



CONSULT AUSTRALIA

INDUSTRY HEALTH CHECK

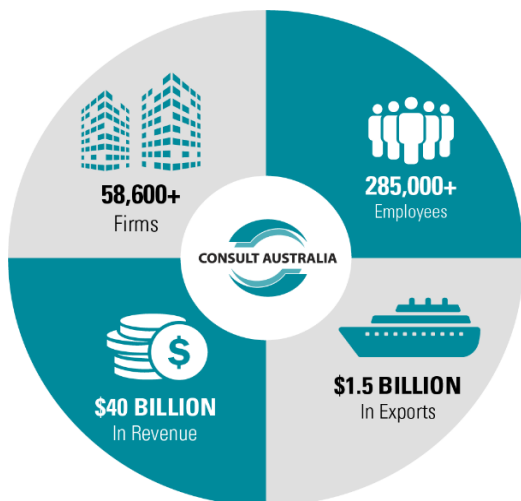
Pulse survey results – June 2022

Consult Australia

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IN BRIEF



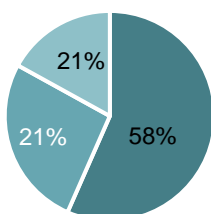
Consult Australia is the industry association representing consulting businesses in design, advisory and engineering, an industry comprised of over 58,600 businesses across Australia. This includes some of Australia’s top 500 companies and many small businesses (97%). Our members provide solutions for individual consumers through to major companies in the private sector and across all tiers of government. Our industry directly employs over 285,000 people in architectural, engineering, and technical services, and many more in advisory and business support. It is also a job creator for the Australian economy, the services we provide unlock many more jobs across the construction industry and the broader community.

Consult Australia has been conducting industry health checks to measure the challenges and confidence of our industry, since the start of the COVID-19 pandemic.

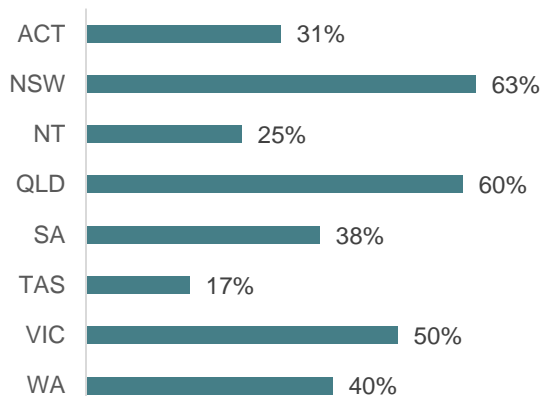
This latest survey was open between 20 April 2022 and 20 May 2022 with 48 member businesses participating, representing 21% of the membership. Below is a breakdown by business size and where these participating members provide services.

Proportion of participants by business size

- Small (up to 19 staff)
- Medium (20-199 staff)
- Large (200+ staff)



Locations where participants provide services¹



Our members provide services across a broad range of sectors, and the survey responses reflect that diversity. The sectors represented most strongly were roads, commercial buildings, residential buildings, industrial buildings, community facilities and schools and childcare facilities.

In comparison to the September 2021 survey, a moderately higher proportion of respondents work in roads, residential buildings, community facilities and water and dams.

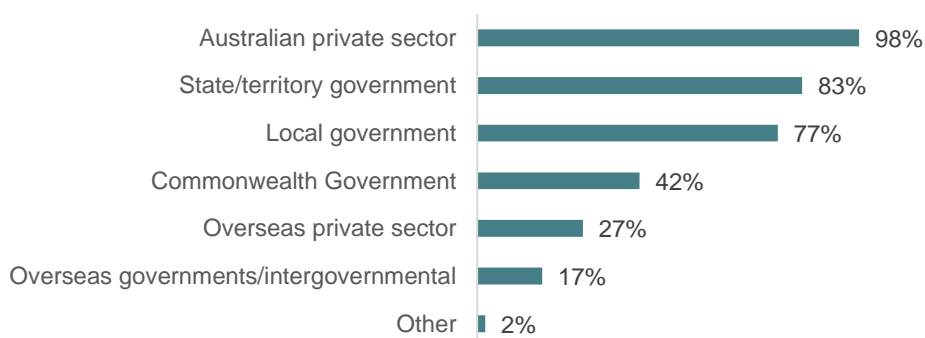
¹ Percentages combined will exceed 100% as many member businesses work across multiple jurisdictions.

Participating businesses provide services in these sectors



The vast majority of respondents have private sector clients in Australia (98%), followed by state/territory government clients (83%) and then local government (77%).

Clients of respondent member businesses²



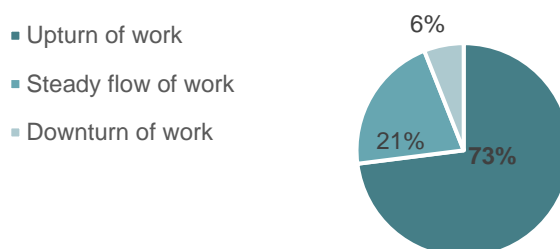
² Percentages combined will exceed 100% as many member businesses work with various client categories.

