CONSULT AUSTRALIA

COVID-19 PULSE SURVEY

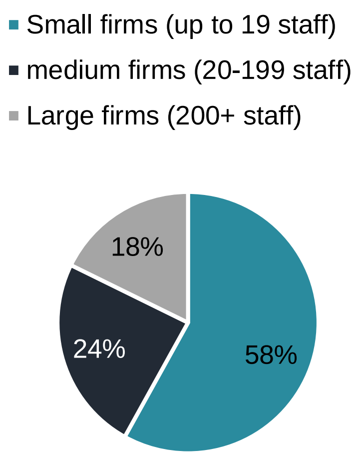
IN BRIEF

Consult Australia is the industry association representing businesses in design, advisory, and engineering. Our members provide services to a broad client base including governments, companies, and individuals. We represent an industry comprising some 48,000 businesses across Australia, ranging from sole practitioners through to some of Australia's top 500 companies.

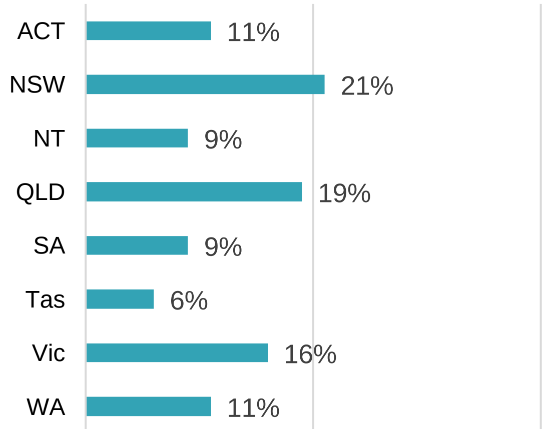
Consult Australia has conducted an industry health check to measure the impact and anticipated impacts of the COVID-19 pandemic across our membership.

We did this through a pulse survey conducted between 21-29 May 2020.

62 firms participated, representing 30 per cent of the membership. A breakdown by business size and location of where services are provided is below.



Proportion of participants by business size



Locations where participants provide services

SUMMARY OF KEY FINDINGS

Two-thirds of our member firms are experiencing **a reduction in work from COVID-19,** with the **average downturn equating to one-third of normal business.**

Seeing a reduction in work

66%

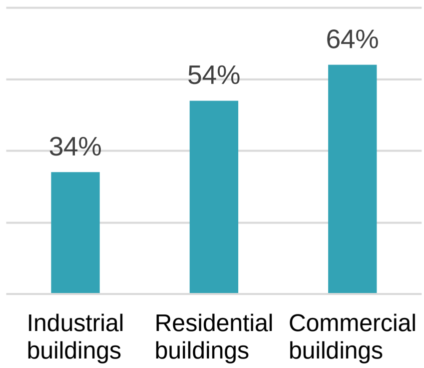
Average reduction in work

32%

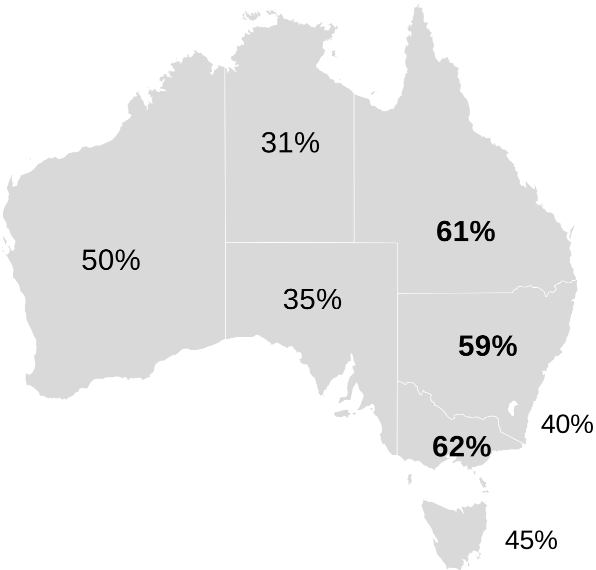
Privately funded projects and the **buildings sector are significant areas of concern** for firms. Geographically, **east coast states are the most impacted**.

