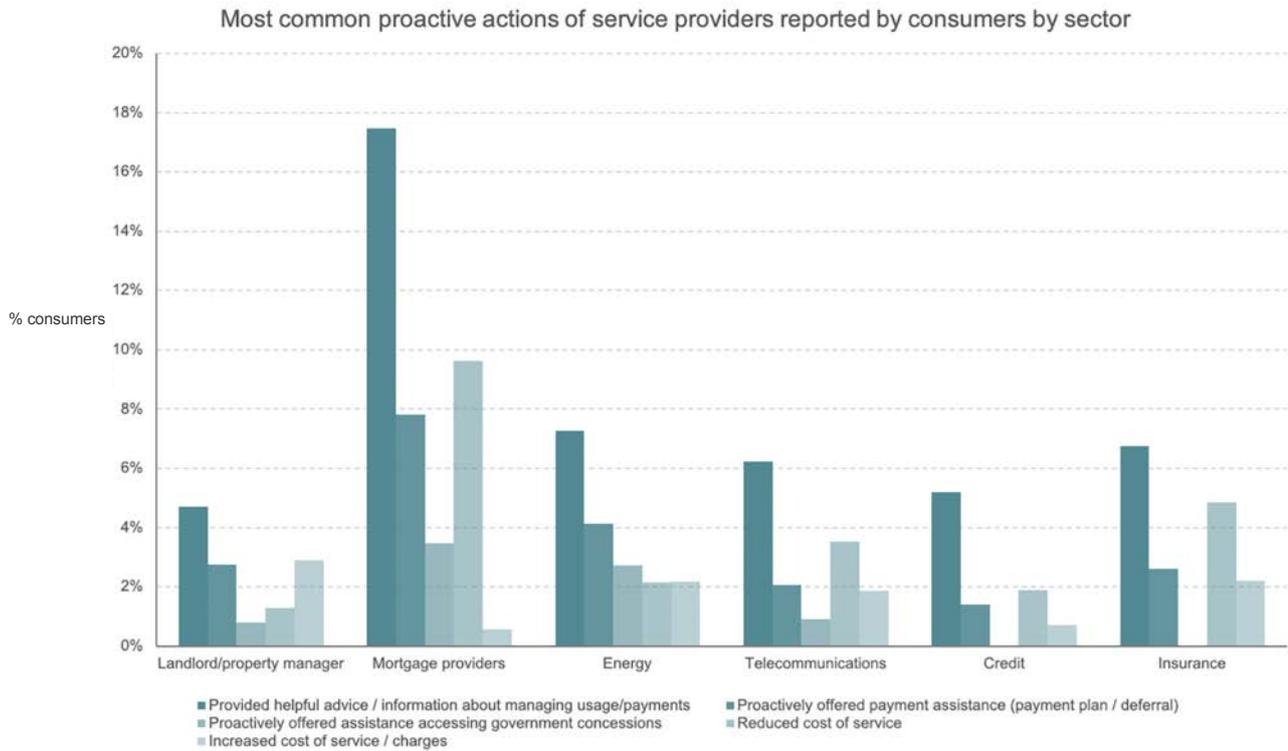
- Positive actions reported by consumers were higher in some sectors than others:
 - › mortgage providers were the most proactive in offering helpful information about payment management to consumers (17% of consumers), followed by both energy and insurance providers at 7%. Telecommunications (6%), credit providers and property managers (5%) provided the least proactive information to consumers about managing payments and/or usage.
 - › offers of payment assistance (such as a payment plan or deferral) were most common from mortgage (8%) and energy providers (4%).
 - › reductions in costs were most common from mortgage (10%), insurance (5%) and telecommunication (4%) providers.
- Mortgage providers were far more proactive than landlords or property managers in seeking to support consumers struggling to manage housing costs.
- Negative actions were also reported by consumers across all sectors, with 2-3% of energy, telecommunications, insurance consumers and renters noting that that their costs had increased in the past 4 weeks.

Positive and negative actions taken by providers will be tracked across sectors over coming months. These insights can assist policymakers and businesses target and adjust support measures over time, particularly if and when measures begin to be wound back and costs potentially increase.

93. Source: Q10c/Q11c/Q12c/Q13c/Q14c. Which, if any, of the following actions have any of your providers taken in the last 4 weeks?

Figure 12 – Most commonly reported proactive actions being taken by essential service providers throughout May

QTN: Which, if any, of the following actions have your service providers / property managers taken in the last 4 weeks?



Most significant challenges for consumers during May

Consumers were asked what was the biggest challenge they faced today, in terms of the products and services that they need.⁹⁴ 65% of the population reported some sort of challenge, with 35% reporting no challenge. The most common challenges and frustrations felt by people included difficulty contacting and accessing customer service (10%), slow delivery and long wait times (10%), and keeping up with bills (8%) (Figure 13). Our analysis shows that those whose income was impacted by COVID, those who are very concerned about their financial wellbeing and casual workers with less job security were most likely to report challenges in receiving, cancelling or purchasing the products and services they need (Figure 14).

94. Source: Q19. Thinking broadly about the products and services you need, what is the biggest challenge you face today in terms of receiving, cancelling or purchasing these?

Figure 13 – The biggest challenge faced by consumers in May 2020

QTN: Thinking broadly about the products and services you need, what is the biggest challenge you face today in terms of receiving, cancelling or purchasing these?

Note: %'s do not sum to 100%. Consumers could mention multiple changes. Challenges with less than 3% mentions are not shown.

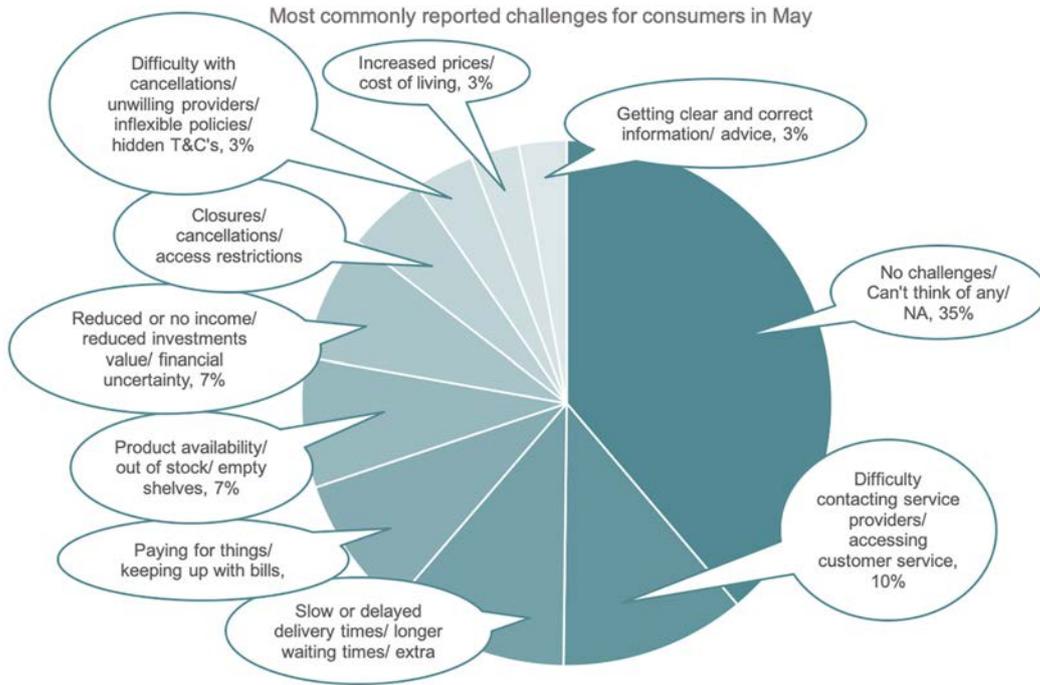
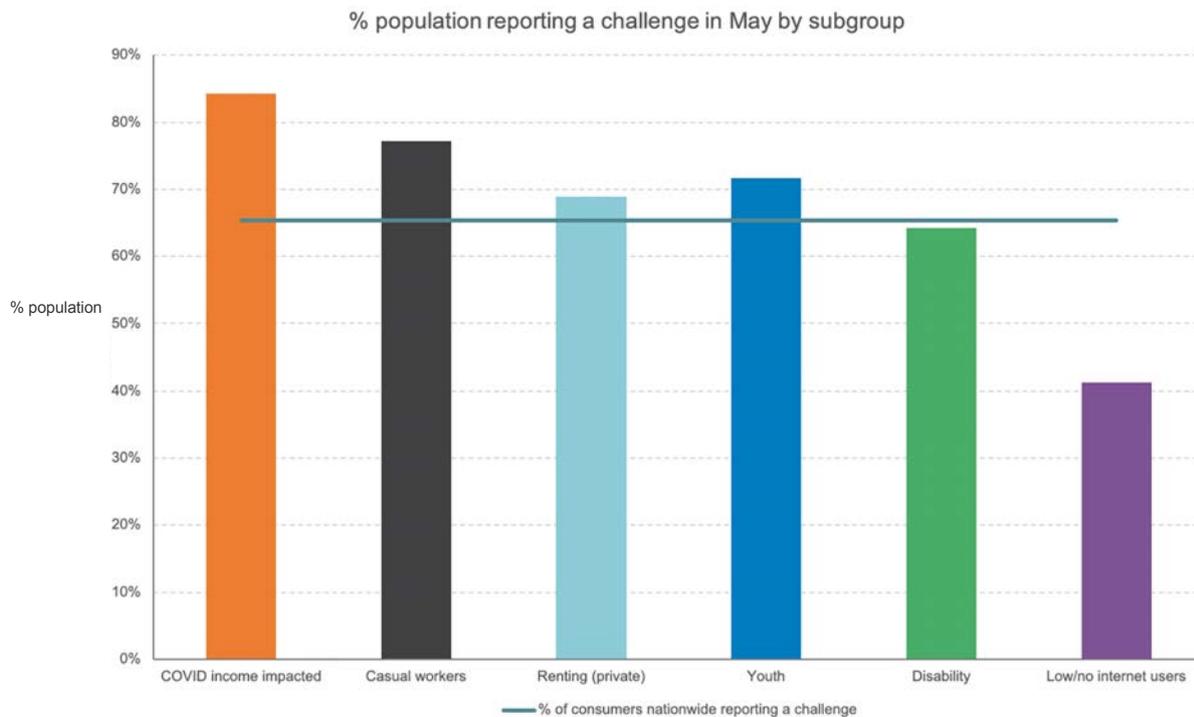


Figure 14 – Prevalence of challenges across different consumer subgroups

QTN: Thinking broadly about the products and services you need, what is the biggest challenge you face today in terms of receiving, cancelling or purchasing these?



Commonly reported challenges for consumers throughout May

“The cost. I am not working and it’s hard to find the money each month for the payments. I often have to defer my payments for a few days so I don’t get a dishonour fee from my bank.” – JobSeeker recipient

“Customer service wait times are extraordinarily longer.” – private renter with full-time employment

“Wait times for delivery of online purchases. Wait times on the phone, especially Telstra. With their call centres offshore, they were unable to help me with issues that were important to me.” – self-employed mortgagor

“After much negotiations with my real estate, they agreed to a rent deferral. But unfortunately, I had to draw from my super just to afford the basics before I received any government assistance.” – private renter with part-time employment

“Getting through to service providers and their wait times.” – private renter with full-time employment

“Insurance prices are too high for me to pay whilst still being able to afford my other bills.” – private renter with part-time employment

“The uncertainty around JobKeeper and whether after the subsidy finishes if I will still have a job or not. This is seen as high risk to lenders.” – private renter with full-time employment

“If my financial situation gets worse I will have to cancel my health insurance but it’s not an immediate problem.” – private renter on government income support

“Reduced finances and increased cost on things like utilities and insurances have meant we have had to reduce food, medical and other costs to manage.” – self-employed mortgagor

3. Consumer vulnerabilities: amplified and emerging risks

The COVID-19 pandemic is amplifying existing consumer vulnerabilities and creating new risks. Given the scale of COVID-19's economic and social impacts, consumer vulnerability will be common over the months and years ahead, though some people will face more acute difficulties than others.⁹⁵ This chapter looks at some of the major dimensions of consumer vulnerability in the COVID-19 environment, with risks arising from:

- income shocks and financial insecurity
- increased consumption and demand for essential services like energy and telecommunications
- barriers to consumer engagement and help-seeking, including mental health issues and loneliness, family violence and digital exclusion
- the challenges of complex markets.

The COVID-19 events are likely to exacerbate existing inequalities. The experience of previous pandemics shows that health inequalities tend to worsen during pandemics, with poverty, inequality and social determinants of health (such as inadequate housing) creating conditions for the transmission of infectious diseases.⁹⁶ Similar effects are expected in relation to social inequalities. As explained in this chapter, COVID-19 is already having a greater financial impact on people who faced pre-existing disadvantage, such as insecure work and low incomes.

Income shocks and financial insecurity

The COVID-19 pandemic will have a major effect on household incomes, making it much harder to pay for essentials such as energy and housing. Unemployment is forecast to rise very significantly, though the extent of the rise and the duration of the shock is unclear. The unemployment rate is likely to approximately double from 5.2% to around 10% in the June quarter, and would be substantially higher if not for 'JobKeeper', a six-month wage subsidy program ending in September 2020 that allows employers to retain staff during the business downturn.⁹⁷ Using an alternative to traditional unemployment measures, the Grattan Institute estimates between 14-26% of workers will be out of work in the June quarter due to social distancing and industry shutdown. Looking ahead, it is estimated unemployment rates will decline but remain above the pre-COVID-19 level even by mid-2022.⁹⁸

During the pandemic, official unemployment rates are likely to underestimate the true number of people without work and in need, as people who are not actively looking for work are not counted in the unemployment figures. The Grattan Institute expects around half of people who lose their jobs as a result of COVID-19 are likely to drop out of the labour force (i.e. will not be looking for work) because they do not have a realistic chance of finding work, or because of the health effects of the pandemic.⁹⁹

The COVID-19 public health measures will most affect people working in hospitality, retail, arts and recreation, with workers experiencing either outright job loss or reduced hours.¹⁰⁰ Young people, women and those on lower incomes are clustered in many of these industries and will therefore be disproportionately affected by employment shocks.¹⁰¹ Over the long-term, the more sustained economic effects of COVID-19 are likely to cause job loss in these and other service industries if household consumption is subdued.

95. The Thriving Communities Partnership has put together an excellent series of webinars on a range of consumer vulnerability issues across utilities, financial services, insurance and other sectors during COVID-19. See their 'Navigating COVID Together' webinar series at: <https://thriving.org.au/TCPEvents>.

96. Sandra Crouse Quinn and Supriya Kumar, "Health Inequalities and Infectious Disease Epidemics: A Challenge for Global Health Security," *Biosecurity and Bioterrorism: Biodefence Strategy, Practice and Science* 12(5) (2014): 263.

97. Treasurer, "Ministerial Statement on the Economy: The Economic Impact of the Crisis" (12 May 2020); Reserve Bank of Australia, *Statement on Monetary Policy* (7 May 2020).

98. Reserve Bank of Australia, *Statement on Monetary Policy* (7 May 2020).

99. Brendan Coates, Matt Cowgill, Tony Chen and Will Mackey, *Shutdown: Estimating the COVID-19 Employment Shock* (Grattan Institute, 2020), 24-25.

100. Brendan Coates, Matt Cowgill, Tony Chen and Will Mackey, *Shutdown: Estimating the COVID-19 Employment Shock* (Grattan Institute, 2020); Committee for Economic Development of Australia, "The COVID-19 crisis: Where is help needed most?" (13 April 2020), <https://www.ceda.com.au/Digital-hub/Blogs/CEDA-Blog/March-2020/The-COVID-19-crisis-where-is-help-needed-most>.