SUMMARY OF KEY FINDINGS

Current commercial environment

Most members surveyed experienced an upturn in work (73%) which is an increase of 30% compared with September 2021. Around 21% of respondents nominated that they had a 'steady flow of work'. This means that the overall downturn in work has dropped by 13%, down to 6% of respondents.

Consult Australia continues to support all its members, advocating for a smarter, transparent pipeline of work that can deliver a healthy and sustainable ecosystem of productive businesses.



Upturn in work

Consistent with the previous survey, the leading cause for the upturn in work was 'the increase in volume of projects coming to the market' (nominated by 77% of participants). Other causes included:

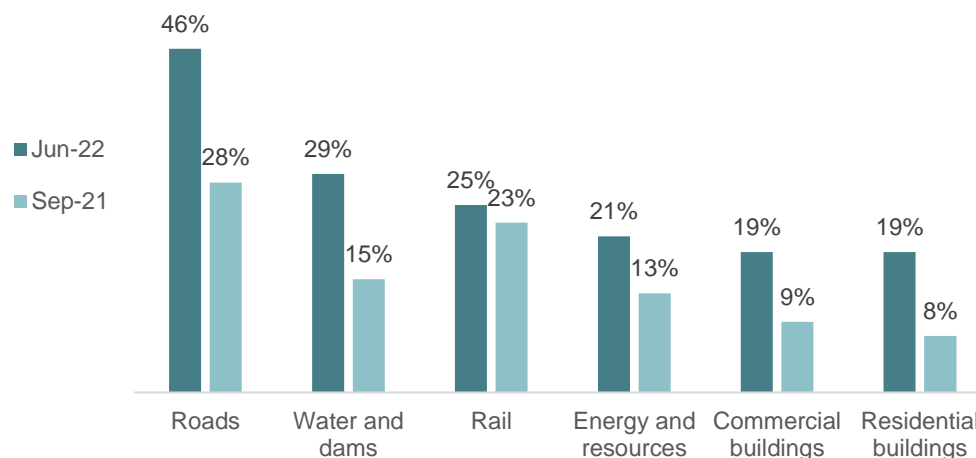
- a more collaborative contracting environment (8%)
- reduced competition (3%)
- other reasons (13%) which included increasing demand for a particular product, efficient design, as well as increased corporate focus on environmental, social and governance.

Again, consistent with the September 2021 survey, most businesses nominated roads as the key sector with an upturn in work (46%) and this was selected by a higher proportion of participants than last time (up by 18%) – noting that a higher number of businesses working in roads responded to the survey.

Similar increases were noted in other key sectors as well:

- water and dams, increased by 14%
- residential buildings, increased by 11%
- commercial buildings, increased by 10%.

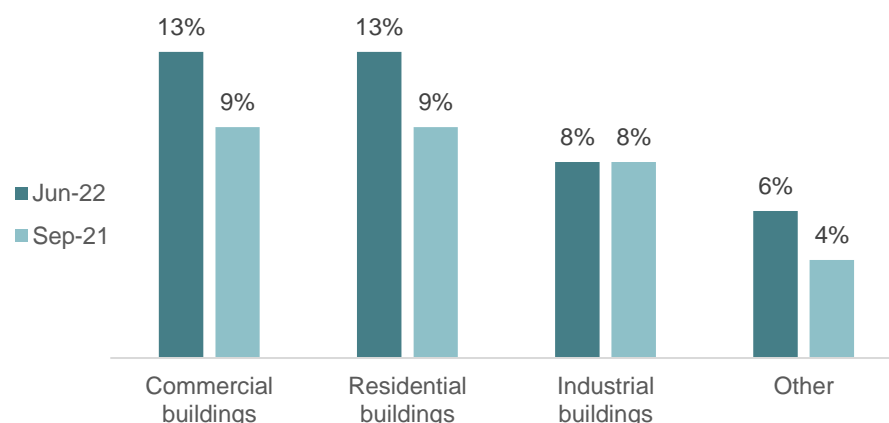
Top sectors reported as having an upturn in work (comparison with September 2021)³



Downturn in work

Consistent with the previous survey, most member businesses nominated commercial buildings and residential buildings as key sectors causing the downturn in work (both at 13%). These categories were selected by a larger proportion of members than last survey. The downturn in work faced by businesses in the industrial buildings sector remains consistent at 8% and the 'other' category represents about 6%.