98%

Percentage of firms reporting a reduction in work related to privately funded projects



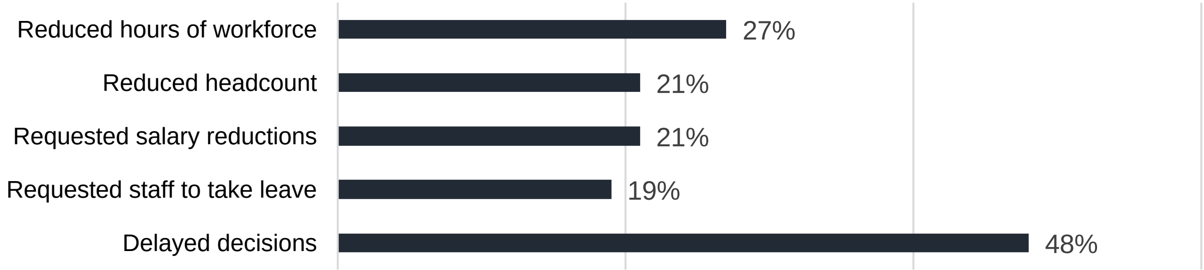
Percentage of firms reporting a reduction in work by sector type



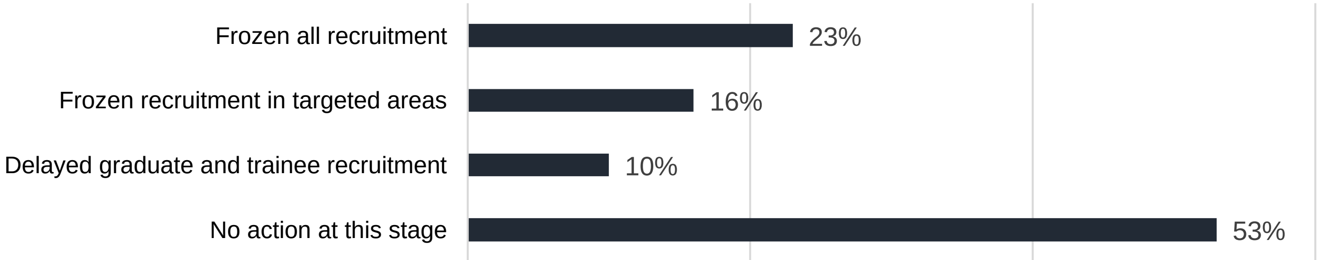
Percentage of firms reporting a reduction[1] *in work by jurisdiction*

[1] Please note these percentages are a comparison between the number of firms who have indicated that they are experiencing a downturn in that jurisdiction and the number of firms who have indicated they typically provide services in that jurisdiction. This is the same for similar data in the health checks for large, medium and small firms.

Around half of our member firms have made workforce-related changes in response to COVID-19, and close to a quarter have frozen all recruitment activities. Others are taking a wait and see approach until the full impact of COVID-19 on their business is understood.



Workforce management response to COVID-19 impacts



Most firms have concerns about their six-month outlook. In addition to a shift to position themselves for new market opportunities, it is also clear that **many firms are <u>not</u> anticipating a snap back to a pre-COVID-19 environment in late 2020**.

53%	35%	56%
Indicate their pipeline of work will likely shrink in the next six months	*Indicate the headcount of their workforce is uncertain or will likely decrease in the next six months*	*Anticipate that competition across the industry will become tighter over the next six months*

INDUSTRY HEALTH CHECK RESULTS – LARGE FIRMS

11 large firms participated in the pulse survey. These are firms with more than 200 employees.