101. Brendan Coates, Matt Cowgill, Tony Chen and Will Mackey, *Shutdown: Estimating the COVID-19 Employment Shock* (Grattan Institute, 2020).

Most agree a rapid ‘snapback’ to greater financial security once the stricter COVID-19 controls are relaxed will be unlikely. Many consumers were already vulnerable pre-crisis: two thirds of Australians experienced some level of financial stress, and only a minority enjoyed financial security.¹⁰² CPRC’s survey shows 60% of Australians are concerned about the impact of COVID-19 on their financial wellbeing.

Household incomes are likely to be constrained for some time and many people will experience ongoing financial stress and hardship. Even when major industries re-start to some degree, economic activity is likely to be curtailed by continuing (or reimposed) social distancing measures, greatly reduced inward migration and tourism,¹⁰³ and an uncertain investment and spending environment for both firms and households. In addition, a trade-exposed country such as Australia will be significantly affected by any global recession.¹⁰⁴

Over the coming months and years, people will experience income shocks and financial insecurity in the following ways as a result of COVID-19.

Table 1: key forms of income and financial insecurity as a result of COVID-19

No income	Government assistance such as the JobSeeker payment and JobKeeper wage subsidy will not reach everyone. Many of Australia’s 2.17 million temporary visa holders, including international students, are not eligible for these payments and face destitution on job loss. Temporary visa holders are very vulnerable to unemployment, with many working in industries heavily impacted by social distancing measures such as hospitality. ¹⁰⁵
Reduced income	<p>Across Australia, jobs plummeted by 7.3% from mid-March to early May 2020, and wages dropped by 5.4% over the same period.¹⁰⁶</p> <p>Many people will experience reduced incomes due to COVID-19, including those who:</p> <ul style="list-style-type: none"> • have lost jobs and are now living on a JobSeeker payment • have been stood down from their jobs and are receiving a JobKeeper payment that is lower than their usual income • are working fewer hours and facing underemployment – a quarter of Australians have had their working hours reduced since April 2020.¹⁰⁷ <p>An estimated 1 million casual workers are not eligible for JobKeeper payments and are facing significant financial shocks. In the hospitality industry alone, nearly 40% of workers are short-term casual workers ineligible for these payments.¹⁰⁸</p> <p>The biggest income shocks may arrive when the JobKeeper program expires at the end of September 2020 for approximately 3.5 million people. Some people will be able to return to their jobs and previous wages; others will lose their jobs and face life on a much lower JobSeeker payment.</p>
Irregular and uncertain incomes	<p>Prior to COVID-19, Australian workers were already experiencing increased job precariousness, especially among men, and secondary jobs had grown, particularly among women and young people.¹⁰⁹ Australia has a high rate of casual work at around one quarter of workers, and half of casual workers do not have guaranteed hours.¹¹⁰</p> <p>Industries with volatile demand (such as tourism and hospitality) have higher rates of variable hours.¹¹¹ Casual labour and irregular incomes may therefore increase in the COVID-19 environment due to fluctuations in consumer demand and the unpredictability of necessary public health measures. Irregular and uncertain incomes make it harder for people to manage a household budget and plan bill payments.</p>

102. Centre for Social Impact and NAB, *Financial Security and the Influence of Economic Resources: Financial Resilience in Australia 2018* (December 2018) 20.

103. Net migration for 2020-21 is expected to be 85% lower than in 2018-19: SBS News, “Australia’s migration intake to fall 85 per cent due to coronavirus, Scott Morrison says”, 1 May 2020, <https://www.sbs.com.au/news/australia-s-migration-intake-to-fall-85-per-cent-due-to-coronavirus-scott-morrison-says>.

104. Brendan Coates, Matt Cowgill, Tony Chen and Will Mackey, *Shutdown: Estimating the COVID-19 Employment Shock* (Grattan Institute, 2020).

105. Committee for Economic Development of Australia, *Effects of Temporary Migration: Shaping Australia’s Society and Economy* (2019).

106. Australian Bureau of Statistics, *Weekly Payroll Jobs and Wages in Australia*, week ending 2 May 2020, cat. no. 6160.0.55.001.

107. Australian Bureau of Statistics, *Household Impacts of COVID-19 Survey*, 1-6 April 2020, cat. no. 4940.0; Roy Morgan, “Over two thirds of working Australians have had their employment impacted by the ‘Coronavirus Crisis’” (24 April 2020).

108. Brendan Coates, Matt Cowgill, Tony Chen and Will Mackey, *Shutdown: Estimating the COVID-19 Employment Shock* (Grattan Institute, 2020), 20.

109. Bankwest Curtin Economics Centre, *Future of Work in Australia: Preparing for Tomorrow’s World*, Focus on the States Series, No. 6/18 (April 2018).

110. OECD, *Employment Outlook 2019: The Future of Work* (Paris: OECD Publishing, 2019), 60.

111. *Ibid.*, 51.

Table 1: key forms of income and financial insecurity as a result of COVID-19 (continued)

<p>Precarious and inadequate government income support</p>	<p>Some people receiving income support payments – such as JobSeeker and Young people Allowance – will receive a temporary \$550 fortnightly supplement, a substantial boost to inadequate base payments. However, this supplement will end in September 2020, leaving recipients with very low incomes that are generally below the poverty line.¹¹²</p> <p>Some income support recipients will not be given a fortnightly supplement at all, including people on the Age Pension and Disability Support Pension, despite facing some increased expenses due to COVID-19. People on these pensions will only receive the one-off ‘economic support payments’ (two payments of \$750 each).</p> <p>Even for those receiving a temporary boost to income support payments, this extra money will be needed to lift people out of poverty; consumer service providers cannot assume that extra income will be available for outstanding debt or other payments. Prior to the COVID-19 supplement, 84% of JobSeeker and Young people Allowance recipients had to skip meals to survive and 66% could not afford heating in winter.¹¹³ The supplement will therefore need to be used at people’s discretion to meet the most basic living needs. Given the temporary nature of the COVID-19 supplement, people may also be inclined to build up savings for future expenses where they can.</p>
<p>Diminished or depleted financial buffers</p>	<p>Prior to COVID-19, some groups had much more limited financial buffers than others—or no buffer at all. Nearly half of all renters only had enough savings to cover basic living expenses for less than a month. Households with small financial buffers are typically young, twice as likely to be renting, and twice as likely to be unemployed compared with other households. The most vulnerable include those working in industries heavily affected by social distancing measures, such as hospitality and retail. Households with mortgages tended to have larger financial buffers.¹¹⁴</p> <p>CPRC’s survey shows 28% of Australians are dipping into savings to make essential payments, leaving less in reserve for future expenses, especially if there are fewer opportunities to increase incomes and build savings. Half of working households have just over one month’s income or less in savings, and the bottom 40% of working households have about 3 weeks’ income or less in savings, meaning savings will dissipate quickly in the face of significant income drops.¹¹⁵</p> <p>As a result of COVID-19, some people will also access their superannuation early on financial hardship grounds, with up to \$20,000 of superannuation savings available for draw-down over 2020 to 2021 in certain circumstances.</p> <p>Some financial buffers will also be diminished by the increased prevalence of scams at this time,¹¹⁶ and behaviour such as problem gambling. Survey data from April 2020 showed 10% of people had increased online gambling in the previous month, while 14% had decreased involvement. Men aged under 30 years in full-time employment were most likely to increase online gambling.¹¹⁷ As discussed below, gambling is emerging as one of the most common sources of increased spending following early superannuation release.</p>

While the economic impacts of COVID-19 will cause widespread financial vulnerabilities, some groups of people are more exposed than others to income loss and financial insecurity, including young people and temporary migrants.

112. ACOSS and UNSW Sydney, *Poverty in Australia 2020* (2020).

113. ACOSS, “I regularly don’t eat at all: Trying to get by on Newstart survey” (2019), <https://www.acoss.org.au/wp-content/uploads/2019/07/190729-Survey-of-people-on-Newstart-and-Young-people-Allowance.pdf>.

114. Reserve Bank of Australia, *Financial Stability Review* (April 2020), 19-20.

115. Brendan Coates and Matt Cowgill, “As the COVID-19 crisis deepens, few Australians have much cash in the bank”, *Grattan Blog* (20 March 2020), <https://blog.grattan.edu.au/2020/03/as-the-covid-19-crisis-deepens-few-australians-have-much-cash-in-the-bank/>.

116. See Chapters 1 and 4.

117. Rick Brown and Amelia Hickman, “Changes in Online Gambling During the COVID-19 Pandemic” (Australian Institute of Criminology, May 2020).

High-risk group: young people

Young people are disproportionately affected by both the initial and longer-term economic impacts of COVID-19. Young people have been hit particularly hard by immediate, large-scale job losses in industries such as hospitality and retail. Between mid-March and early May 2020, jobs worked by people aged under 20 years dropped by 14.6%, the biggest rate of job loss among all age groups.¹¹⁸

A survey by the Young people Affairs Council Victoria found employment and income support are the major COVID-19-related concerns for young people aged 18-25, including worries about eligibility for income support.¹¹⁹ While people receiving Young people Allowance were ultimately granted the temporary COVID-19 supplement of \$550 per fortnight, the many young workers in casual employment are often excluded from JobKeeper payments (where they have not held regular employment with the same employer for at least 12 months).

Faced with income shocks, young people have fewer savings to draw upon than other age groups,¹²⁰ and have been less able to enter homeownership and build up equity, due to major housing affordability problems that are likely to persist over the years to come.¹²¹ With lower savings and no other assets to turn to, people aged under 30 years are one of the main groups accessing their superannuation early, and appear to be depleting a large amount – or in some cases nearly all – of their limited funds,¹²² leaving little in the case of future hardship. Initial data suggests increased spending following early superannuation withdrawal, most commonly on debt repayments, gambling and groceries.¹²³ This type of spending has the potential to trigger or exacerbate financial stress among young people where it involves unsustainable debt and/or problem gambling.

Young workers are likely to need enhanced and extended consumer support measures over the years ahead. During economic downturns they are at risk of the ‘last in, first out’ response, and employers are more reluctant to hire or retain less experienced staff during periods of economic weakness.¹²⁴ Young people who have lost jobs during the pandemic, or who were about to enter the workforce, may miss the opportunity to build early-career skills and experience. This type of damage to career prospects and earning potential is often long-term and can be permanent.¹²⁵ Even once Australia returns to pre-COVID rates of unemployment, this still means widespread hardship for young people, who were already facing high rates of unemployment at approximately 12% pre-COVID-19, more than double the general unemployment rate.¹²⁶

Young people are also highly exposed to acute financial pressures as temporary migrants. Approximately 44% of temporary migrants are aged between 15-24 years when they arrive in Australia, and 38% are aged between 25-34 years.¹²⁷ Many are international students or on working holidays, and have been left without Commonwealth income support during the pandemic. The financial vulnerabilities of temporary migrants are explored further next.

118. Australian Bureau of Statistics, Weekly Payroll Jobs and Wages in Australia, week ending 2 May 2020, cat. no. 6160.0.55.001.

119. Young people Affairs Council Victoria, COVID-19 and Young People, <https://www.yacvic.org.au/assets/Documents/FINAL-Young-People-Survey-Results.pdf>.

120. Bankwest Curtin Economics Centre, *Beyond Our Means? Household Savings and Debt in Australia*, Focus on the States Report Series, No. 2 (June 2015), 25-26.

121. John Daley and Brendan Coates, *Housing Affordability: Re-imagining the Australian Dream* (Grattan Institute, March 2018).

122. Shane Wright, “Young Australians tapping super early, running down nest eggs”, *The Age* (25 May 2020), <https://www.theage.com.au/politics/federal/young-australians-tapping-super-early-running-down-nest-eggs-20200524-p54vv7.html>; Michael Roddan and Matthew Cranston, “Younger savers clean out their super”, *Australian Financial Review* (28 April 2020), <https://www.afr.com/companies/financial-services/younger-savers-clean-out-their-super-20200427-p54nmf>.

123. Peter Ryan, “Superannuation withdrawals spent on gambling, alcohol, takeaway food: report”, *ABC News* (2 June 2020), <https://www.abc.net.au/news/2020-06-01/superannuation-withdrawals-spent-on-gambling-alcohol-takeaway/12306710>.

124. Zoya Dhillon and Natasha Cassidy, *Labour Market Outcomes for Younger People* (Reserve Bank of Australia, June 2018).

125. Stefanie Dimov, Tania King, Marissa Shields and Anne Kavanagh, “The Young Australians Hit Hard During COVID-19”, *Pursuit* (7 April 2020), <https://pursuit.unimelb.edu.au/articles/the-young-australians-hit-hard-during-covid-19>.

126. Australian Bureau of Statistics, Labour Force, Australia, March 2020, cat. no. 6202.0.

127. Productivity Commission, *Migrant Intake into Australia*, Report No. 77 (2016), 125.

High-risk group: temporary migrants

Australia's 2.4 million temporary migrants are at risk of extreme financial hardship, not being eligible for the JobKeeper wage subsidy, or JobSeeker and other income support payments. This is despite the disproportionate share of temporary migrants working in industries such as hospitality and personal services¹²⁸ which are facing widespread job loss and reduced hours, and are likely to be heavily impacted by COVID-19 over the long-term as a result of continuing social distancing measures and reduced tourism.

Migrant workers ineligible for JobKeeper are being asked to access superannuation early (which may be very limited) in order to pay for essentials¹²⁹. Only some States and Territories are offering financial assistance to certain temporary migrants, such as international students (see Chapter 4). It is unclear how temporary migrants will meet basic living expenses once low superannuation balances and any savings are depleted and volunteer community supports are exhausted.

Temporary migrants already face barriers to accessing consumer support due to a lack of language services and culturally competent service delivery; unfamiliarity with essential services delivery in Australia, such as energy services,¹³⁰ and limited digital access or literacy, particularly among recently arrived migrants.¹³¹ Migrant households can also face additional mental health and emotional burdens due to COVID-19 if family members are sick or at risk in other countries,¹³² making engagement with service providers more difficult.

While service providers cannot address the fundamental lack of income among temporary migrants, they can provide a flexible and accommodative response to payment inability during an extremely difficult period. The potential flow-on effects of an inflexible approach are grave, such as homelessness, moving into unhealthy, overcrowded housing, and continuing to work even if unwell, in the face of financial desperation.¹³³

Consumer implications of income shocks

The income shocks and financial insecurity caused by COVID-19 have a range of implications for consumer vulnerability. Reduced discretionary income and an anticipated rise in precautionary savings curtail industries driven by consumer spending, feeding under- and un-employment. Income drops leave people less able to pay for essential services. Following the initial phases of the crisis and the possible peaking of unemployment, some groups will regain work or sufficient hours and will be able to resume normal payments for essential services. Others, however, are exposed to longer-term payment difficulties, including people reverting to much lower income support payments following the end of the JobSeeker and Young people Allowance COVID-19 supplements; those facing wage loss on the expiry of JobKeeper; and those with depleted savings. During the period of economic uncertainty to follow, jobs and hours may grow even less secure and more irregular. The consumer support measures offered by service providers will need to be geared towards these long-term impacts of COVID-19 and the varying and unpredictable ways in which the subsequent phases of the pandemic will play out for different consumers.

128. Committee for Economic Development of Australia, *Effects of Temporary Migration: Shaping Australia's Society and Economy* (2019).

129. SBS News, "Temporary Visa Holders in Australia Allowed to Access Superannuation as Coronavirus Support", 4 April 2020, <https://www.sbs.com.au/news/temporary-visa-holders-in-australia-allowed-to-access-superannuation-as-coronavirus-support>.

130. Ethnic Communities Council of NSW Inc, *Experiences of Energy Consumption for Culturally and Linguistically Diverse (CALD) Communities* (April 2016).

131. Centre for Multicultural Young people, "Young People's Perspectives During the COVID-19 Lockdown", 3 April 2020; Thomas J Barraket et al, *Measuring Australia's Digital Divide: The Australian Digital Inclusion Index 2019* (RMIT University and Swinburne University of Technology, 2019), 21-22.