Top sectors reported as having a downturn in work (comparison with September 2021)⁴



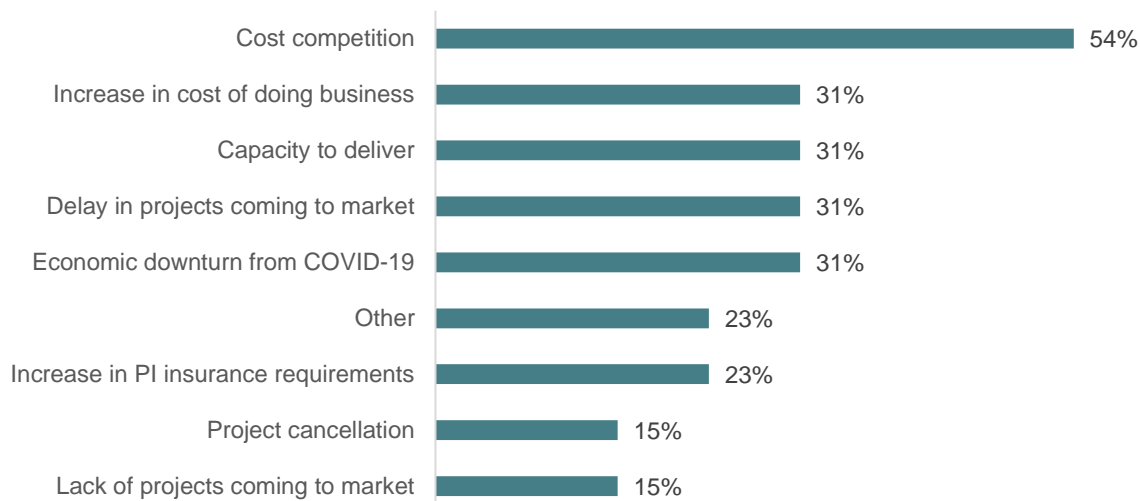
Participants were also asked to nominate the causes of the economic downturn. Most respondents answered cost competition (54%). This surpassed COVID-19, which was nominated as the leading cause in the last survey. The causes nominated in this survey,

³ This is not all sectors, only the top sectors nominated as having an upturn in work in April/May 2022 compared to the same sectors in September 2021. Therefore, the percentages will not necessarily reach a 100% but can exceed 100% as respondents could select multiple categories.

⁴ This is not all sectors, only the top sectors nominated as having a downturn in work in April/May 2022 compared to the same sectors in September 2021. Therefore, the percentages will not necessarily reach a 100% but can exceed 100% as respondents could select multiple categories.

including capacity to deliver and increased cost of doing business are consistent with what the broader industry is saying about the current market.

Causes of the downturn in work⁵



In comparison to the previous survey, the proportion of members selecting 'lack of projects coming to the market' has decreased (improving by 35%) as has the 'delay in projects coming to the market' (this has improved by 39%). However, the capacity for businesses to deliver the projects remains a significant challenge increasing from 10% last time to 31% this time. It should be noted that the previous survey did not include the 'increase in the cost of doing business' but we can see in the latest result this is a key cause.

Members were also asked to provide feedback on whether the downturn in work was for public or private sector work. The private sector was selected by 100% of respondents⁶ and government was only selected by 69% of participants. In the previous survey, 90% of respondents selected private sector and 80% of participants selected government.

Similarly, the downturn in work remains as an issue felt by small member businesses over other businesses. It is however positive to note that overall the downturn in work has decreased.

Challenges – People and PI

Participants were asked to nominate the key challenges faced over the last 12 months. People related issues such as recruitment (63%), retention (48%) and work/life balance (50%) received the highest proportion of responses. Professional indemnity (PI) insurance also remains a significant challenge (46%). Mental health and wellbeing remains one of the top challenges with businesses continuing to acknowledge the impact of the current market conditions on the mental health of their people.

⁵ Percentages combined will exceed 100% as respondents were able to select multiple causes.

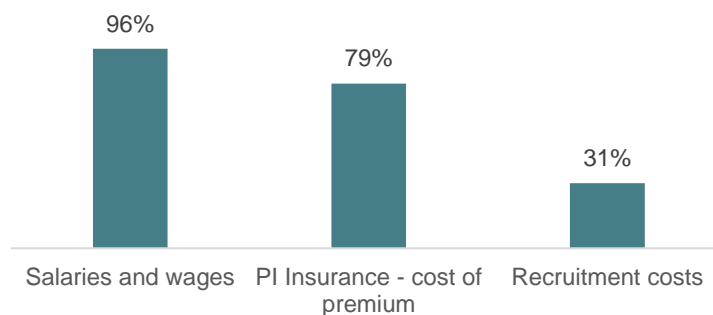
⁶ This response rate includes the respondents that selected 'private sector' or 'both private and government sectors.'

Key challenges for member businesses⁷



The escalating cost of doing business was nominated by 42% of respondents as a key challenge. When we explored this deeper, we found 96% of respondents nominated salaries and wages as the top business cost followed by PI insurance (79%). Recruitment costs also made it to the top three costs, at 31% of responses.