Reduction in work for large firms

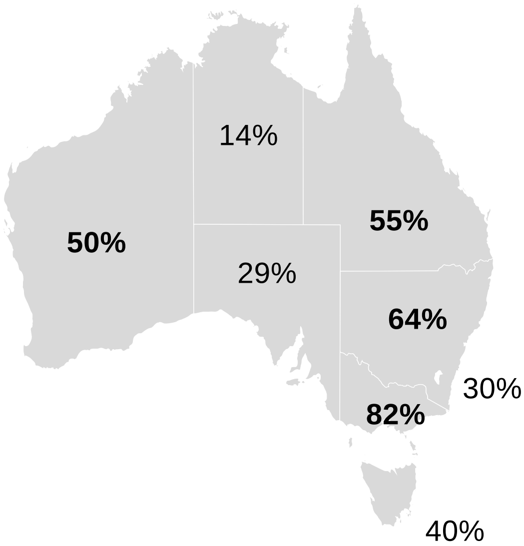
Seeing a reduction in work

82%

Average reduction in work

15%

Percentage of firms reporting a reduction in work by jurisdiction



11%

Reported reductions related to local council projects

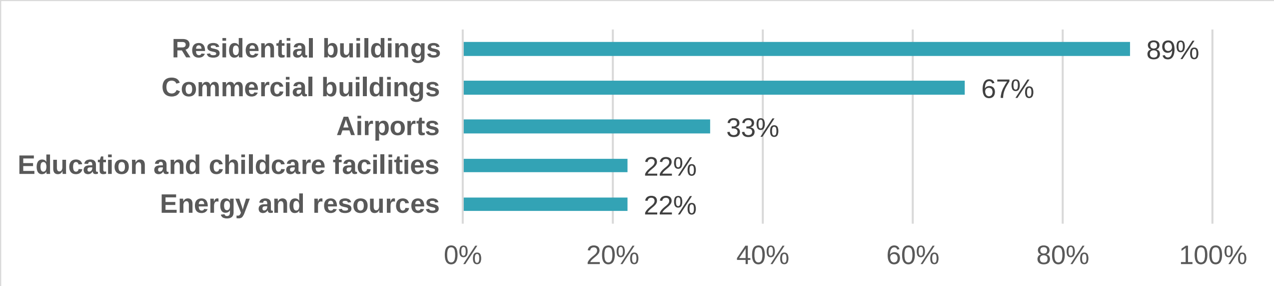
22%

Reported reductions related to state/territory and Federal government projects

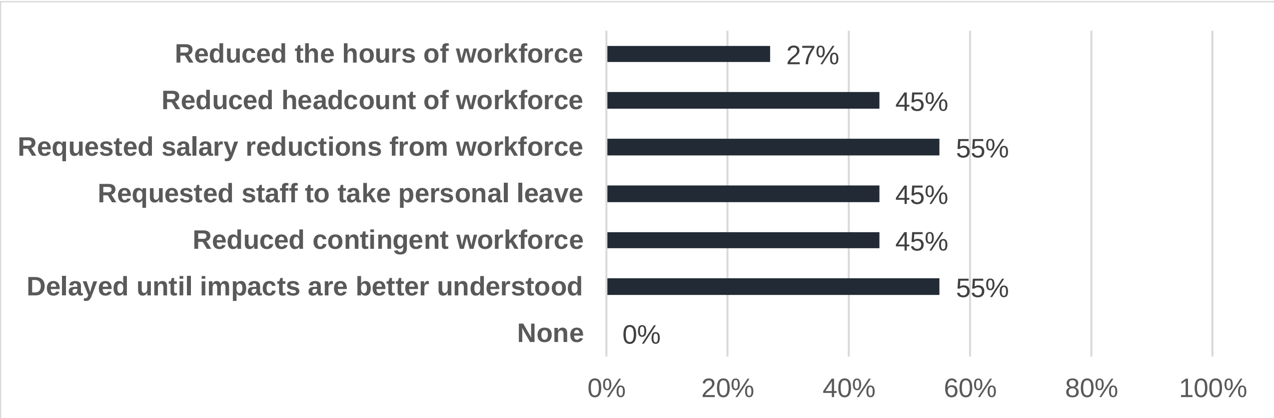
100%

Reported reductions related to private sector projects

Top sectors experiencing a reduction in work due to COVID-19

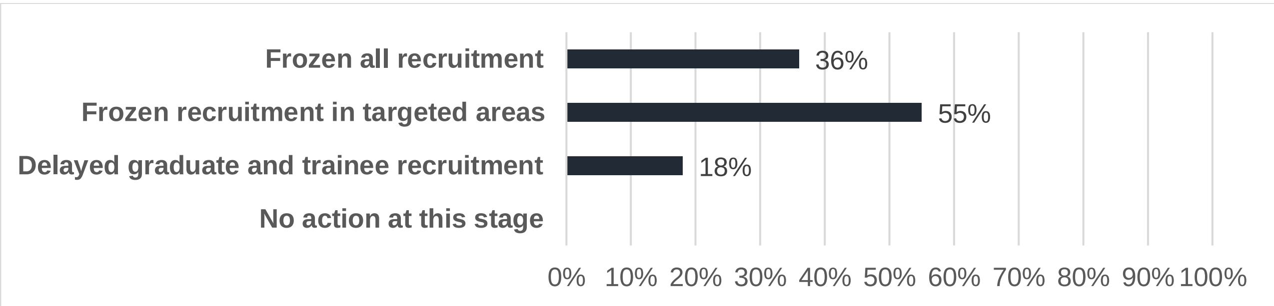


Workforce management response to COVID-19 impacts



Other actions flagged by large firms in response to the current environment includes cutting expenses where possible. This