132. Centre for Multicultural Young people, "Young People's Perspectives During the COVID-19 Lockdown", 3 April 2020.

133. Joo-Cheong Tham, "Why Temporary Migrants Need JobKeeper", *Power to Persuade* (8 April 2020), <http://www.powertopersuade.org.au/blog/why-temporary-migrants-need-jobkeeper-during-covid19>; Katie Robertson, "What About Those Left Out by the Stimulus Package?", *Pursuit* (7 May 2020).

Increased consumption and demand for essential services

A further dimension of consumer vulnerability at this time is increased consumption of the basics. The COVID-19 public health measures are creating increased demand for essential services such as energy and telecommunications, which will give rise to higher bills and may tip people who were previously coping into payment difficulty. During April 2020, around 1.6 million Australians were working from home, and in total, around 30% of the Australian workforce (or 4 million workers) could feasibly work from home if required,¹³⁴ bringing additional utility costs. Primary, secondary and higher education institutions have shifted en masse to home-based and online learning. For many Australian families online home learning is not possible without additional resources including living essentials (e.g. food and safe housing), and technology and learning resources (e.g. internet and electricity).¹³⁵ Social distancing measures also require more time to be spent at home on weekends, further driving demand for energy, telecommunications and secure housing.

Household energy consumption rose by 20% across Victorian electricity networks over April and May 2020 compared with the same period in 2019.¹³⁶ In CPRC's May 2020 survey, 30% of Australians reported spending more on energy following the COVID-19 lockdown. People living in poorly insulated, energy inefficient homes will particularly struggle with heating and other energy expenses as they spend more time in the home. This includes renters, whose homes are more likely to lack basic energy efficiency measures such as insulation.¹³⁷

Telecommunications demand is also increasing significantly. During the first half of April, NBN demand increased by 102% during daytime business hours compared to the pre-COVID-19 baseline.¹³⁸ At the end of March 2020, the Telstra mobile network experienced a 50% increase in call volumes on certain routes, creating congestion, much of which was driven by a high number of calls to government 13 and 1800 numbers (e.g. Centrelink).¹³⁹

Housing demand is also amplified in unique ways due to the COVID-19 pandemic, necessitating a flexible response from landlords and banks in relation to rent and mortgage payments, and the ability to end leases with ease and without penalty due to financial constraints or other pressures; for example, where a person needs to move from shared or overcrowded housing for health reasons¹⁴⁰ or to better enable working or learning from home.

Affordable access to energy, telecommunications and housing is vital for effective social distancing, self-isolation, respiratory health and resilience, and general wellbeing. Inadequate heating, an inability to communicate remotely from home (e.g. to access education, work and telehealth), and insecure, unsafe housing will compromise people's ability to protect themselves and the community at a time of pandemic, especially as Australia enters a higher-risk winter season. In this sense, consumer vulnerabilities are health vulnerabilities, and can be treated as such by government, regulators and business.

134. Alison Pennington and Jim Stanford, *Working from Home: Opportunities and Risks* (Centre for Future Work, April 2020); Roy Morgan, "Over two thirds of working Australians have had their employment impacted by the 'Coronavirus Crisis'" (24 April 2020).
 135. Australian Council for Educational Research, "Ministerial Briefing Paper on Evidence of Likely Impact on Education Outcomes of Vulnerable Children Learning at Home during COVID-19" (22 April 2020), 8.
 136. Victorian Distribution Network data provided to CPRC.
 137. Australian Bureau of Statistics, *Household Energy Consumption Survey, Australia: Summary of Results, 2012*, cat. no. 4670.0.
 138. NBN Co, "Australian Broadband Data Demand: Upload demand on the rise as more Australians work from home and spend Easter at home" (17 April 2020), <https://www.nbnco.com.au/corporate-information/media-centre/media-statements/broadband-data-demand-uploads>.
 139. Telstra, "Telstra and COVID-19: What you need to know" (2 April 2020), <https://exchange.telstra.com.au/coronavirus/>.
 140. Australian Housing and Urban Research Institute, "How is the Coronavirus Pandemic Affecting Housing Policy in Australia?", AHURI Brief (1 April 2020).

Barriers to consumer engagement and help-seeking

During the pandemic, consumer vulnerabilities will not only arise from reduced incomes and increased use of essential services, but barriers to consumer engagement and help-seeking. In other words, consumer vulnerability is not always about money. It can mean lacking awareness of assistance measures, and difficulties accessing support and self-advocating to service providers. Some of the biggest barriers to engagement will be faced by people experiencing mental health issues and loneliness; family violence; and digital exclusion.

Mental health issues and loneliness

The COVID-19 pandemic is having a significant impact on the mental health of the general population due to social isolation and major life disruptions, health anxieties, and the psychological impacts of a near-constant stream of distressing news. Job loss and financial stress can lead to (or exacerbate) mental health conditions such as anxiety and depression. For those in work, certain occupations are facing particularly acute stresses, including Australia's large health workforce, some of whom have to endure strict isolation from immediate family. Older people, especially those in isolation and those with cognitive decline or dementia, may become more anxious, stressed or withdrawn at this time.¹⁴¹

Poor mental health can affect people's ability to manage their expenses and initiate and maintain contact with consumer service providers. Mental health conditions such as anxiety and depression can reduce concentration, make it difficult to speak to service providers, and dampen motivation to engage with tasks like budgeting.¹⁴²

Experiences of loneliness may also be exacerbated by COVID-19, with social distancing measures increasing isolation and affecting the quality of our personal interactions. Loneliness is associated with a range of factors that can make consumer engagement more difficult, including higher levels of anxiety around personal interactions, greater difficulty with household tasks, and lower energy levels and feeling less able to cope with problems.¹⁴³

During the COVID-19 pandemic customers' mental health and capacity to engage with markets and seek assistance from service providers will fluctuate. Various emotional and mental states will manifest at different times, including fear, frustration, anger and demotivation. Quarantine measures increase psychological stress during both the isolation period and its aftermath, and bring greater risk of post-traumatic stress disorder. Financial loss as a result of quarantine can also have long-lasting effects post-isolation and be a risk factor for psychological disorders, anger and anxiety.¹⁴⁴

Service providers can assist by offering proactive customer outreach, multiple communication options (phone, online, text etc) to cater for different engagement preferences, and flexible responses to non-engagement (e.g. avoiding disconnection).¹⁴⁵ Inappropriate or insensitive actions from service providers at this time, such as debt collection, may compound mental health difficulties. A March 2020 survey by the UK-based Money and Mental Health Policy Institute found people were very concerned about financial services, energy and telecommunications providers pursuing debts during the pandemic, with anxieties on the rise about the bill impacts of more time spent at home.¹⁴⁶

141. World Health Organization, "Mental Health and Psychosocial Considerations during the COVID-19 Outbreak" (18 March 2020).

142. Merlyn Holkar, Katie Evans and Kate Langston, *Access Essentials: Giving People with Mental Health Problems Equal Access to Vital Services* (Money and Mental Health Policy Institute, July 2018).

143. Australian Psychological Society and Swinburne University of Technology, *Australian Loneliness Report: A Survey Exploring the Loneliness Levels of Australians and the Impact on their Health and Wellbeing* (2018); Centre for Social Impact, "Loneliness, Social Connection and COVID-19", https://www.csi.edu.au/media/uploads/csi-covid_factsheet_loneliness.pdf.

144. Samantha K Brooks et al, "The Psychological Impact of Quarantine and How to Reduce It: Rapid Review of the Evidence" *Lancet* 395 (2020): 912.

145. Merlyn Holkar, Katie Evans and Kate Langston, *Access Essentials: Giving People with Mental Health Problems Equal Access to Vital Services* (Money and Mental Health Policy Institute, July 2018).

146. Conor D'Arcy, "Money and Mental Health at a Time of Crisis", Policy Note No. 18 (Money and Mental Health Policy Institute, April 2020).

Family violence

Experiences of family violence during COVID-19 can give rise to a number of consumer vulnerabilities. Risks of economic abuse may increase, such as where women are coerced into joint debts or early access to superannuation, or are left to carry debt burdens by an abusive partner, including credit and utility debts. Some family violence victim-survivors may find it difficult to contact service providers at this time. Social distancing measures leave people with less access to formal and informal social supports and safe, private places to contact service providers, such as workplaces.

These vulnerabilities may escalate over the months ahead. Family violence specialists and police are anticipating, and in some cases already witnessing, an increase in violence during the pandemic. Women and children are having closer contact with abusers within the home, while financial stress and unemployment are risk factors for family violence.¹⁴⁷

A survey by Women's Safety NSW showed a 50% increase in client numbers during March and early April, a 50% increase in violence specifically related to COVID-19, a similar increase in first-time reports of violence, and instances where COVID-19 is contributing to more extreme violence and abuse.¹⁴⁸ In Victoria, 14% of family violence calls to police during April 2020 were linked to COVID-19. Calls to the 'No to Violence' men's referral service rose by 67-94% in early April as the more restrictive social distancing measures were imposed and job loss and financial stress increased.¹⁴⁹ Based on recent family violence evidence from other countries, and following natural disasters like the 2009 Victorian bushfires, we should prepare for an escalation of family violence during not only the crisis phase of the pandemic but in the subsequent stages, due to ongoing financial stress and unemployment.¹⁵⁰

Victims of economic and other abuse may require tailored support from service providers, including payment deferrals or waivers, assistance with debts accumulated in their names, or account security measures.¹⁵¹ Where contact is made, service providers such as energy retailers, banks and insurers can act as one of the major entry points for family violence support and specialist referrals; a call to these services could be one of the few lifelines for a victim-survivor otherwise isolated and limited in their outside interactions.

147. Kelsey Hegarty and Laura Tarzia, "Domestic Violence, Isolation and COVID-19", *Pursuit* (7 April 2020).

148. Women's Safety NSW, "New Domestic Violence Survey Shows Impact of COVID-19 on the Rise", (2 April 2020), <https://www.womenssafetynsw.org.au/impact/article/new-domestic-violence-survey-shows-impact-of-covid-19-on-the-rise/>.

149. Wendy Tuohy, "Helpline Calls by Family Violence Perpetrators 'Skyrocket' Amid Isolation", *The Age*, 21 April 2020, <https://www.womenssafetynsw.org.au/impact/article/new-domestic-violence-survey-shows-impact-of-covid-19-on-the-rise/>.

150. Australia Housing and Urban Research Institute, "Has the Impact of COVID-19 on Cities and Housing Affected the Incidence of Family Violence?", AHURI Brief (5 May 2020).

151. See Carolyn Bond and Madeleine Ulbrich for the Economic Abuse Reference Group, *Responding to Financial Abuse: Full Report* (Women's Legal Service Victoria, January 2020).

Digital exclusion

The COVID-19 pandemic is dramatically accelerating the shift to digital markets and service delivery and amplifying the existing digital divide. A range of government, business and social services are undergoing a rapid digital transformation that is likely to continue long after the initial crisis passes. If there were any lingering doubts about the essentiality of telecommunications and digital devices, COVID-19 has well and truly underscored that these products and services are essential for living. In the US, 93% of Americans consider that a major interruption to their internet or mobile phone service would currently be a problem in their daily life, with email, messaging and video calling important for general communication and to obtain information about COVID-19 itself.¹⁵²

While 91% of Australians enjoy an internet connection at home,¹⁵³ this figure hides significant disadvantage among particular groups. Digital exclusion (i.e. unaffordability of digital devices, internet access and/or a lack of digital capability) is clustered among people on low incomes, older Australians, people without a job, people with disability, and those living in regional areas.¹⁵⁴ A lack of access to telecommunications and low digital literacy puts people at a major disadvantage in the COVID-19 environment – they may well miss information about government income support and the assistance offered by banks, energy retailers, telecommunications providers and others, are unable to search online marketplaces to obtain more affordable products and services, and cannot contact service providers to secure payment assistance or other support.

The challenges of complex markets

Each of the vulnerabilities described above are compounded by complex markets. During an intense period of 'information overload' and heightened financial and caring pressures, it may become more difficult to compare competing products, services and providers; understand pricing, price changes and the value proposition of new deals; comprehend lengthy terms and conditions; and assess the longer-term financial ramifications of switching providers, entering into a new deal or taking on credit.

For the most vulnerable, deliberately complex market structures or pricing can exacerbate financial hardship or barriers to consumer engagement. For example, there is a risk that the COVID-19 supplement for JobSeeker and Young people Allowance recipients could be depleted by high-cost energy, telecommunications and credit products that proliferate in complex markets.

Tackling consumer vulnerability at the time of COVID-19 therefore involves not only responding to personal circumstances of vulnerability, but structural reforms to create fairer, more inclusive markets. This includes implementation, close monitoring and enforcement of energy market reforms at the Victorian and national levels, rental market reforms in Victoria, and payday lending protections and the recommendations of the Financial Services Royal Commission at a national level.

152. Monica Anderson and Emily A Vogels, "Americans Turn to Technology During COVID-19 Outbreak, Say an Outage Would be a Problem", *Pew Research Center FactTank* (31 March 2020), <https://www.pewresearch.org/fact-tank/2020/03/31/americans-turn-to-technology-during-covid-19-outbreak-say-an-outage-would-be-a-problem/>.

153. Australian Communications and Media Authority, *Communications Report 2018-19* (2020), 75.

154. Thomas J Barraket et al, *Measuring Australia's Digital Divide: The Australian Digital Inclusion Index 2019* (RMIT University and Swinburne University of Technology, 2019).

Key findings: consumer vulnerability is common

The COVID-19 health and economic crisis has well and truly brought consumer vulnerability issues to the fore for regulators, policymakers and business. Some of the key lessons emerging from this review include:

- Everyone faces the risk of consumer vulnerability at some point over the life course, and COVID-19 only amplifies this risk, due to the scale of job loss, financial stress, health threats, and increased consumption of essential services such as energy and telecommunications.
- Some people are more at risk of financial vulnerability than others, including those working in services sectors, temporary migrants facing destitution on job loss, and young people.
- Household incomes are likely to be under pressure for several years, and some of the greatest shocks may arise towards the end of 2020 when boosts to JobSeeker and Young people Allowance are withdrawn, wage subsidies expire, savings are depleted, initial consumer support measures end, and mental health issues manifest.
- Tackling consumer vulnerability requires attention to not only payment difficulty, but issues such as family violence, digital exclusion and complex markets, that can prevent people accessing support and securing fair and affordable products and services at a time of great need.
- Consumer vulnerability is dynamic and will only be more so due to COVID-19 – the pandemic's trajectory is uncertain and business and regulators will likely have to deal with the economic and social impacts of fluctuating social distancing measures, industry shutdowns and community outbreaks.



4. Consumer support measures: locally and globally

In the prior chapters we set out some of the key issues Australian consumers, including those in vulnerable situations, are facing as a result of COVID-19 and the effects health measures have had on the economy. This chapter describes how Australian policymakers – and other jurisdictions with similar institutional features¹⁵⁵ – are seeking to address some of the key challenges that COVID-19 has created for consumers in the following areas:

- income support and stimulus
- access to essential services
- protections against unfair practices
- refunds, cancellations and suspensions of services.

The descriptions in this chapter aim to provide Australian policymakers with an overview of the measures being adopted across Australia and internationally. This will support ongoing efforts of policymakers to take stock and assess where action may be needed to adapt existing measures, so consumers get the support they need. We go on to discuss some of the actions policymakers can take in Chapter 5.

Income support and stimulus

Governments across the world have sought to move fast and cushion the economic impacts of COVID-19 by supplementing income and boosting welfare support. Such measures help consumers make ends meet – allowing them to pay bills and consume the goods and services they need. Struggling to meet these needs can have dire consequences for consumers' health and wellbeing.