Top three costs for member businesses⁸



People issues

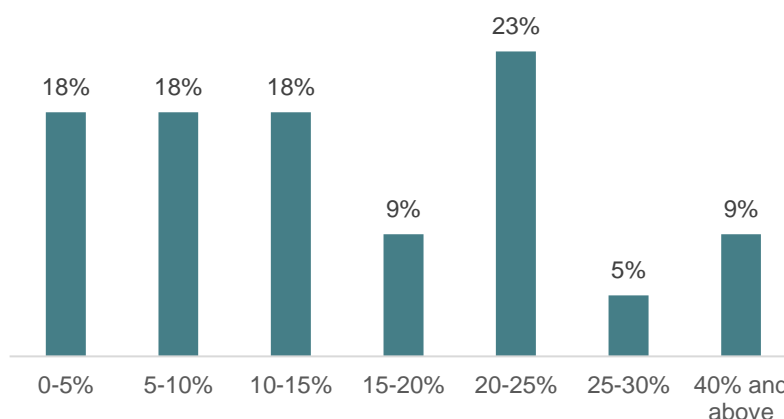
Members were asked to indicate whether their staff voluntary turnover rate had increased or decreased over the last 12 months. Equal proportions of respondents have experienced an increase or did not know (46% each), while only 8% of respondents have experienced a decrease.

⁷ Percentages combined will exceed 100% as participants were able to select multiple challenges.

⁸ Percentages combined can exceed 100% as participants were able to select multiple costs.

Respondents that experienced an increase in voluntary staff turnover were also asked to provide the percentage by which the turnover has increased. Most participants advised that they had a 20-25% voluntary turnover rate (23% of respondents), but equal proportions of members selected the rates of 0-5%, 5-10% and 10-15%. It is concerning to note that some members are experiencing very high voluntary turnover rates of 40% and above.

Voluntary staff turnover rate

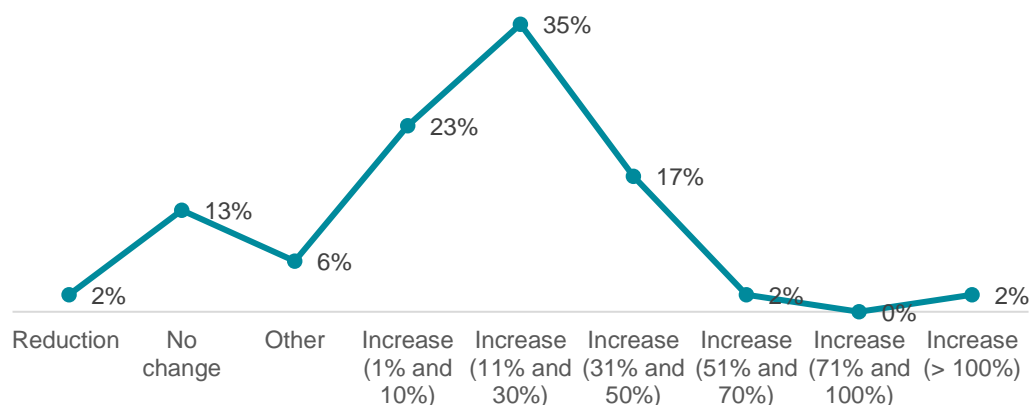


PI insurance

Consistent with the last survey, the availability and affordability of PI insurance continues to be a key challenge, with 79% of member businesses reporting an increase in PI insurance premiums over the last 12 months. Most members reported the increase being in the 11%-30% range (35%). Only 2% of members reported a reduction in their PI insurance (all of these were small businesses).⁹

We know that PI insurance challenges impact businesses of all sizes. For more detail by business size, please see the 'Breakdown by business size' section of this report.

Changes in the affordability of PI insurance premiums

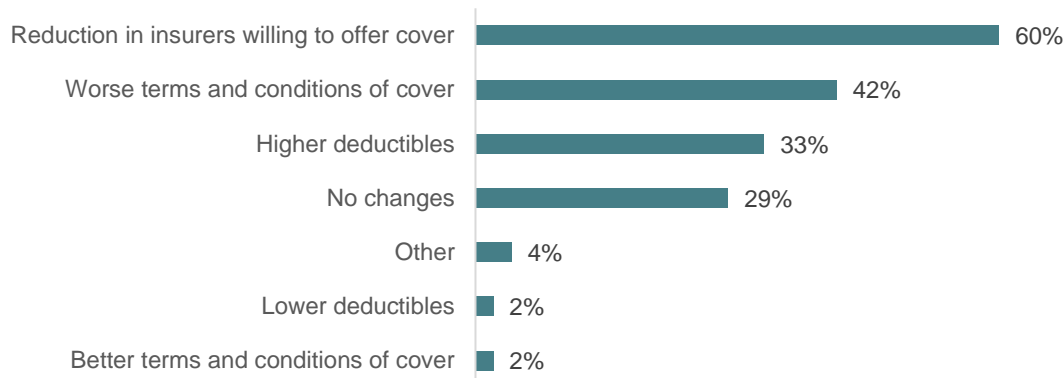


When asked about the changes seen by businesses in the availability of PI insurance over the last year, most members experienced a reduction in the number of insurers willing to offer

⁹ Please note that 'other' was selected by members who were currently renewing their PI insurance policy.

cover (60%). This was followed by worsening terms and conditions of cover (42%) and higher deductibles (33%).

Types of changes relevant to the availability of PI insurance premiums¹⁰



The reduction in insurers willing to offer cover increased by 7% (from 53% last survey to 60% this time). Consistent with the previous survey, 33% of member businesses continue to experience higher deductibles.

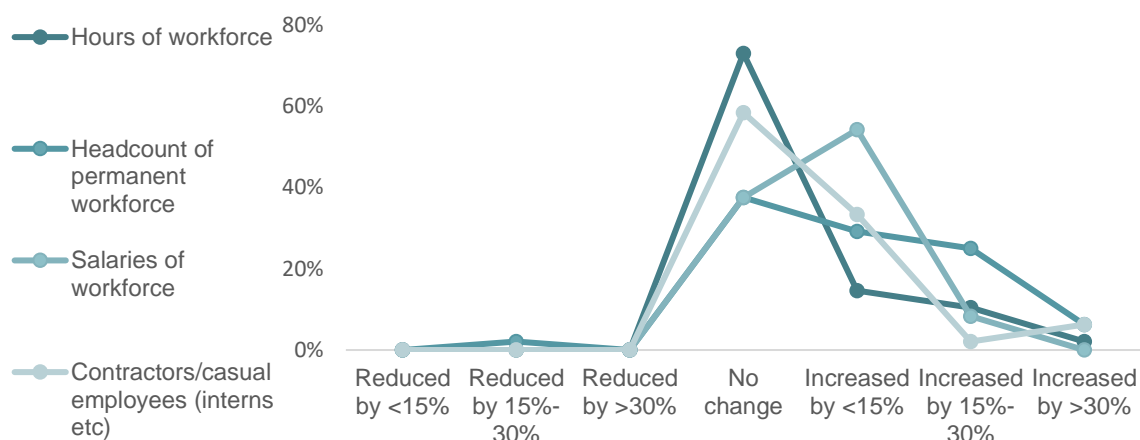
Workforce actions taken in response to current commercial environment

Like the previous survey results, businesses of all sizes in this survey have taken workforce actions in response to the current commercial environment. This was a key focus of this survey.

Hours, headcount, salaries, and contractors/casual employees

Looking at hours, headcount, salaries, and the use of contractors/casual employees, the vast majority of members had either made no changes or made increases. 'No change' was the most popular answer for these areas, except for salaries.

Changes to the hours, headcount, salaries, and contractors/casual employees



¹⁰ Percentages combined can exceed 100% as participants were able to select multiple answers.

On salaries, most members had increased salaries by 'less than 15%' (54%). A further 8% had increased wages by 15-30%. Only 38% of members had made no change to salaries. This is consistent with anecdotal evidence from the broader membership that there are significant pressures on salaries, tied with the skills shortage and a hot market.

When it comes to hours, 73% of respondents had made no change, 15% increased hours by 'less than 15%', 10% had increased hours by 15-30% and the small remainder selected an increase by over 30% (2% of responses).

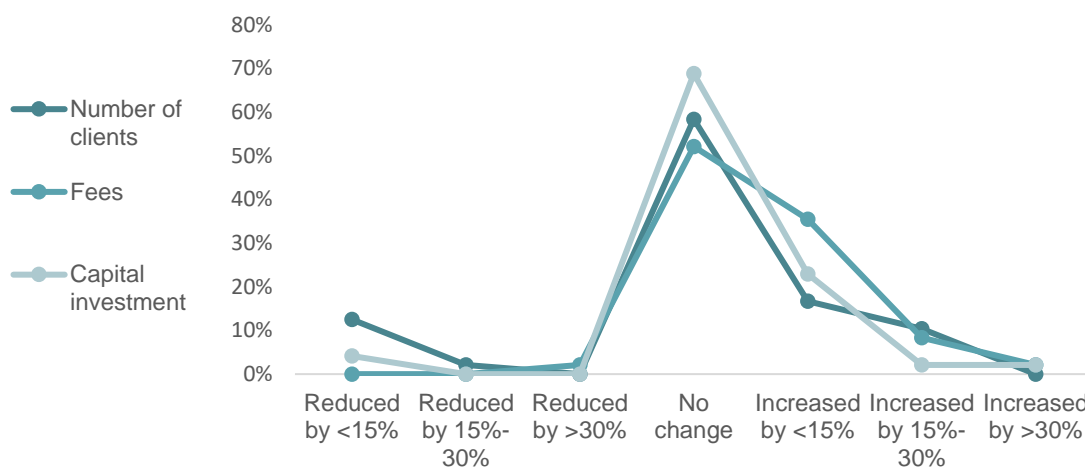
On headcount, the spread of answers was a bit more even between no change (38%), increased by 'less than 15%' (29%), increased by 15-30% (25%), with as small proportion having an increase of over 30% (6%). It was in the headcount category that we noted a reduction, with 2% indicating they had reduced the headcount by 15-30%.

With the number of contractors/casual employees, 58% of respondents reported no change in this area, 33% nominated an increase of 'less than 15%'. Only a small proportion of respondents noted an increase in contractors, 2% of responded selecting an increase by 15-30% and 6% selecting an increase by 'over 30%'.

Clients, fees, and capital investment

Once again, most respondents made no changes in the number of clients, their fees and capital investment. Only a very small proportion of respondents had made reductions in these areas.