Australian consumer experiences in May 2020 – CPRC's survey results

6% of consumers reported that their income has been directly impacted by COVID and are now receiving JobKeeper, JobSeeker, other government support, or have no income.

6% of consumers reported that they had applied for early access to superannuation.

¹⁵⁵. To facilitate comparisons that provide richer insights, we focus on jurisdictions that are broadly similar to Australia (for example – in terms of their economy, democratic institutions and rule of law). The jurisdictions we have focused on are the European Union, New Zealand, the United Kingdom and the United States.

Key measures by jurisdiction

Australia



- Federal Government Coronavirus supplement¹⁵⁶ which is a \$550 per fortnight top up to the JobSeeker payment and some other existing income support measures (expires September 2020)
- Federal Government's JobKeeper¹⁵⁷ scheme which provides \$1,500 per fortnight wage reimbursement to businesses – which helps ensure workers are able to maintain employment ties to a business that has experienced a significant fall in turnover (expires September 2020)
- Early superannuation access¹⁵⁸ (up to \$10,000 in 2019-20 and a further \$10,000 in 2020-21)
- State Government measures to support specific groups such as visiting students and temporary visa holders (for example, see announcements from Queensland¹⁵⁹, South Australia¹⁶⁰, Tasmania¹⁶¹, and Victoria¹⁶²)

European Union¹⁶³



- €100 billion financial instrument to mitigate unemployment risks in the emergency (SURE instrument) which will fund short-time work schemes and other initiatives for the self-employed¹⁶⁴
- Up to €179 million in 2020 from the European Globalisation Adjustment Fund mobilised to support workers and the self-employed who are redundant as a consequence of the economic crisis¹⁶⁵

New Zealand



- Support measures provided by the New Zealand government include:
 - › COVID-19 Income Relief Payment is another option for people who have recently lost their jobs (NZ\$490 per week for those who lost fulltime employment, NZ\$250 per week for those that lost part-time employment)
 - › Bespoke student support package that includes increases to loan amounts
 - › Funding package to social sector services and community groups to bolster support for essential services and people with disability in lockdown, and fund community-led solutions to support local resilience¹⁶⁶

156. Australian Government, "Coronavirus Supplement," (accessed 21 May 2020), <https://www.servicesaustralia.gov.au/individuals/services/centrelink/coronavirus-supplement>

157. Australian Government, "About the JobKeeper Payment," (accessed 21 May 2020), <https://www.ato.gov.au/General/JobKeeper-Payment/In-detail/About-the-JobKeeper-payment/>

158. Australian Government, "Early access to your super," (accessed 21 May 2020), <https://www.ato.gov.au/individuals/super/withdrawing-and-using-your-super/Early-access-to-your-super/>

159. Queensland Government, "Queensland Government Ramps Up Support for Visiting Students" (22 April 2020), <http://statements.qld.gov.au/Statement/2020/4/22/queensland-government-ramps-up-support-for-visiting-students>

160. Study Adelaide, "International Student Support Package," (accessed 21 May 2020), <https://studyadelaide.com/issp>

161. Tasmanian Government, "Support for Temporary Visa Holders," (22 April 2020), http://www.premier.tas.gov.au/releases/support_for_temporary_visa_holders

162. Victorian Government, "Emergency Support for Victoria's International Students," (29 April 2020), <https://www.premier.vic.gov.au/emergency-support-for-victorias-international-students/>

163. We note that many individual EU member states have been adopting their own income support measures.

164. European Commission, "A European Instrument for Temporary Support to Mitigate Unemployment Risks in an Emergency (SURE)," (2 April 2020), https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-financial-assistance/loan-programmes/sure_en

165. European Commission, "European Globalisation Adjustment Fund," (25 March 2020), <https://ec.europa.eu/esf/main.jsp?catId=67&langId=en&newsId=9633>

166. New Zealand Government, "Financial Support," (11 May 2020), <https://covid19.govt.nz/individuals-and-households/financial-support/>

United Kingdom



- Wage subsidy up to 80% of normal income until at least the end of October 2020 via the Coronavirus Job Retention Scheme¹⁶⁷
- Self-employment income support scheme to provide 80% of average profit (capped) covering 3 months¹⁶⁸

United States



- Additional sick leave, food stamps and support to the states for unemployment insurance and medical costs via the Families First Coronavirus Response Act¹⁶⁹
- Income support for households and business through tax cuts and direct payments via the CARES Act¹⁷⁰

Access to essential services

Rental support

Renters have been particularly vulnerable during the COVID economic shock. Unlike mortgage holders, whose banks have typically been obliged to support them as the economic crisis set in (discussed later in this chapter), renters had less certainty. Shoring up support for renters has therefore been a priority for governments across the world. In Australia, financial measures to support both landlords and tenants have also been implemented by the states.

Australian consumer experiences in May 2020 – CPRC's survey results

37% of renters are concerned about their ability to pay rent.

7% of renters reported that they sought payment assistance, and 4% applied for government assistance during May.

Renters are applying for early access to superannuation (11%) at rates twice the national average (6%).

167. HM Revenue & Customs, "Claim For Wages Through the Coronavirus Job Retention Scheme," (14 May 2020), <https://www.gov.uk/guidance/claim-for-wages-through-the-coronavirus-job-retention-scheme>

168. HM Revenue & Customs, "Check if You Can Claim a Grant Through the Self-Employment Income Support Scheme," (13 May 2020), <https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme>

169. U.S. Department of Labor, "Families First Coronavirus Response Act: Employee Paid Leave Rights," <https://www.dol.gov/agencies/whd/pandemic/ffcra-employee-paid-leave> (accessed 21 May 2020)

170. U.S. Department of the Treasury, "The CARES Act Works for All Americans," (accessed 21 May 2020), <https://home.treasury.gov/policy-issues/cares>

Key measures by jurisdiction

Australia



- State governments have actioned the agreement from the National Cabinet with their own measures to support renters¹⁷¹
- For example, the Victorian Government has instituted a freeze on rent evictions and increases – and made available \$80 million in rent relief payments for those experiencing rental hardship¹⁷² (use these links for more information on some of the specific responses adopted in ACT¹⁷³, NSW, NT¹⁷⁴, QLD¹⁷⁵, SA¹⁷⁶ and WA¹⁷⁷)

New Zealand



- Freeze on rent increases and protections against tenancy terminations as part of the COVID19 Response (Urgent Managements Measures) Legislation Act¹⁷⁸

United Kingdom



- Guidance placing restrictions on evictions – with landlords advised “not to commence or continue evictions without very good reason for doing so”¹⁷⁹

United States



- Temporary suspension of evictions based on payment difficulty for 120 days via the CARES Act¹⁸⁰

171. Prime Minister of Australia, “Media Statement – 29 Mar 2020,” (29 March 2020), <https://www.pm.gov.au/media/national-cabinet-statement>

172. Housing Victoria, “Coronavirus (COVID-19) rent relief grant,” (18 May 2020), <https://www.housing.vic.gov.au/help-renting/rentrelief>

173. ACT Government, “Supporting public housing tenants: COVID-19 (Coronavirus),” <https://www.communityservices.act.gov.au/hcs/supporting-public-housing-tenants-covid-19-coronavirus>

174. Northern Territory Government, “Deferred Commencement: Residential Tenancies Act,” (15 April 2020), <http://newsroom.nt.gov.au/mediaRelease/33174>

175. Queensland Government, “Support for Landlords and Tenants”, (28 April 2020), <https://www.treasury.qld.gov.au/programs-and-policies/covid19-package/support-for-landlords-and-tenants/>

176. Government of South Australia, “Landlords and Tenants Benefit From extra \$50m in Land Tax Relief”, (24 April 2020), [https://www.premier.sa.gov.au/news/media-releases/news/landlords-and-tenants-benefit-from-extra-\\$50m-in-land-tax-relief](https://www.premier.sa.gov.au/news/media-releases/news/landlords-and-tenants-benefit-from-extra-$50m-in-land-tax-relief)

177. Government of Western Australia, “New \$154.5 million relief package to support tenants, landlords and construction industry”, (23 April 2020), <https://www.mediastatements.wa.gov.au/Pages/McGowan/2020/04/New-154-point-5-million-dollar-relief-package-to-support-tenants-landlords-and-construction-industry.aspx>

178. Ministry of Housing and Urban Development, “Covid-19: Rent Increase Freeze and Tenancy Terminations”, (18 May 2020), <https://www.hud.govt.nz/residential-housing/covid-19-rent-freeze-and-tenancy-terminations/>

179. Ministry of Housing, Communities & Local Government, “Coronavirus (COVID-19) Guidance for Landlords and Tenants”, (accessed 21 May 2020), https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/876500/Consolidated_Landlord_and_Tenant_Guidance_COVID_and_the_PRS_v4.2.pdf

180. U.S. Department of Housing and Urban Development, “Addressing Tenant Concerns during the COVID-19 National Emergency”, (accessed 21 May 2020), https://www.hud.gov/sites/dfiles/Housing/documents/MF_Tenant_Concerns_COVID-19_Brochure.pdf

Energy and water

Social isolation restrictions mean many consumers are spending more time at home and consuming more utilities – at a time when their income could have reduced significantly. For example, in the week strict lockdown restrictions were introduced in Australia (22-28 March 2020), household electricity consumption in the Victorian Jemena network increased 14% (relative to the week 1-7 March 2020, pre lockdown).¹⁸¹ This trend of increased consumption has meant the measures utilities provide to support households who face hardship are particularly critical to their welfare and wellbeing.

Australian consumer experiences in May 2020 – CPRC’s survey results

30% of consumers have indicated they are spending more now on electricity and gas, with 59% spending about the same, and 4% indicating they are spending less compared to pre-COVID-19 levels.

27% of consumers reported concern about their ability to pay energy bills in May.

14% of consumers indicated they are spending more on water, with most consumers either spending about the same (72%) or less now (4%).

Key measures by jurisdiction

Australia



- The Australian Energy Regulator¹⁸² has set clear expectations for energy businesses to help consumers during the COVID-19 pandemic, including offering hardship assistance to any consumer that indicates they need it (regardless of existing criteria), no unilateral disconnections before 31 July 2020 and deferring debt collector referrals and credit default listings until at least 31 July 2020
- Australian energy retailers have confirmed they will provide scalable, accessible and tailored assistance to affected customers¹⁸³
- Authorisation from the ACCC to allow parties involved in retailing gas or electricity to share information, and enter into arrangements to provide financial and other relief to energy users¹⁸⁴
- Bespoke COVID-19 measures from State governments that, for example, provide one-off relief payments and support for community organisations (see announcements from Victoria¹⁸⁵, Queensland¹⁸⁶, Tasmania¹⁸⁷)
- Commitments from Australian water utilities to help consumers¹⁸⁸

181. Energy Networks Australia, "Commercial Down v Residential Up: COVID-19's Electricity Impact", (16 April 2020), <https://www.energynetworks.com.au/news/energy-insider/2020-energy-insider/commercial-down-v-residential-up-covid-19s-electricity-impact/>

182. Australian Energy Regulator, "AER Statement of Expectations of Energy Businesses: Protecting Consumers and the Energy Market During COVID-19", (27 March 2020), <https://www.aer.gov.au/publications/corporate-documents/aer-statement-of-expectations-of-energy-businesses-protecting-consumers-and-the-energy-market-during-covid-19>

183. Australian Energy Council, "Retailers Confirm Support for Energy Customers", (26 March 2020), <https://www.energycouncil.com.au/news/retailers-confirm-support-for-energy-customers/>

184. Australian Competition & Consumer Commission, "Australian Energy Council – Application for authorisation AA1000502: Interim Authorisation Decision", (1 May 2020), <https://www.accc.gov.au/system/files/public-registers/documents/Interim%20Authorisation%20Decision%20-%2001.05.20%20-%20PR%20-%20AA1000502%20AEC.pdf>

185. The Victorian Government has increased funding and training support for frontline workers so more consumers can receive targeted advice on dealing with energy bills – including how to get the best deal from energy companies and how to access existing support. For more info see: Victorian Government, "Targeted Support for Victorians Struggling with Energy Bills", (13 May 2020), <https://www.premier.vic.gov.au/targeted-support-for-victorians-struggling-with-energy-bills/>

186. Queensland Government, "COVID-19 household Utility Relief", (16 April 2020), <https://www.qld.gov.au/community/cost-of-living-support/concessions/energy-concessions/covid-19-household-utility-relief>

187. Aurora Energy, "Coronavirus (COVID-19) update", (accessed 21 May 2020), <https://www.auroraenergy.com.au/covid-19>

188. Water Services Association of Australia, "Urban Water industry Maintains Essential Water and Wastewater Services During COVID-19," (31 March 2020), <https://www.wsaas.asn.au/news/water-industry-maintaining-essential-services-and-assistance-those-experiencing-hardship>



European Union

- BEUC – the European Consumer Organisation – has written to the European Commissioner for Energy setting out the support measures being adopted on the continent and making recommendations for where more action is needed regarding energy disconnections, flexible payments and vulnerable consumer support¹⁸⁹



New Zealand

- Consumers are required to contact their energy company for support. Those eligible receive a doubling of the Winter Energy Payment from 1 May to 1 October 2020¹⁹⁰



United Kingdom

- Agreement between government and energy companies¹⁹¹ to a) seek to identify and prioritise customers at risk; b) support customers impacted financially by COVID19; c) provide specific support for pre-payment consumers; d) make information and advice clearly available to consumers
- Regulator Ofgem has provided guidance to suppliers on how to prioritise their commercial activities and regulatory obligations during the COVID19 crisis¹⁹²
- Regulator Ofwat has directed consumers to WaterUK guidance on support available to consumers, which includes payment support and payment matching schemes¹⁹³

Financial products and services

Before the COVID-19 economic shock set in, Australian households had record levels of debt compared to other nations – mainly driven by mortgages.¹⁹⁴ Economic shocks impact households' ability to pay back their debt. If this impact is significant, there is a threat that this intensifies an economic downturn. General income support attempts to bridge any financial gaps that may arise in household budgets and can be used to service debt. However, policy responses in different jurisdictions' financial sectors indicate that income support is often not enough to provide an adequate financial safety-net for many households.

Australian consumer experiences in May 2020 – CPRC's survey results

27% of consumers who own and occupy a home with a mortgage are concerned about their ability to make mortgage repayments.

22% of consumers indicated they are concerned about meeting their credit and outstanding debt expenses.

189. BEUC - The European Consumer Organisation, "COVID-19 implications for energy consumers and BEUC recommendations to ensure consumer access to affordable and secure energy supply." Letter to European Commissioner for Energy, (19 March 2020), https://www.beuc.eu/publications/beuc-x-2020-025_letter_to_commissioner_simson_covid-19_implications_for_energy_consumers.pdf

190. Department for Business Energy and Industrial Strategy, "BEIS / domestic Energy supply companies: agreement", (19 March 2020), https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/873960/Supplier_Agreement_19.3.2020.pdf

191. Energy UK, "COVID-19 Information Hub", (19 March 2020), <https://www.energy-uk.org.uk/our-work/covid-19-information-hub/7475-supporting-customers.html>

192. Ofgem, "Impact of COVID-19 on retail energy supply companies – an enabling framework for regulatory flexibility", (8 April 2020), https://www.ofgem.gov.uk/system/files/docs/2020/04/supplier_letter.pdf

193. Water UK, Covid-19 Information for Customers, (accessed 21 May 2020), <https://www.water.org.uk/covid-19-information-for-customers/>

194. ABC news "How Australia became the world record holder for debt", (19 November 2019), <https://www.abc.net.au/7.30/how-australia-became-the-world-record-holder-for/11719624>

Key measures by jurisdiction



Australia

- Consumers can request from their bank:¹⁹⁵
 - › Six-month mortgage deferrals
 - › Help on credit card and personal loans which – depending on individual circumstances – may include waiving fees and restructuring loans
 - › No impacts on credit ratings (provided payments are up to date prior to COVID-19)
- Moneysmart.gov.au website provides guidance to consumers on help with making decisions during COVID-19¹⁹⁶
- Insurers are providing relief and support measures on a case-by-case basis during COVID-19¹⁹⁷



New Zealand

- Banks are offering a range of assistance measures including reducing, suspending or deferring principal payments on loans; interest only payments; loan restructuring¹⁹⁸



United Kingdom

- Finance companies directed by the Financial Conduct Authority (FCA) to provide the following assistance to those who need and request it:
 - › For mortgages – lenders and administrators will provide payment holidays and temporarily stop repossession actions¹⁹⁹
 - › For personal loans and credit cards – a three-month freeze on payments can be requested, with no impact on a consumer's credit rating²⁰⁰
 - › For overdrafts – up to £500 increase which is interest-free for three months²⁰¹
 - › For other forms of credit – consumers can request a three-month freeze on repayments for motor finance, buy now pay later (BNPL) arrangements, rent-to-own agreements and a one-month freeze on repayments for high-cost, short-term credit, including payday loans (one month)²⁰²
- Free, impartial advice from the government-funded Money Advice Service²⁰³
- FCA has published information for consumers on the different insurance products that could be affected and what consumers should do if they are in financial difficulty²⁰⁴

195. Australian Banking Association, "The Personal Relief Package", (accessed 21 May 2020), <https://www.ausbanking.org.au/covid-19/the-personal-relief-package/>

196. Moneysmart, "COVID-19 making financial Decisions" (accessed 21 May 2020), <https://moneysmart.gov.au/covid-19>

197. Insurance Council of Australia, "Your Insurance and COVID-19", (5 May 2020), <https://www.insurancecouncil.com.au/issues-submissions/covid-19>

198. New Zealand Bankers Association, "Banks' Response to COVID-19", (accessed 21 May 2020), <https://www.nzba.org.nz/consumer-information/covid-19/banking-industry-response-to-covid-19/>

199. Financial Conduct Authority, "Mortgages and Coronavirus: Information for Consumers", (14 May 2020), <https://www.fca.org.uk/consumers/mortgages-coronavirus-consumers>

200. Financial Conduct Authority, "Coronavirus: Information for Consumers on Personal Loans, Credit Cards, Overdrafts, Motor Finance, and Other Forms of Credit", (24 April 2020), <https://www.fca.org.uk/consumers/coronavirus-information-personal-loans-credit-cards-overdrafts>

201. Ibid.

202. Ibid.

203. The Money Advice Service, "Coronavirus and Your Money", (accessed 21 May 2020), <https://www.moneyadviceservice.org.uk/en/articles/coronavirus-and-your-money>

204. Financial Conduct Authority, "Insurance and Coronavirus (Covid-19): information for consumers", (20 May 2020), <https://www.fca.org.uk/consumers/insurance-and-coronavirus>



United States

- Financial institutions have been required to exercise forbearance and pause or reduce payments on mortgages that become delinquent rather than moving straight to foreclosure²⁰⁵
- FTC has published information about payday and car title loans for consumers who are in financial stress due to COVID-19²⁰⁶

Telecommunications

With health measures meaning many people are spending more time at home (for work, caring, learning and socialising) it is unsurprising that the telecommunications sector has played a key part in supporting consumers during COVID-19.²⁰⁷ While the internet has been a large part of most consumers' lives for many years, a key difference from several past crises is that the internet is now the most important medium for modern communication and information. As noted in the previous chapter, we should also remember that while it is a necessary tool for participation in society and, increasingly, accessing essential services, there continues to be a digital divide and many consumers can be excluded from use of the internet.²⁰⁸

Australian consumer experiences in May 2020 – CPRC's survey results

A large majority of consumers have indicated they are spending about the same (87%) or less (4%) on telecommunications, with 5% consumers indicating they are spending more compared to pre-COVID-19 levels.

15% of consumers indicated they had a negative experience with their telecommunications provider in May.

205. Consumer Financial Protection Bureau, "Guide to Coronavirus Mortgage Relief Options", (24 April 2020), <https://www.consumerfinance.gov/about-us/blog/guide-coronavirus-mortgage-relief-options/>

206. Federal Trade Commission, "What you Should Know About Payday Loans and Car Title Loans", (23 April 2020), <https://www.consumer.ftc.gov/blog/2020/04/what-you-should-know-about-payday-loans-and-car-title-loans>

207. NBN Co, "NBN Continues to Support Australia through COVID-19", (7 April 2020), <https://www.nbnco.com.au/corporate-information/media-centre/media-statements/nbn-supports-Australia-through-covid-19>

208. Thomas J Barraket et al, *Measuring Australia's Digital Divide: The Australian Digital Inclusion Index 2019* (RMIT University and Swinburne University of Technology, 2019).

Key measures by jurisdiction

Australia



- The Australian government has made an agreement with telecommunication providers on measures to support consumers through COVID-19. Providers have committed to key principles concerning financial hardship and connectivity²⁰⁹
- ACMA has signaled to companies it will prioritise compliance activity regarding the credit and financial hardship rules within the Telecommunications Consumer Protections code²¹⁰
- Companies such as Telstra²¹¹, Vodafone²¹² and Optus²¹² are also providing support to consumers in various ways, such as unlimited or additional data allowances, discounts or cheaper deals for those experiencing hardship, and suspension of late fees and debt collection activities
- Australian Cyber Security Centre has provided advice on cyber security measures during Covid-19²¹⁴
- Industry Association Digi has provided information resources to help people work and learn from home

United Kingdom



- UK government has agreed measures with Ofcom and the telecommunications industry to support vulnerable consumers through COVID-19, including working with consumers experiencing financial hardship²¹⁵ and removing all data allowance caps on fixed broadband services
- Ofcom's Stay Connected website provides information to consumers on how to manage internet connections during COVID-19
- Guidance for parents and carers released by the Department for Digital, Culture, Media and Sport on keeping children safe online²¹⁷

United States



- Keep Americans Connected²¹⁸ pledge coordinated through the Federal Communications Commission which requires: no disconnections, no late fees and greater access to WIFI hotspots from all businesses who signed up.²¹⁹
- FTC has provided online security tips for people working from home²²⁰

209. Australian Government, "Government and Telecommunications Companies Agree Measures to help keep people connected through COVID-19", (accessed 21 May 2020) https://www.communications.gov.au/sites/default/files/joint_statement_-_final.pdf

210. Australian Communications and Media Authority, "Telecommunications Financial Hardship policies critical during COVID-19: ACMA", (2 April 2020), <https://www.acma.gov.au/articles/2020-04/telecommunications-financial-hardship-policies-critical-during-covid-19-acma>

211. Telstra, "Supporting our Customers During COVID-19", (14 April, 2020), <https://exchange.telstra.com.au/supporting-our-customers-during-covid-19/>

212. Vodafone, "Our Customer Support Response to COVID-19", (26 March 2020), <https://www.vodafone.com.au/about/company/covid-19>

213. Optus, "Optus Update: COVID-19 (Coronavirus)", (24 March 2020), <https://www.optus.com.au/about/media-centre/media-releases/2020/03/optus-update-covid-19-coronavirus-at-24-March-2020>

214. Australian Cyber Security Centre, "Cyber Security is Essential When Preparing for Covid-19", (13 March 2020), <https://www.cyber.gov.au/news/cyber-security-essential-when-preparing-covid-19>

215. Department for Digital, Culture, Media & Sport, "Government Agrees Measures with Telecoms Companies to Support Vulnerable Consumers Through COVID-19", (29 March 2020), <https://www.gov.uk/government/news/government-agrees-measures-with-telecoms-companies-to-support-vulnerable-consumers-through-covid-19>

216. Ofcom, "Stay Connected During the Coronavirus", (24 March 2020), <https://www.ofcom.org.uk/phones-telecoms-and-internet/advice-for-consumers/stay-connected>

217. Department for Digital, Culture, Media & Sport, "Coronavirus (COVID-19): Keeping Children Safe Online", (14 April 2020), <https://www.gov.uk/government/publications/coronavirus-covid-19-keeping-children-safe-online>

218. Federal Communications Commission, "Keep Americans Connected", (13 March 2020), <https://www.fcc.gov/keep-americans-connected>

219. The FCC notes that many of the companies that signed up (more than 700 in total) have gone above and beyond the Keep America Connected pledge by taking actions such as upgrading speeds at no charge, expanded low-cost programs, offered free service to low-income families, students healthcare workers and facilities. See: Federal Communications Commission, "Regulation In Times Of Pandemics: Lessons For The Future", (17 April 2020), <https://www.fcc.gov/document/chairman-pai-remarks-regulation-times-pandemics>

220. Federal Trade Commission, "Online Security Tips for Working From Home", (18 March 2020), <https://www.consumer.ftc.gov/blog/2020/03/online-security-tips-working-home>

Protections against unfair practices

Scams and price gouging

As noted in Chapter 1, an increase in scams and opportunistic “price gouging”²²¹ activity typically occurs during economic downturn. As more people become financially vulnerable, this increases the target market for nefarious actors online, who, as O’Neil points out, “seek to pinpoint people in great need, and sell them false or overpriced promises”.²²² What is concerning today is that modern computing and technology can fuel fraud at a scale and efficiency unequalled in history, as they enable predatory practices to “zero in on the most desperate among us”²²³ at a time when people are relying on online activities more than ever. Texts and emails,²²⁴ social media,²²⁵ online shopping²²⁶ and even the early access to superannuation scheme²²⁷ all provide an avenue that allows predatory practices to impact consumers. We also note that, as vulnerability increases, there are also increased opportunities for more legitimate businesses to use data-driven computational methods to target vulnerable consumers with manipulative “dark pattern” techniques that encourage spending decisions they would not otherwise make.²²⁸

Australian consumer experiences in May 2020

The ACCC’s Scamwatch had received 94 reports of scams mentioned coronavirus between 1 January to 20 March. By 27 May, over 2700 reports had been received, with over \$1,114,000 in reported losses.²²⁹

In CPRC’s survey, when asked what their biggest challenge was during COVID-19 3% of consumers considered it to be increased prices and costs. Verbatim responses to question about “biggest challenge” include: “Getting a fair price” and “Price increases and the honesty and integrity of the providers in their dealings with the consumer”.

221. Price gouging during Covid-19 has been most prevalent for products that are essential in the context of the pandemic (e.g. hand sanitisers, face masks, and other essential medical goods). The ACCC makes clear price gouging is not generally illegal, but can fall foul of existing consumer law in certain circumstances. See: Australian Competition & Consumer Commission, “ACCC Response to COVID-19 Pandemic”, (27 March 2020), <https://www.accc.gov.au/media-release/accc-response-to-covid-19-pandemic>
222. Cathy O’Neil, *Weapons of Math Destruction – How Big Data Increases Inequality and Threatens Democracy* (New York, NY, Crown Publishers, 2016), 70.
223. *Ibid.*, 42, 70.
224. ABC News, “Coronavirus-related Scams Are Replicating Government Announcements Within Hours, Officials Warn”, (21 April 2020), <https://www.abc.net.au/news/2020-04-21/coronavirus-scams-growing-threat-to-australians-cyber-security/12168060>
225. BBC News, “Facebook and Twitter Allow Scammers Free Rein”, (30 April 2020), <https://www.bbc.com/news/technology-52471837>
226. ABC News, “Warning of Coronavirus Scams Targeting Online Shopping As Student Victim Fleeced For Thousands”, (12 May 2020), <https://www.abc.net.au/news/2020-05-12/warning-coronavirus-scams-increase-as-online-shopping-targeted/12239102>
227. ABC News, “Check Your Super Balance. Australians Scammed Out of Thousands via the Coronavirus Early Release Scheme”, (1 June 2020), <https://www.abc.net.au/news/2020-06-01/scammers-stealing-thousands-through-coronavirus-super-scheme/12301010>
228. Stigler Centre for the Study of the Economy and the State, “Committee on Digital Platforms Final Report”, (16 September 2019), 237-238, <https://www.publicknowledge.org/wp-content/uploads/2019/09/Stigler-Committee-on-Digital-Platforms-Final-Report.pdf>
229. Australian Competition and Consumer Commission, “Warning on Covid-19 Scams”, (20 March 2020), <https://www.accc.gov.au/media-release/warning-on-covid-19-scams>. See: Australian Competition and Consumer Commission, “Current Covid-19 (Coronavirus) Scams”, <https://www.scamwatch.gov.au/types-of-scams/current-covid-19-coronavirus-scams> (accessed 15 June 2020).

Key measures by jurisdiction



Australia

- ACCC warning that during COVID-19 scamsters are adapting existing technology to play on people's fears around coronavirus
- ACCC engaging with digital platforms regarding cooperation to remove offers where seller is price gouging²³⁰
- Queensland Office of Fair Trading warning regarding employment opportunity scams²³¹
- Australian Government has made use of human biosecurity emergency powers to prohibit price gouging of personal protection equipment, hand sanitiser and alcohol wipes²³²
- Industry Association Digi has provided information on how digital platforms have responded to misinformation and price gouging online²³³



European Union

- Common position among consumer protection regulators for stopping scams and unfair practices²³⁴
- Correspondence with digital platforms, social media, search engines and marketplaces regarding cooperation in removing scams²³⁵
- Consumer protection authorities conducted an in-depth "sweep" of COVID-19 related products advertised on websites and online platforms,²³⁶ with main findings showing a number of dubious adverts for concerning products and deliberately misleading and predatory promotions²³⁷
- BEUC have called for the European Commission to urge and support enforcement activities regarding unfair practices including excessive prices²³⁸

230. Australian Competition & Consumer Commission, "Managing the Impacts of COVID-19 disruption on Consumers and Business", (8 April 2020), <https://www.accc.gov.au/speech/managing-the-impacts-of-covid-19-disruption-on-consumers-and-business>

231. Queensland Government, "Don't be Tricked into Paying Fees for Fake Jobs", (8 May 2020), <https://www.qld.gov.au/law/laws-regulated-industries-and-accountability/queensland-laws-and-regulations/fair-trading-services-programs-and-resources/fair-trading-latest-news/media-statements/dont-be-tricked-into-paying-fees-for-fake-jobs>

232. Parliament of Australia, "COVID-19 Legislative response – Human Biosecurity Emergency Declaration – Essential Goods", (8 March 2020), https://www.aph.gov.au/About/Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2020/April/Biosecurity_Emergency_Requirement_Essential_Goods

233. Digi, "Resources to help in a Heartbreaking Time", (accessed 22 May 2020), <https://digi18.createsend.com/t/ViewEmail/t/52BB5FA3021E56AD2540EF23F30FEDED/C67FD2F38AC4859C/?tx=0&previewAll=1&print=1&source=PrintPreview&context=BE1559E32AC7F640D744A813E2B67A32>

234. European Commission, "Common Position of Consumer Protection Cooperation Network", (20 March 2020), https://ec.europa.eu/info/sites/info/files/live_work_travel_in_the_eu/consumers/documents/cpc_common_position_covid19.pdf

235. European Commission, "Letter Sent to Online Platforms", (accessed 22 May 2020), https://ec.europa.eu/info/live-work-travel-eu/consumers/enforcement-consumer-protection/scams-related-covid-19_en#letters-sent-to-online-platforms

236. European Commission, "CPC Sweep on COVID-19 Related Consumer Scams and Unfair Marketing", (accessed 22 May 2020), https://ec.europa.eu/info/sites/info/files/covid_19_unfair_practices_sweep_summary.pdf

237. European Commission, "Coronavirus: following Commission's Call, Platforms Remove Millions of Misleading Ads", (accessed 26 May 2020), https://ec.europa.eu/commission/presscorner/detail/en/ip_20_938

238. BEUC, "COVID-19 – implications for consumers and BEUC recommendations for policy responses concerning the Single Market, tourism and digitalisation", (24 April 2020), https://www.beuc.eu/publications/beuc-x-2020-028_letter_to_commissioner_thierry_breton.pdf#page=3



United Kingdom

- Warnings about COVID-19 scams from National Trading Standards to consumers²³⁹ and businesses²⁴⁰
- Free online scams awareness training from National Trading Standards Friends Against Scams team²⁴¹
- Statement of intent from the Competition & Markets Authority regarding sales and pricing practices during COVID-19²⁴²



United States

- Consumer information²⁴³ and reports²⁴⁴ on scams from the Federal Trade Commission
- Executive Order to create a COVID-19 price gouging and hoarding task force²⁴⁵

Refunds, cancellations and suspensions of services

An immediate repercussion of the COVID-19 social and movement restrictions was the inability of businesses to fulfil contractual commitments to consumers. This was most evident with pre-paid products and services related to travel, events and entertainment, and subscription services such as gym memberships and food delivery services.