Changes to clients, fees, and capital investment

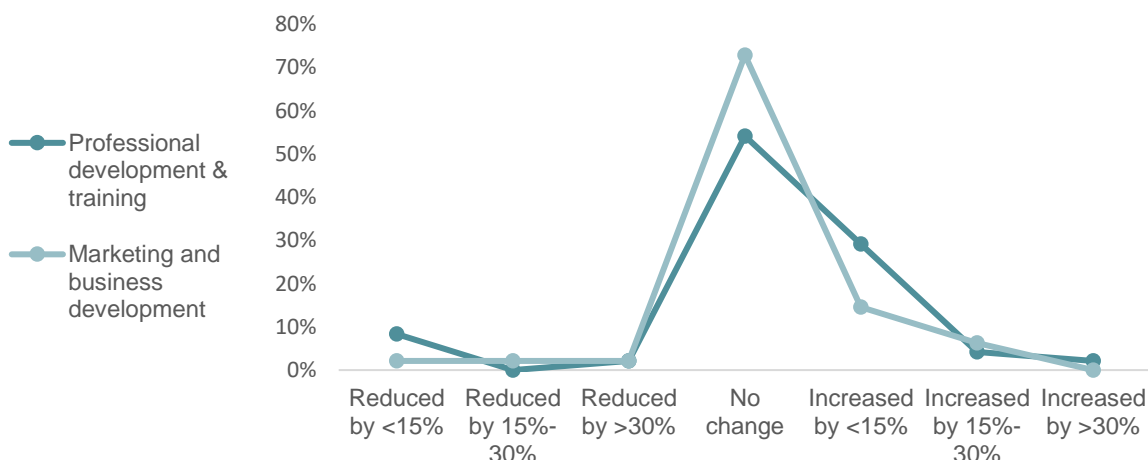


Looking at capital investment, any increases were modest with 23% noting an increase by 'less than 15%'. Similarly with clients, with only 17% increasing the number of clients 'by less than 15%' and 10% increasing by 15-30%. It is in the fee area we see respondents making the biggest changes with 35% increasing fees by 'less than 15%' and a further 8% increasing fees by 15-30%.

Revised spending

We asked respondents if they had revised their spending on professional development and training and/or marketing and business development. Once again, most members reported making no revision (54% for professional development and training and 73% for marketing and business development), very few members reduced spending. Some members reported increasing spending, typically in the 'less than 15%' range (29% for professional development and training and 15% for marketing and business development).

Spending on professional development and training and/or marketing and business development

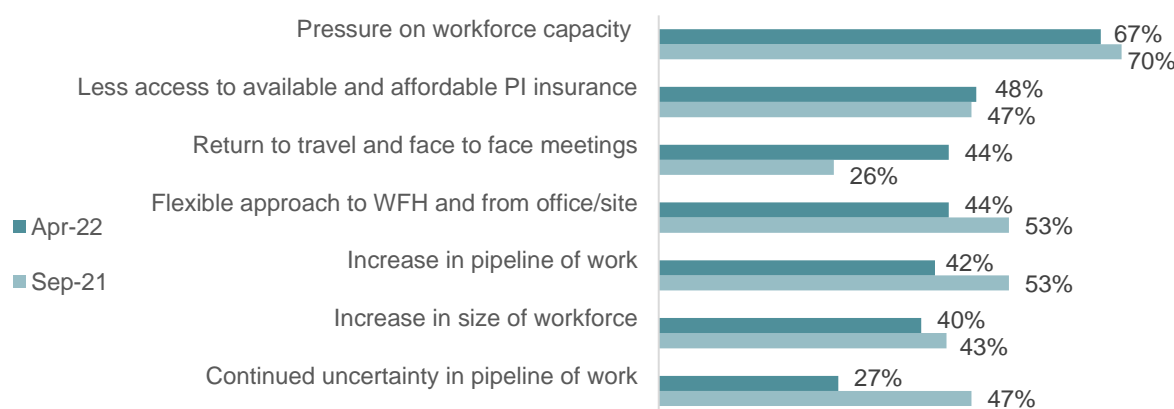


Future business environment

As we do in every health check survey, we asked members what they anticipate will be the key challenges in the next six months.

Consistent with the previous survey, most member businesses anticipated that pressure on workforce capacity (67%) will continue to remain a key challenge in delivering the volume of work. This was followed by the limited accessibility to available and affordable PI insurance (48%). Many of the other factors received consistent numbers of respondents (between 40% and 44%), except for 27% of respondents selecting ‘continued uncertainty in the pipeline of projects.’ This is a drop-off of 20% compared to September 2021 and is consistent with reduction of members reporting a downturn in work.