Australian consumer experiences in May 2020 – CPRC's survey results

When asked what their biggest challenge was during COVID-19, 4% of consumers considered it to be related to closures, cancellations and changes. Verbatim responses include: "getting a refund for cancelled travel" and "long delays in getting information and credit or refunds"

239. National Trading Standards, "Beware of COVID-19 Scams", (24 March 2020), <https://www.nationaltradingstandards.uk/news/beware-of-covid19-scams/>

240. National Trading Standards, "Protecting businesses from COVID-19 Scams", (23 April 2020), <https://www.nationaltradingstandards.uk/news/protecting-businesses-from-covid19-scams/>

241. National Trading Standards, "Together We Can Take a Stand Against Scams", (accessed 21 May 2020), <https://www.friendsagainstscams.org.uk/>

242. Competition & Markets Authority, "COVID-19: Sales and Pricing Practices During Coronavirus Outbreak", (5 March 2020), <https://www.gov.uk/government/news/covid-19-sales-and-pricing-practices-during-coronavirus-outbreak>

243. Federal Trade Commission, "Coronavirus Advice for Consumers", (accessed 22 May 2020), <https://www.consumer.ftc.gov/blog/2020/04/covid-19-scam-reports-numbers>

244. Federal Trade Commission, "COVID-19 Scam Reports by the Numbers", (15 April 2020), <https://www.consumer.ftc.gov/blog/2020/04/covid-19-scam-reports-numbers>

245. Office of the Attorney General, "Department of Justice COVID-19 Hoarding and Price Gouging Task Force", (24 March 2020), <https://www.justice.gov/file/1262776/download> https://www.beuc.eu/publications/beuc-x-2020-028_letter_to_commissioner_thierry_breton.pdf#page=3

Key measures by jurisdiction

Australia



- ACCC COVID-19 information for consumers states they are not required to continue regular payments if a business is not able to fulfill the contract, and should receive refunds for payments already deducted²⁴⁶
- The ACCC's internal COVID-19 Taskforce is communicating directly with businesses²⁴⁷ to educate them about their obligations in relation to cancellations, refunds and suspension of services as a result of COVID-19 – and taking compliance action²⁴⁸ where necessary

European Union



- BEUC has issued a position paper regarding travellers' rights during the COVID-19 crisis²⁴⁹ and urged that the support given to the transport and tourism sectors under State Aid arrangements be conditional on businesses ensuring they are compliant with laws concerning cancellations and refunds²⁵⁰

United Kingdom



- The Competition & Markets Authority has announced an investigation into cancellations and refunds, with 80% of complaints received relating to these issues,²⁵¹ and has released guidance on how existing law operates in this area²⁵²

United States



- Federal Trade Commission has issued consumer advice related to travel plans²⁵³

246. Australian Competition & Consumer Commission, "COVID-19 (coronavirus) Information for Consumers", (accessed 22 May 2020), <https://www.accc.gov.au/consumers/consumer-rights-guarantees/covid-19-coronavirus-information-for-consumers>

247. Australian Competition & Consumer Commission, "Managing the Impacts of COVID-19 disruption on Consumers and Business", (8 April 2020), <https://www.accc.gov.au/speech/managing-the-impacts-of-covid-19-disruption-on-consumers-and-business>

248. Australian Competition & Consumer Commission, "Flight Centre to Refund Cancellation Fees", (3 May 2020), <https://www.accc.gov.au/media-release/flight-centre-to-refund-cancellation-fees>

249. BEUC, "BEUC's Position on Travellers' Rights During the Covid-19 Crisis", (27 April 2020), <https://www.beuc.eu/publications/eu-ministers-must-find-fair-solution-consumers-and-business-cancelled-travel-%E2%80%93-imposed/html>

250. BEUC, "The Consumers' Perspective on State Aid and COVID-19", (8 April 2020), https://www.beuc.eu/publications/beuc-x-2020-020_the_consumers_perspective_on_state_aid_and_covid-19.pdf

251. Competition & Markets Authority, "COVID-19: CMA to Investigate Cancellation Policy Concerns", (30 April 2020), <https://www.gov.uk/government/news/covid-19-cma-to-investigate-cancellation-policy-concerns>

252. Competition & Markets Authority, "The Coronavirus (COVID-19) Pandemic, Consumer Contracts, Cancellation and Refunds", (30 April 2020), <https://www.gov.uk/government/publications/cma-to-investigate-concerns-about-cancellation-policies-during-the-coronavirus-covid-19-pandemic/the-coronavirus-covid-19-pandemic-consumer-contracts-cancellation-and-refunds>

253. Federal Trade Commission, "COVID-19 Ruined my travel Plans. Now What?", (1 May 2020), <https://www.consumer.ftc.gov/blog/2020/05/covid-19-ruined-my-travel-plans-now-what>

Key findings

There are broad similarities in the policy and regulatory responses adopted internationally to help consumers through the COVID crisis, as well as some key differences. Both similarities and differences provide some important insights to reflect on:

- Income supplements and additional consumer support measures have been adopted in most jurisdictions around the world. Knowing when and how to appropriately wind down this support is challenging. There will be opportunities to learn from what is attempted in other jurisdictions, as well as trial how different approaches could work for Australian consumers.
- Across jurisdictions the onus is often on consumers to engage to receive support in deregulated essential services sectors. The experience of those who find it hard to engage can be better understood, and there is scope to explore how service providers can identify vulnerable Australian consumers in a more efficient, consistent way. Consumers who may have not previously accessed support may be unfamiliar with and unaware of available policies and programs.
- The importance of connectivity is a common theme across jurisdictions – with governments and regulators recognising consumers are more reliant on digital access than ever before. There also needs to be recognition that risks from unscrupulous online practices and product and service exclusion are heightened at this time, and that a robust regulatory response is required to address these risks.
- Concern about the unfair treatment of consumers whose purchases have been affected by the crisis is common across jurisdictions. Regulators are advising consumers on their rights and giving firms warnings and guidance. Exploring how Australian consumer protections can limit such harms in future should be a priority.
- Across many jurisdictions the private sector plays an important role in providing support to consumers with their essential services. Examining how such roles and responsibilities can be clarified and integrated with government and regulatory responses in future will be key to building resilience for future crises.



5. Building blocks for consumer recovery

Australian consumers are likely to face significant challenges over the coming months as Australia enters its first major economic downturn in almost 30 years. Underestimating the impact this could have on consumers, and being under-prepared to address these impacts, will create and amplify consumer vulnerabilities, while also constraining consumer contributions to economic growth and eventual recovery.

When the gravity of the COVID-19 economic crisis became clear, the initial focus across essential and important services was to ensure consumers would continue to receive the products and services they need. While the COVID-19 crisis still has some time to play out, policymakers and regulators are also starting to consider how we can move towards a swift, strong and sustainable economic recovery.

The journey from crisis and towards recovery will, of course, be highly uncertain. There is no clear way to delineate when crisis no longer exists, or when recovery is achieved, as different consumers, different sectors and different regions across Australia could be having different experiences. Equally, there is no clear, linear trajectory for getting from crisis to recovery. We face the prospect of a second wave of the pandemic, an approaching cliff for consumers when financial buffers are depleted and/or income support is reduced, and long-term structural shifts in the economy, all potentially resulting in further shocks in future.

Amidst these uncertainties, it will be critical for consumer policy to provide effective support at the different stages of crisis, while at the same time fostering a market that consumers trust and is conducive to fair outcomes when recovery is reached. In this chapter we outline some of the key considerations for policymakers and businesses when aiming to support and protect consumers and boost consumer confidence, trust and participation in markets.

Effective consumer support is contingent on both shorter-term actions to respond to shocks, and longer-term actions to improve consumer outcomes as we move toward recovery.



Help consumers cope with the shocks



Sustain, adapt and adjust consumer support measures

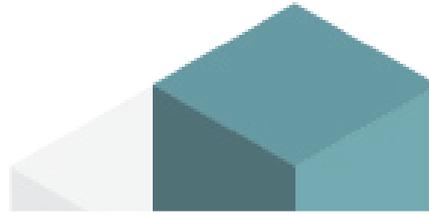


Build resilience through fairness and inclusion in recovery

In discussing how consumer interests can be promoted at each stage, we outline:

- the broad experiences consumers may be having at these stages
- major challenges to address
- actions to help overcome these challenges
- questions for all members of the consumer policy community to consider and respond to.

The insights that follow explain how these three policy building blocks can make a meaningful difference to both consumers' everyday lives and their trust in markets.



Help consumers cope with the shocks

As the economic impacts of the COVID-19 crisis set in there were some immediate changes to the consumer experience. What have we seen so far?

- Significant changes in consumption habits, in line with social distancing measures: many people are working and spending more time at home. Movement restrictions see more people using online services.
- Pervasive concerns about finances: some consumers are without work and need income support (e.g. JobSeeker), while others miss out altogether. Other consumers are still working with or attached to their employers through JobKeeper, but future prospects and earning potential are much more uncertain.
- Widespread cancellation of services: consumers have been cancelling subscriptions and attempting to access refunds or credit notes for products and services that are no longer able to be provided, such as travel and events.
- Timely essential services support: service providers have committed to large-scale support for consumers who need it (e.g. to manage bills and maintain access).
- Reliance on online markets and communication intensifying digital exclusion: consumers who do not have internet access or digital capability are disadvantaged.

Key consumer policy challenges

Dealing with a sharp fall in many consumers' incomes and financial security

Acute financial impacts from COVID-19 are currently being felt by those who lose their jobs or a significant amount of their income. As discussed in Chapter 3, people impacted largely work in sectors that have been constrained by health restrictions - with young people, women and those on lower incomes forming large parts of these workforces. Over the longer-term, it should become evident who has missed out on necessary support, and which consumers in specific sectors and regions could experience job and income loss in future. Consumer support frameworks that are able to respond to such issues beyond the immediate crisis will be essential to ensuring the wellbeing and welfare of those affected, and ensuring consumer vulnerabilities are not amplified or entrenched.

Keeping consumers connected to essential services, including housing

A range of consumer support measures have been introduced to help people cope with the initial shocks of the crisis, such as payment deferrals, moratoriums on disconnections and evictions, and relief grants. These types of supports will need to continue in some form throughout the pandemic to help households cope with recurring shocks.

Some people will struggle to access these supports or seek them later than others. Service providers need to be prepared for new waves of consumer need. A key finding in Chapter 4 was that the onus is often on consumers to engage with service providers, particularly vulnerable consumers seeking hardship support. It is well documented that many consumers can struggle to engage for various reasons, such as mental health issues, family violence, and a lack of digital access (see p. 41-43). Improving awareness and accessibility of support measures, and providing flexible responses to non-engagement, are key steps for service providers to take during a period of crisis. The issue of engagement also extends to those services where consumers are seeking a remedy for delayed or cancelled services (e.g. travel and events). If people have difficulty engaging and self-advocating, this exacerbates the imbalance in bargaining power between the provider and consumer and makes it less likely they will receive fair redress.

Limiting digital exclusion

Another emerging risk as a result of the rapid shift to online activities is the number of consumers facing a lack of digital access and capability. As discussed in Chapter 3, this can be a major disadvantage in the COVID-19 environment – as consumers can miss information about the support that is available, are unable to search for more affordable products and services, and cannot contact service providers to resolve issues. This barrier to market participation could continue post crisis if businesses move to a more online-based service and product delivery model.

Effective actions from policymakers and businesses to support consumers

Move rapidly to keep people connected to essential services

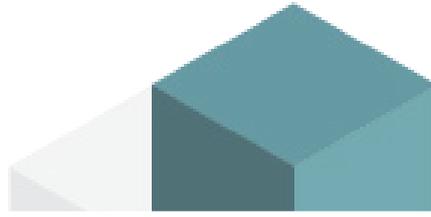
Governments, regulators, businesses and community organisations have already moved fast to get initial support to consumers in a range of sectors – prioritising speed over perfect targeting in some circumstances. Dynamic and sustained measures that can expand where and when necessary will be essential if consumers are to receive optimal support.²⁵⁴ It is now time to build on the rapid responses already seen, by iterating them where necessary so support is strengthened and the benefits for consumers and the broader economy are maximised.

Build an understanding of lived consumer experiences during crisis

Evolving consumer protections and supports need to be based on evidence of consumers' lived experience in markets.²⁵⁵ Government, regulators and businesses can now collectively build and deepen their understanding of how support for vulnerable consumers is performing – both for those who are receiving it and, importantly, for those who are excluded or not able to access it. Vulnerable consumers who fall through the gaps due to eligibility criteria, a lack of engagement, digital exclusion or other reasons, are at risk of being entrenched in a vulnerable situation.

254. Jason Furman, "Protecting People Now, Helping the Economy Rebound Later", *Mitigating the COVID Economic Crisis: Act Fast and Do Whatever it Takes*, (18 March 2020), 191-197, https://www.ewi-vlaanderen.be/sites/default/files/bestanden/mitigating_the_covid_economic_crisis.pdf

255. Emma O'Neill, "Exploring Approaches to Consumer Vulnerability: A Report For the AER", (1 November 2019), 9, <https://cprc.org.au/wp-content/uploads/Exploring-regulatory-approaches-to-consumer-vulnerability-A-CPRC-report-for-the-AER.pdf>



Ensure consumers are able to access refunds

An area where the COVID-19 crisis has a very direct and immediate impact on a consumer is when a contract is cancelled and they are seeking a refund. This has been common in sectors such as travel and events. The experience consumers have – or expect to have – in such situations can strongly influence the trust they have in a market, and confidence to spend. Nurturing this trust will be crucial while there remains a risk of reinstated social distancing measures. As we note in Chapter 4, the EU is expanding state-aid support to travel and transport sectors, provided firms fulfil their legal obligations with regard to passenger rights and refunds for cancellations out of their control. While the legal framework in Australia is different²⁵⁶ there is scope for government to support consumers, and underpin trust and confidence in markets, by also making any industry support contingent on consumers being able to receive a refund (rather than credit notes or other redress) if there are cancellations.

The questions we should be asking

- What more can be done to understand how consumers (particularly those in vulnerable situations) are faring during COVID-19 – including those who struggle to engage with service providers and markets?
- Are the right policy and legislative frameworks in place to allow businesses, regulators and government to rapidly adjust consumer support measures in response to emerging evidence of consumer needs?
- As the shift to online living intensifies, how can we ensure that all Australians benefit from digital access and capability?



Sustain, adapt and adjust consumer support measures

As the initial shocks to the economy begin to subside, many consumers will continue to rely on the early support measures put in place. Some will transition to work or income security and need less support. Importantly, other consumers will experience shocks for the first time, and become susceptible to new harms. What might we see in this next stage?

- Social distancing measures easing, with the threat of quick re-introduction: some people will resume their original consumption behaviours, while others are likely to remain less confident or able to re-engage.
- Altered consumption behaviours: lower level restrictions remain in place, affecting business operations and consumption. Many consumers may be reticent to revert back to all their past purchasing behaviours due to health or financial risks, while others have enjoyed performing more activities and shopping online.
- Vulnerable consumers remaining heavily reliant on support measures: as we enter a recession, many consumers will remain at risk of payment difficulty and losing access to essential services if support measures are removed. Meanwhile, consumers are building up debts because of payment deferrals, and may be increasingly anxious about their ability to pay in the coming months.
- New risks emerging and evolving online: exploitative practices may evolve as more consumers spend time and money online. Susceptibility increases to “dark patterns” that seek to manipulate and discriminate in opaque, subtle ways.

256. Where a business is unable to supply a good or service as a result of government restrictions (e.g., business closures, social distancing or lockdown rules), it is unlikely a consumer will be entitled to a refund. See guidance at: ACCC, “COVID-19 (Coronavirus) Information for Business” (accessed 12 June 2020), <https://www.accc.gov.au/business/covid-19-coronavirus-information-for-business>

Key consumer policy challenges

Responding to the variability in consumer experiences

Different consumers will have very different experiences in essential service markets over the coming months, and potentially years. For example, financial “pain points” could hit consumers at different times depending on a consumer’s savings and other resources pre-COVID-19; the mental health and emotional toll could become too much for consumers at different times; and consumers will have different spending obligations and priorities depending on their circumstances. Given that the Australian economy is entering its first recession in almost 30 years – and consumer vulnerabilities are likely to be more variable than ever before – it is necessary to think laterally about what evidence can inform policy responses that support consumers, and how these responses can be flexible, so different (and often complex) consumer needs are met as much as possible.

Coordinating and collaborating across essential service sectors

If a consumer experiences vulnerability in one sector, they are likely to be in a similar situation in other sectors. For example, a consumer who is struggling with an energy bill debt is also likely to be struggling to meet debt obligations in other markets.²⁵⁷ Financial difficulty and debt is an issue many consumers have difficulty with across multiple markets²⁵⁸ and this is likely to be worsened by the COVID-19 economic shocks. Accordingly, a payment support framework in one sector either helps or hinders payments in other sectors. Well before the COVID-19 consumer supports across essential services begin to be wound down, businesses can plan how to manage the challenge of overlapping vulnerabilities, through forums such as the Thriving Communities Partnership. This will help to avoid exacerbating consumer vulnerabilities, or exporting issues to other sectors.

Responding to structural shifts in consumer behaviour

Health and movement restrictions have fundamentally changed the purchasing habits of many consumers. For example, one in three consumers are reporting they will increase shopping for particular goods and services online post-COVID. There has also been significant growth in consumers’ intentions to shop locally (up 56% since 2016), and the prioritisation of spending on different tasks or pastimes (such as home renovations or baking).²⁵⁹ These habits could endure for many consumers and result in some structural changes to consumer behaviours – and therefore a change in the risks consumers are exposed to. This is particularly the case regarding online activity. The OECD notes that the COVID-19 crisis has upended the global consumer landscape with health restrictions moving consumers further online, changing their demands and exacerbating behavioural biases.²⁶⁰ This means higher numbers of consumers are susceptible to exploitative practices such as scams, false claims and unsafe products, and price gouging of essential goods (see Chapter 4). Consumers can also be unfamiliar with and/or unaware of the risks associated with their personal data being used to manipulate and reduce their autonomy in online environments.²⁶¹

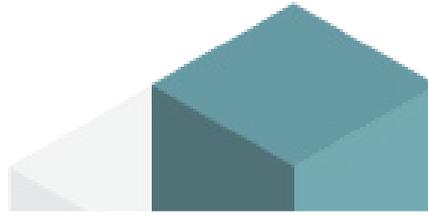
257. Ofgem, “Decision on Consumer Vulnerability Strategy 2025”, (25 October 2019), 50-53, https://www.ofgem.gov.uk/system/files/docs/2020/01/consumer_vulnerability_strategy_2025.pdf

258. National Audit Office, “Vulnerable Consumers in Regulated Industries”, (31 March 2017), 7, <https://www.nao.org.uk/wp-content/uploads/2017/03/Vulnerable-consumers-in-regulated-industries.pdf>

259. Monica Wegner & Indira Zaveri, “Australian Consumer Sentiment Snapshot #1 Confidence, nostalgia and shifting trust”, BCG, 7 May 2020, <https://www.bcg.com/en-au/capabilities/marketing-sales/australian-consumer-behaviour-economic-recovery-post-covid.aspx>

260. OECD, “Protecting Consumers Online During the COVID-19 Crisis”, (28 April 2020), https://read.oecd-ilibrary.org/view/?ref=130_130819-ay45n5rn74&title=Protecting-online-consumers-during-the-COVID-19-crisis

261. Brigid Richmond, ‘A Day in the Life of Data Removing the opacity surrounding the data collection, sharing and use environment in Australia’, (May 2019), 34-36, http://cprc.org.au/wp-content/uploads/CPRC-Research-Report_A-Day-in-the-Life-of-Data_final-full-report.pdf



Responding to structural shifts in business models

Less face-to-face contact, limits on crowds and stringent hygiene protocols have changed how many businesses have operated during the COVID-19 crisis. The stress on business bottom-lines can also impact business models, including through the shedding of staff and moving services online. Fundamental changes to business models may not occur until businesses fully understand how consumer behaviour has changed.²⁶² But if there are fundamental changes, the flow on impacts for some consumers could be significant. For example, people who are digitally excluded may not be able to complete transactions or seek customer service support if these functions move online permanently. Where businesses cannot adapt to changes in their operating environment and fail, this may result in less competition. Consumers may then suffer from higher prices or lower quality products and services.

Effective actions from policymakers and businesses to support consumers

Foster collaboration and coordination across essential service sectors

During COVID-19 we have seen increased and necessary engagement across governments (e.g. the National Cabinet) and within essential service sectors, with many industry organisations across the world presenting coordinated responses from their members which aim to support consumers. To ensure people are getting the support they need in the most efficient and comprehensive way possible, collaboration across essential services sectors will need to increase, through 'wrap-around' or 'joined-up' service delivery, particularly as different sectors begin contemplating how support measures should be adjusted or wound back.²⁶³ This will help avoid financial shocks that could create or amplify consumer vulnerability, as well as help identify additional ways to support consumers; for example, by establishing feedback loops that inform businesses and regulators on consumer experiences, utilising data more efficiently and leveraging relationships with the community sector. Existing, trusted community networks can be used to provide accurate, comprehensible and timely information to people about the many consumer support measures emerging in response to COVID-19. There is an opportunity to explore how these networks create softer engagement opportunities for harder to reach groups of consumers.

Adjust support based on evidence about consumer experience

Just as policy and regulation can struggle to keep pace with rapid technological innovation, it can also struggle to keep pace with unfolding crises. Consumer vulnerability issues are now coming to the fore quite rapidly and at large scale, with issues previously perceived as niche or infrequent becoming much more commonplace (see Chapter 3 on amplified and emerging risks for vulnerable consumers). To build responsive and effective consumer policy and regulation in this dynamic environment, it will be necessary to further explore how evidence from real consumer experiences can inform adaptations to policy measures, as we move beyond the initial COVID-19 crisis phase. This can involve experimentation, testing and trialling of innovative policy and regulatory responses in a safe environment for consumers.²⁶⁴ For example, this may include trialling how gradual adjustments to COVID-19 income support measures affect different groups of consumers, before making widespread changes, which would be invaluable in mitigating risks to consumers experiencing acute financial vulnerability. A coordinated approach across sectors, governments, and potentially even international borders, will help enable evidence-gathering in a timely manner.

262. Bank branches are an example of a business model that could fundamentally change following the COVID-19 pandemic. See: Karen Maley, "Is This the Death Knell for Bank Branches", *The Australian Financial Review*, (May 27 2020)

263. Competition & Markets Authority, "Consumer vulnerability: challenges and potential solutions", (28 February 2019), 33, <https://www.gov.uk/government/publications/consumer-vulnerability-challenges-and-potential-solutions>

264. Department for Business, Energy and Industrial Strategy, "Regulation for the Fourth Industrial Revolution", (June 2019), 8, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/807792/regulation-fourth-industrial-strategy-white-paper-web.pdf

Develop stronger protections for consumers online

Increased reliance on online activities means consumers will become more exposed to the risks that exist in this environment. Not only will more vulnerable consumers be able to be targeted for exploitation – such as scams and misleading claims – but there will also be increased risks that consumers could be left worse off due to opaque manipulation and price discrimination practices.²⁶⁵ Consumer trust in online activities is fragile. According to the 2020 Edelman Trust Barometer, 69% of Australians agreed that ‘government does not understand emerging technologies enough to regulate them effectively’.²⁶⁶ It is therefore important for government and regulators to be on the front foot in ensuring consumers can transact safely and confidently online. This can entail:

- the digital sector and regulators building on their cooperation during COVID-19 (when seeking to prevent scams and price gouging), and continuing to work together to ensure consumers – particularly those in vulnerable situations – are not exploited online
- introduction of an unfair trading prohibition into the Australian Consumer Law that captures online practices that can lead to consumer harm
- introduction of a general safety provision into the Australian Consumer Law that helps to prevent scammers selling consumers unsafe or faulty products²⁶⁷
- progression of Privacy Act reforms to ensure there are robust protections regarding consumers’ personal data and how it can be used.²⁶⁸

The questions we should be asking

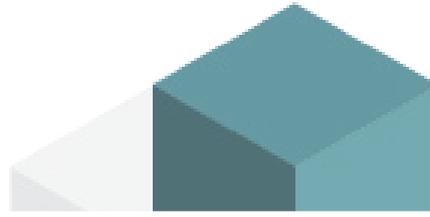
- What type of analysis or testing should government and business do before adjusting or adapting consumer support? In what areas will this be most appropriate and valuable?
- Where are there opportunities for increased coordination across essential service sectors to help vulnerable consumers?
- What is the scale of online consumer harms from unfair practices? How can we build confidence in digital markets through an effective protection regime?

265. Arunesh Mathur, Gunes Acar, Michael J. Friedman, Elena Lucherini, Jonathan Mayer, Marshini Chetty, & Arvind Narayanan. "Dark patterns at scale: Findings from a crawl of 11K shopping websites", *Proceedings of the ACM on Human-Computer Interaction* 3, no. CSCW (2019), 1-32, <https://dl.acm.org/doi/abs/10.1145/3359183>

266. Edelman, "Edelman Trust barometer 2020", (20 February 2020), 10, <https://www.edelman.com.au/research/edelman-trust-barometer-2020>

267. Australian Competition & Consumer Commission, "Unsafe Goods Should be Illegal to Sell", (14 March 2019), <https://www.accc.gov.au/media-release/unsafe-goods-should-be-illegal-to-sell>

268. Australian Competition & Consumer Commission, "Digital Platforms Inquiry – Final Report", (June 2019), 34-37, <https://www.accc.gov.au/system/files/Digital%20platforms%20inquiry%20-%20final%20report.pdf>



Build resilience through fairness and inclusion in recovery

As we move closer to recovery, we may see restrictions mostly eased and certain consumer support measures, after being in place for some time, fall away. As policy responses change to be increasingly geared towards promoting growth and innovation, the experience consumers have in markets also changes. What might we see at this stage?

- Movement and distancing restrictions easing further: things may be back to normal for most consumers, but for some, habits from the lockdown stick due to health risks or preferences.
- COVID-19 spurring some firms to change their business models: these changes flow through to consumers and may entrench some forms of vulnerability, such as digital exclusion.
- Repeal of many COVID-19 consumer support measures: pre-COVID-19 levels of financial stress, unemployment and under-employment mean vulnerabilities remain widespread and may take on new forms, even once ‘recovery’ approaches. Many consumers will be reliant on the support measures in place before COVID-19, unless reforms are made. Will these be sufficient to adequately help people?
- New consumer realities emerging: at this stage, the consumer protection regimes in place – as well as the distributive effects of policies to support growth – start determining how fair and inclusive the post-COVID-19 economy is for consumers, particularly those in vulnerable circumstances.

Key consumer policy challenges

Strengthening consumer trust

The OECD have noted that balancing consumer protection against other health and economic policy goals is a fundamental challenge facing governments around the world during the crisis. Some governments have been granting exemptions from existing consumer protection and competition laws during the COVID-19 crisis.²⁶⁹ It will be important to avoid such trade-offs as we move towards recovery. Robust consumer protections will foster trust in markets, helping to boost the consumer confidence and spending that will be critical to recovery.

Just as problematic will be delaying important reforms to improve consumer outcomes. For example, in an Australian context, we should avoid delaying Australian Consumer Law and Privacy Act reforms identified by the ACCC Digital Platforms Inquiry, particularly given that consumers are increasingly reliant on digital markets and the role these markets could play during recovery. Equally, reforms relating to the financial sector – such as amendments to credit laws affecting pay day lending²⁷⁰ and the recommendations of the Financial Services Royal Commission²⁷¹ – should be implemented as soon as possible given financial vulnerability will be more widespread at times of economic hardship.

269. OECD, “Protecting Consumers Online During the COVID-19 Crisis”, (28 April 2020), 4, https://read.oecd-ilibrary.org/view/?ref=130_130819-ay45n5m74&title=Protecting-online-consumers-during-the-COVID-19-crisis

270. Matt Johnson, “ASIC flags payday lending concerns once COVID-19 Fiscal Stimulus Dries Up”, *The New Daily*, (31 May 2020), <https://thenewdaily.com.au/finance/finance-news/banking/2020/05/29/asic-payday-lending-coronavirus/>

271. The New Daily, “Government Hits Pause on Banking Royal Commission Reforms”, (8 May 2020), <https://thenewdaily.com.au/finance/consumer/2020/05/08/banking-royal-commission-delay/>

Encouraging positive consumer outcomes from innovations

Also critical to economic growth are innovations that improve productivity, drive competition and, ultimately, increase consumer utility and welfare. When innovations do reach markets it is important to consider the value exchange and ultimately whether consumer value and welfare is being enhanced. Also with innovation comes the potential for new kinds of consumer harm, with risks including: exclusion of vulnerable consumers; a lack of social and consumer benefit; and a lack of appropriate redress when things go wrong. Things can indeed backfire and undermine potentially significant long-term improvements to wellbeing and quality of life. It is therefore important for policymakers to find the right balance of encouraging innovation that leads to real benefits, while also managing risks proportionately without creating “chilling effects” that reduce consumer benefits. This is a challenge that must be met if dynamic economic growth is to be sustainable and benefit all consumers.

Limiting regressive distributional impacts

The winding back of consumer support measures will have distributional impacts on vulnerable consumers that need to be well understood. Consumers with secure jobs and steady income streams have been less impacted financially by the COVID-19 crisis and are likely to be indirectly contributing to support for those who are less fortunate, via taxation and/or cross-subsidies within essential services bills. As consumer support measures change it will be important to consider what regressive effect this has. Additionally, consumers who are struggling to engage with markets and find cheaper deals for essential services could already be subsidising other, more advantaged consumers. Understanding the extent and magnitude of this regressive distributive effect will help inform proportionate policy that supports those who need income assistance or support with their essential service expenses.

Avoiding increased vulnerability when support is removed

If, later in 2020, there is a point where both government income support and private sector support (from essential service providers in particular) are removed, there is likely to be a significant impact on consumers' ability to spend,²⁷² and subsequently their wellbeing and welfare. For some consumers, this could translate into acute vulnerability – with a build-up of debt, challenges meeting essential expenditure and significant stress possible outcomes. For other consumers the consequences may not be so acute, but ongoing consumer pessimism about economic recovery and ‘scarred consumption’ might result in muted discretionary spending, limiting the contribution of consumer activity to economic recovery. Balancing such issues is a challenge that needs to be faced when the removal of specific COVID-19 support measures is being considered.