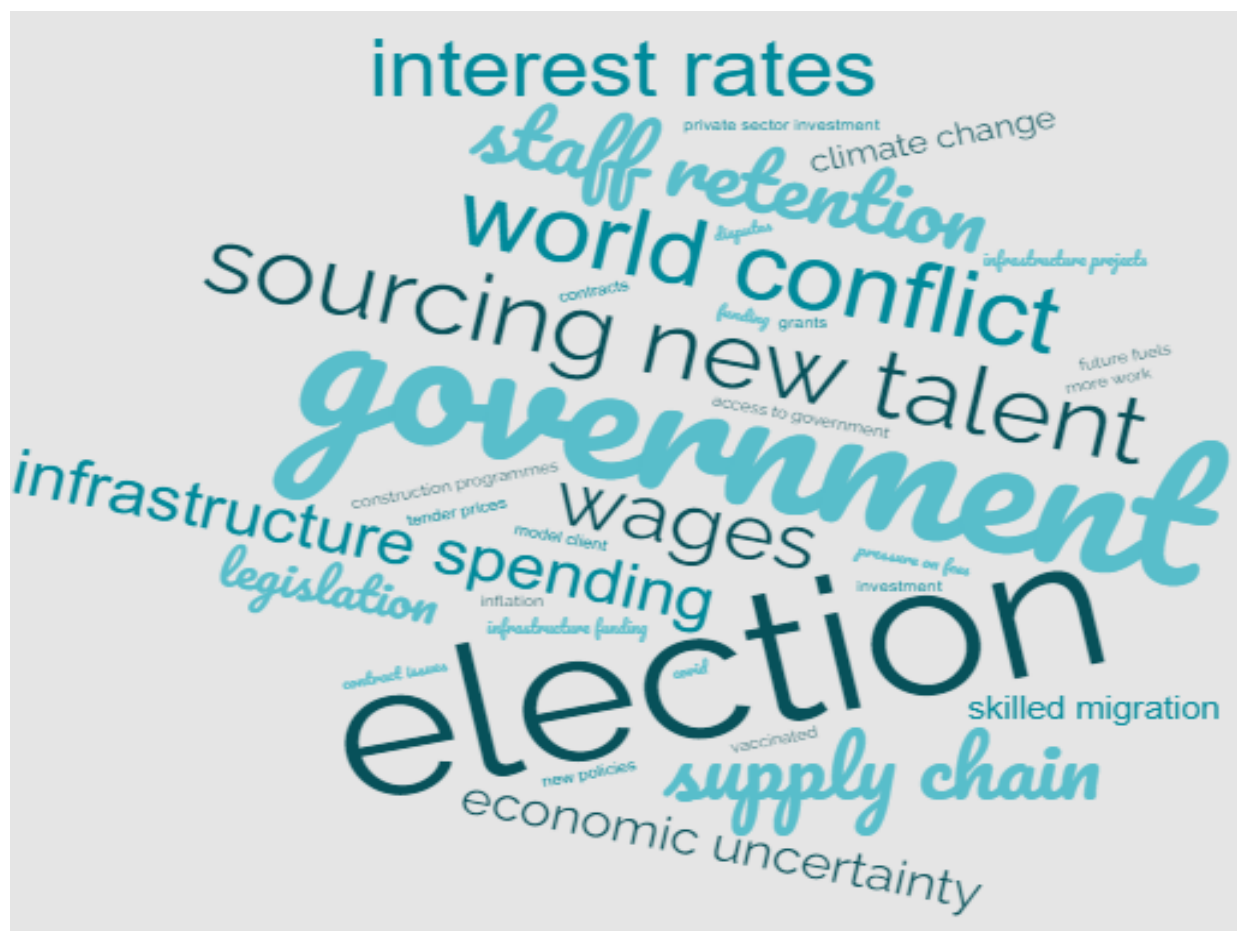
Top factors impacting member businesses (comparison with previous survey)



Most of the other factors remained consistent with the previous survey (having a change of 5% or less). The one factor that has grown in importance since September 2021 is ‘return to travel and face to face meetings.’ While previously only 26% of respondents nominated that as a factor, this time 44% of respondents said it was a key factor. This is explained by the uncertainty that was still in the community in September 2021 about movement between states and return to offices, whereas now we are seeing a return to more travelling and face to face meetings.

Political factors to impact business

As the survey was released before the Federal election, when asked what other economic, political, or external factors would impact business in the next six months, it is unsurprising that 35% of respondents mentioned government, including the change in government. Members highlighted the need for the new government to commit to funding infrastructure as well as private sector projects. Respondents want to see the government implement measures to address the current labour shortages. Unsurprisingly supply chain issues, the Russia-Ukraine war, and the continued impact of COVID-19, were also highlighted.



BREAKDOWN BY BUSINESS SIZE

Large businesses

Large member businesses comprise of more than 200 employees. These businesses typically provide services across all of Australia. Large businesses accounted for 21% of the responses.

Commercial environment

All large member businesses that participated in this survey are currently experiencing an upturn in work, which is an increase of 30% from the previous survey.