Effective actions from policymakers and businesses to support consumers

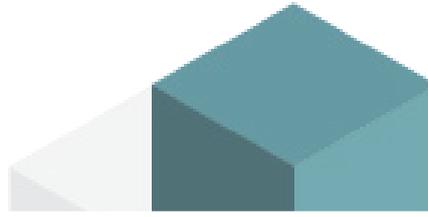
Design policies and markets that drive inclusive growth

Policymakers are increasingly looking at how they can adopt customer experience and design approaches from the private sector; understanding what matters to people is essential if a policy is to meet the needs of those it is trying to reach.²⁷³ Policymakers in both government and regulators can consider how to better incentivise essential service providers to focus on consumer-centric delivery of services – where evidence shows this is not being properly incentivised by market forces. A consumer-centric approach to policy and market design can help drive inclusive economic growth.²⁷⁴

272. Matt Wade, “Catalytic Impact: End of Hardship Measures Could Trigger Collapse”, *The Sydney Morning Herald*, (25 May 2020), <https://www.smh.com.au/business/the-economy/catalytic-impact-end-of-hardship-measures-could-trigger-collapse-20200523-p54vs0.html>

273. GOV.UK, “About Policy Lab”, (accessed 29 May 2020), <https://openpolicy.blog.gov.uk/about/#:~:text=Policy%20Lab%20brings%20people%2Dcentred,make%20policy%20making%20more%20open.>

274. The OECD define inclusive growth as economic growth that is distributed fairly across society and creates opportunities for all. See: OECD, “Inclusive Growth”, (accessed 29 May 2020), <https://www.oecd.org/inclusive-growth/#inequality-puts-our-world-at-risk>



According to the *OECD Framework for Policy Action on Inclusive Growth*,²⁷⁵ ensuring citizens play a stronger role in economic growth hinges on policymakers:

- ensuring citizens play a meaningful role in the design and evaluation of policies that concern them
- aligning policy packages across levels of government and the institutions they oversee
- integrating equity aspects from the start in policy design.

Ensure innovation generates real value for consumers and increases wellbeing

Innovation can and should play a key role in stimulating economic growth in the wake of the COVID-19 crisis. When seeking to do this, it is critical that policies, regulations and government grants are geared toward “mission led approaches” to innovation that stimulate smart, inclusive and sustainable growth.²⁷⁶ This direction should “come from above”, with government interventions having the ability to influence the direction of innovation so that it delivers benefits for consumers, while retaining the ability to enable bottom-up experimentation and learning from the private sector.²⁷⁷ A good place to start in the context of Australian consumers’ experience of COVID-19 would be to incentivise and reward innovation approaches in essential service sectors, so products and services are accessible to all. More broadly, government can help drive growth via the digital economy by incentivising innovation that has the clear purpose of using online technologies and data to deliver fair outcomes of real value to consumers. Clarity of purpose helps to strengthen other factors that drive innovation, such as sensitivity to the market, dissatisfaction with the status quo, a clear shared goal, and trust and cohesion within a firm to help with the flow of ideas.²⁷⁸

Foster trust in markets

A faster, stronger and more sustainable path to recovery will involve consumers playing a leading role in stimulating economic growth. A prerequisite for such growth will be consumers having trust in markets and the institutions that oversee them. As we foreshadow in Chapter 1, trust in markets and their institutions can be bolstered by:

- ensuring decisions that affect consumers factor in their needs through more consumer-centric approaches including genuine consultation, co-production or co-design
- reviewing, evaluating and revising protections to ensure they are working for consumers and delivering outcomes that consumers expect
- ensuring the roles of different public and private institutions are fit for meeting the needs and expectations of consumers.

Build consumer resilience

COVID-19 has led to adversity for many consumers and the businesses, regulators and governments that interact with them. Developing a permanent capacity to handle such adversity is key to resilience. Regulators, policymakers and business will likely need to position themselves for large future spikes in consumer vulnerability as a result of events such as further pandemics and climate change-induced natural disasters. There will come a time when it will be appropriate for these institutions to properly reflect on and review how consumers have fared on the transition from crisis to eventual recovery during the COVID-19 pandemic. A mindset of openness and continual improvement is essential for building resilience that benefits consumers into the future.

275. OECD, “Opportunities for all: OECD Framework for Policy Action on Inclusive Growth”, (May 2018), 3, <https://conv.zaccess.io/ddb14088-bfa5-4aba-9cfe-0b3e176e507e.d.html>

276. Mariana Mazzucato, “Mission-oriented Innovation Policy – Challenges and Opportunities”, (Accessed 29 May 2020), 4, <https://www.thersa.org/globalassets/pdfs/reports/mission-oriented-policy-innovation-report.pdf>

277. Mariana Mazzucato, “Mission-oriented Innovation Policy – Challenges and Opportunities”, (Accessed 29 May 2020), 3, <https://www.thersa.org/globalassets/pdfs/reports/mission-oriented-policy-innovation-report.pdf>

278. Nikos Mourkogiannis, “Using purpose to drive Innovation”, Ivey Business Journal, (August 2007), <https://iveybusinessjournal.com/publication/using-purpose-to-drive-innovation/>

The questions we should be asking

- How could government, regulators and essential service providers improve identification of major consumer vulnerability risks, and those who did not or could not take up support during the COVID-19 period?
- How could the roles and responsibilities of government, regulators and businesses be better defined to ensure there are clear lines of accountability for addressing consumer needs?
- How can consumer protection and essential services regulation frameworks better incentivise industry to innovate to solve the actual problems Australian consumers have?

Where to next?

We have set out some significant challenges that the consumer policy community faces and some broad actions that can be taken to address these challenges. Perhaps most importantly, we have also set out the 'big ticket' questions we feel our team, and our colleagues in the policy community, should be seeking to answer together.

This will be an important exercise and we welcome:

- robust feedback and suggestions on whether these are indeed the right questions
- whether there are other questions we should be raising
- what we should be doing to find answers.

This dialogue will help ensure the questions are right – which is of course fundamental to finding the right answers that will lead to positive outcomes for consumers during what promises to be a challenging time.

Many of the questions we pose above have direct links to the work we are progressing over 2020-21, including:

- our rolling survey examining the consumer impacts of COVID-19, with further results to be published on a monthly basis from June to October 2020
- a major report setting out principles for 'Building Markets that Work for People', to be released in July 2020
- 'measuring what matters' during the COVID-19 recovery and beyond, as we begin consultations on development of a Consumer Wellbeing Index
- a major report on emerging harms and risks in consumers' use of data and the digital economy, and the opportunities to capture the value of data to benefit all consumers.

Get in touch

To contact us about this COVID-19 report, and other upcoming research and events, please do not hesitate to reach out. For more information you can contact our Research and Policy Director, Emma O'Neill at emma.oneill@cprc.org.au.



6. Conclusion

The COVID-19 pandemic and its aftermath provide one of the defining challenges of our lifetimes. Australia's management of the initial health crisis leaves us in an enviable position compared with many other G20 countries. However, the induced global recession is resulting in Australia's first major economic downturn in 30 years, and one that may rival the Great Depression in its severity. The key challenge for policymakers will be to avoid a secondary 'endogenous' shock - given the sharp shock caused by social distancing and headwinds from the likely global recession.

There are key lessons we can draw from history to help rebuild the economy. Recovery from previous recessions has been far slower than the initial shock, particularly the return to pre-recession employment. This highlights the importance of consumer support mechanisms, both to maintain household expenditure as the central engine of the economy and to facilitate ongoing access to essential services. Withdrawing support too soon has historically muted consumer confidence, damaged consumer trust and prolonged economic recovery.

How the crisis will unfold remains extremely uncertain, and the experience will vary significantly between different consumer segments. Consumer vulnerability is highly dynamic and will only be amplified by COVID-19. While some are already more at risk of financial vulnerability than others, many consumers who have never previously experienced financial difficulty may need to seek assistance for the first time. Policymakers will need to be alive to the reality that crisis may hit different individuals at different stages, and supports developed and adapted accordingly.

The initial results from our COVID-19 survey shows widespread financial concerns among Australians, and half of respondents report they have already taken steps to try to manage their expenses. While many have drawn on existing financial buffers, a smaller cohort have already been forced to rely on informal support - reflecting low financial resilience even at this early stage of the crisis. Our data also highlights growing affordability concerns in some sectors – particularly for those who rent or are paying off their mortgage, prompting requests for payment assistance. To date, our cross sectoral analysis suggests providers have generally done the right thing, proactively offering information and payment assistance. However, our survey also shows some consumers are encountering a range of barriers accessing call centres and support from providers – particularly those contacting telecommunications providers. As the consumer experience evolves, understanding attitudes and concerns, barriers encountered, financial management and consumption behaviours that emerge will be essential to help inform an effective recovery.

Insights into consumer support measures around Australia and the world also provides an opportunity for policymakers to draw on what works and adapt interventions and protections for the local context. The current crisis also exists in a unique context historically, whereby much of our social and economic activity can continue in part or fully online. Though this poses risks of fraud and scams, it also provides an enormous potential to facilitate recovery through digital markets, and policymakers have recognised consumers are more reliant on digital access accordingly.

As we transition from crisis to recovery, policymakers face the fundamental challenge of balancing consumer protection against health and other economic policy goals. Through careful governance, there is potential to build increased consumer resilience into a future economy through regulatory settings that foster consumer trust in markets and their actors, facilitate genuine innovation that delivers real value for consumers, and engenders broader consumer wellbeing.



Appendix A

Survey definition key

Sectors	Definition
Housing	Housing expenses / services from: delivery of mortgages or provision of rental properties
Home owner with mortgage	Housing expenses / services from: mortgage providers to consumers who are an “owner-occupier with a mortgage” for their main place of residence
Renting (private)	Housing expenses / services from: private landlord / real estate agency / property manager to consumers “renting from a private landlord/ real estate agency” for their main place of residence
Energy	Electricity / gas services
Tele-communications	Internet and mobile / telephone services
Credit	Credit card / personal loan / buy now pay later services
Insurance	Insurance providers (e.g., vehicle, health, home, travel)
Consumer subgroups	Definition
COVID income impacted	Consumers who had an income source before COVID-19 (either Full-time employee, Part-time employee, Casual employee, Self-employed / own business, or Investment income) and have now sought or received Jobkeeper, JobSeeker or other government benefits, or now have no income
Casual workers	Casual employee (as opposed to a Part-time or Full-time employee)
Renters	Renting from a private landlord / real estate agency for their main place of residence
Young people	18-34 years of age
Disability	Consumers who reported that a disability restricts them in their everyday activities, and this has lasted or is likely to last for 6 months or more
Low / no internet use	Consumers who reported that they used the internet (in any device) less than once a day (either a few times a week, less often, or not at all). This subgroup was comprised mostly of people aged over 50 years

Table A: Levels of consumer concern regarding their financial wellbeing

QTN: How concerned are you about your current financial wellbeing?

Concern about impact of COVID-19 on own financial wellbeing - Key Subgroups (May 2020)	Total	COVID income impacted	Financially very concerned	Disability	Victorians	Metro	Regional	Youth	Low income	JobSeeker	Renting (private)	Home owner with mortgage	Low/Non Internet Users	Casual workers
Base: Australians aged 18+ (n=)	1,114	68	208	147	331	772	342	336	333	39	262	350	57	52
Population ('000)	19,919	1,221	3,766	2,603	5,273	13,858	6,061	6,172	5,758	695	4,702	6,481	794	1,019
	v%	v%	v%	v%	v%	v%	v%	v%	v%	v%	v%	v%	v%	v%
Not at all concerned	9%	1%	0%	10%	9%	8%	9%	8%	11%	2%	10%	7%	42%	3%
Not very concerned	18%	4%	0%	14%	15%	16%	24%	19%	14%	17%	14%	20%	9%	16%
Neither concerned nor unconcerned	13%	7%	0%	17%	13%	11%	15%	12%	18%	17%	13%	12%	34%	7%
Somewhat concerned	41%	49%	0%	37%	43%	43%	36%	42%	33%	37%	41%	44%	7%	52%
Very concerned	19%	38%	100%	20%	19%	21%	14%	19%	24%	26%	23%	17%	8%	22%
Not applicable / Can't say	0%	0%	0%	1%	1%	0%	1%	0%	1%	0%	0%	0%	0%	0%

Table B: Steps taken by consumers to manage household expenses

QTN: In the past month, have you taken any of the following actions to manage your household expenses?

Actions to manage household expenses in past month - Key Subgroups (May 2020)	Total	COVID income impacted	Financially very concerned	Disability	Victorians	Metro	Regional	Youth	Low income	JobSeeker	Renting (private)	Home owner with mortgage	Low/Non Internet Users	Casual workers
Base: Australians aged 18+ (n=)	1,114	68	208	147	331	772	342	336	333	39	262	350	57	52
Population ('000)	19,919	1,221	3,766	2,603	5,273	13,858	6,061	6,172	5,758	695	4,702	6,481	794	1,019
	v%	v%	v%	v%	v%	v%	v%	v%	v%	v%	v%	v%	v%	v%
Dipped into savings	28%	60%	52%	30%	29%	29%	26%	34%	35%	43%	38%	26%	9%	53%
Took out a loan from a bank or financial institution	2%	0%	3%	1%	2%	2%	1%	2%	2%	0%	2%	2%	2%	1%
Took out a loan from a payday lender / consumer lease	1%	0%	2%	1%	1%	1%	0%	1%	2%	0%	1%	1%	0%	0%
Used a credit card or buy-now-pay-later	22%	31%	28%	26%	20%	22%	21%	21%	24%	39%	24%	23%	15%	21%
Drew down on home equity / interest offset account	4%	3%	6%	3%	4%	3%	4%	2%	2%	0%	0%	9%	0%	2%
Borrowed money or resources from family / friends	7%	18%	18%	11%	6%	7%	6%	13%	12%	16%	10%	7%	0%	10%
Sold shares, investments or household goods (e.g. on Gumtree, eBay, etc.)	4%	8%	8%	3%	4%	4%	4%	5%	4%	5%	6%	5%	0%	7%
Applied for early access to superannuation	6%	14%	15%	5%	4%	6%	6%	8%	6%	8%	11%	8%	0%	7%
Accessed community help / emergency relief (e.g. from Foodbank, Vinnies, etc.)	2%	3%	5%	6%	1%	1%	2%	2%	4%	7%	2%	1%	4%	2%
Closed / cancelled ongoing services / subscriptions (e.g. insurance, streaming, magazine, etc.)	15%	32%	32%	16%	14%	15%	13%	20%	14%	28%	19%	19%	0%	17%
None of the above	51%	18%	25%	50%	53%	50%	53%	43%	45%	26%	40%	48%	76%	33%

Table C: Proportion of consumers reporting negative experiences by sector

QTN: Thinking about any interactions with your service providers in the last 4 weeks, which, if any of the following have you experienced?

	Energy	Telco	Credit card / personal loan / buy now pay later	Insurance	Renting (private)	Home owner with mortgage
<i>Base: Australians aged 18+ with respective services (n=)</i>	1,114	1,114	923	1,051	256	348
<i>Population ('000)</i>	19,919	19,919	16,483	18,782	4,596	6,441
Total with negative experiences	10%	15%	5%	8%	13%	13%
Could not understand how to contact them / resolve my issue	2%	3%	1%	1%	1%	1%
Could not navigate the website / phone system	3%	5%	1%	1%	0%	2%
Wait times on the phone / live chat / email were too long	5%	9%	2%	3%	5%	6%
Provider was unhelpful / I received poor service	4%	4%	2%	1%	8%	3%
Felt misled by the information provided by my supplier	2%	3%	1%	2%	2%	2%
There was an unfair term/condition in my agreement (e.g.: exit fees, penalties, hidden costs)	1%	2%	0%	1%	4%	1%
Had other type of negative experience	1%	3%	1%	2%	5%	3%
No negative experience or issues	23%	30%	33%	37%	41%	38%
No experience in the last 4 weeks	67%	55%	62%	55%	46%	50%