100%

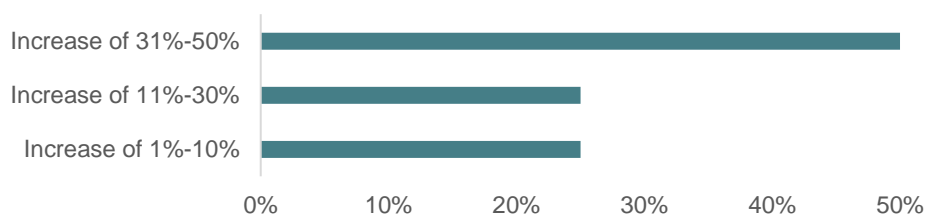
*Currently experiencing
an overall upturn in
work*

The major cause for upturn in work for large member businesses is the volume of projects entering the market especially the roads sector.

PI insurance

Of the large businesses, all experienced an increase in premium. The increases were largely in the 31%-50% range (50% of the large businesses). The remainder of the large firms were split evenly between the 1%-10% and 11%-30% ranges (25% of respondents for each).

Increases in premiums experienced by large businesses



Medium businesses

Medium member businesses are those with 20 to 200 employees. Typically, these businesses operate across multiple jurisdictions, but not always all jurisdictions. Medium businesses accounted for 21% of the responses.

Commercial environment

Again, most of the medium-sized businesses reported upturn in work (90%) which is an increase of 37% as compared to the last survey. No medium businesses noted a downturn in work, indicating an improved commercial environment since last time (improved by 20%).

90%

*Currently experiencing an
upturn in work*

10%

*Currently experiencing a
steady flow of work*

The major cause for the upturn in work for medium sized businesses is the volume of projects coming to the market. The sectors where medium businesses are experiencing an upturn in work includes hospitals and aged care, school and childcare facilities, industrial buildings, residential buildings, and commercial buildings.

PI insurance

Of the medium-sized businesses, all experienced an increase in their PI insurance premium. The vast majority experienced an increase in premium by 11%-30% (89% of medium business respondents) and the remainder experienced premium increasing by 1%-10%.

Small businesses

Small member businesses are those with less than 20 employees. Most of the respondents to this survey were small businesses (58%) which is consistent with the Consult Australia membership and the industry which is predominately made up of small businesses.

Commercial environment

More small member businesses are now experiencing an upturn in work compared to the previous survey results (57% this time compared to 29% last time). We are also seeing a healthier proportion with a steady flow of work (32%). Those experiencing downturn in work declined by 15% (from 26% last time to 11% now).

57%

Currently experiencing an upturn in work

32%

Currently experiencing a steady flow of work

11%

Currently experiencing a downturn in work

The reasons selected by small businesses for the upturn in work included an increase in the volume of projects coming to market along with a more collaborative contracting environment. The upturn in work is experienced across a broad range of sectors.

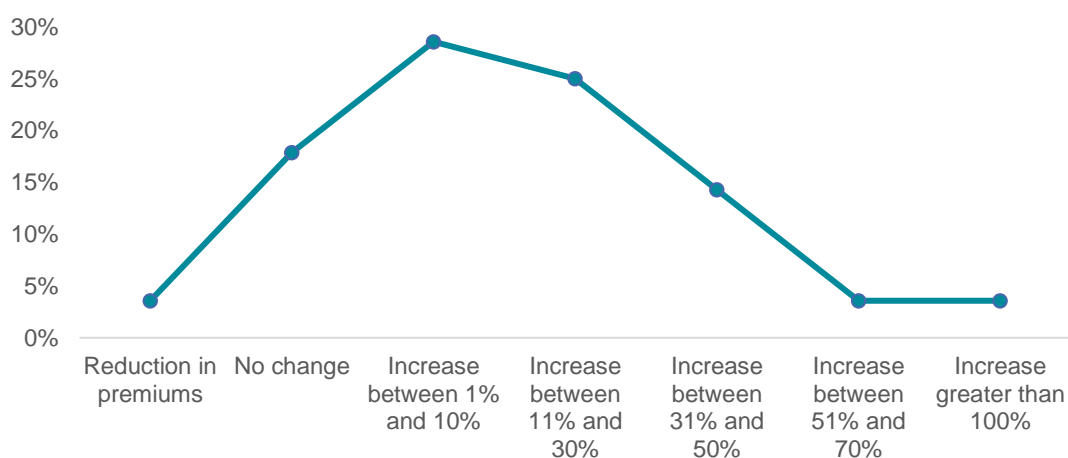
PI insurance

Of the small businesses, 75% experienced an increase in premium. A minority of small businesses noted no change (18%) and a reduction in premium (4%).¹¹

Most small businesses experienced premium increases of 1%-10% (38%) closely followed by increases of 11%-30% (33% of small business respondents). It is worrying to still see some small businesses experiencing premium increases at the higher rates, especially over 100%.

Consult Australia continues its work with government small business advocates including the Commonwealth Small Business and Family Enterprise Ombudsman (ASBFEO) and the insurance industry to improve the market.

Change in premium for small businesses



¹¹ Please note that the responses do not add up to 100% as there was a small number of small businesses that selected 'other' – these members were seeking a new policy at the time of the survey and therefore were unable to say if the premium would increase, decrease or remain the same.

Industry Health Check

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This concludes the findings of the June 2022 report.

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