includes reducing travel costs, more scrutiny on overtime, holding back salary increases, and reducing capital expenditure. Some also noted that their salary reductions have been focused on particular executive level staff.

Recruitment response to COVID-19 impacts



INDUSTRY HEALTH CHECK RESULTS – MEDIUM FIRMS

15 medium-sized firms participated in the pulse survey. These are firms with 20 to 199 employees.

Reduction in work for medium firms

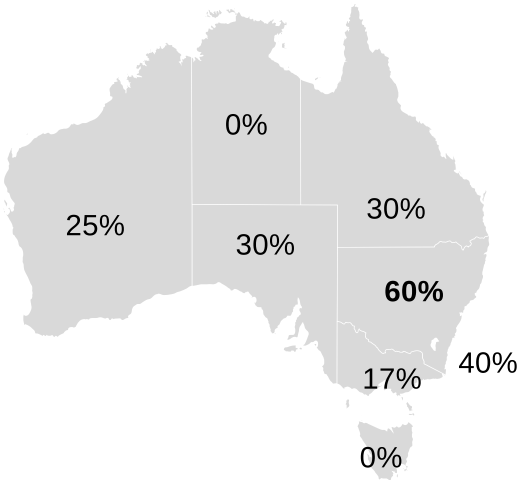
Seeing a reduction in work

47%

Average reduction in work

28%

Percentage of firms reporting a reduction in work by jurisdiction



0%

Reported reductions related to local council projects

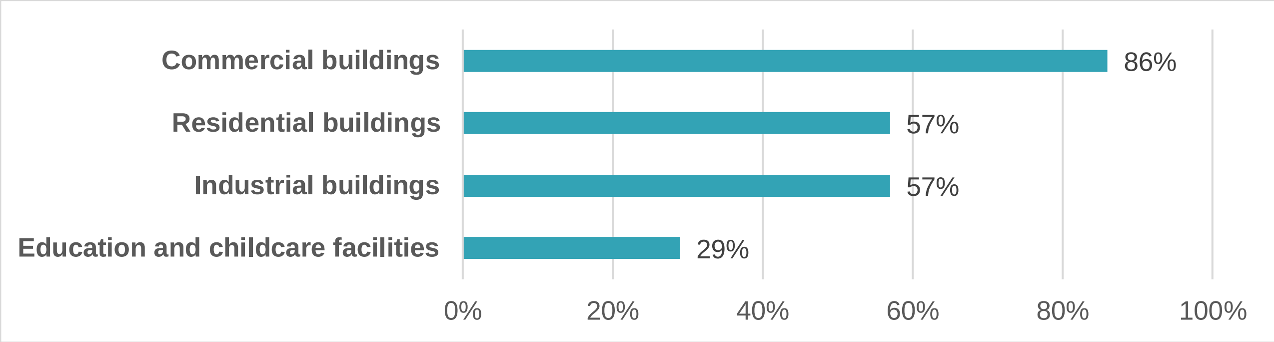
14%

Reported reductions related to state/territory and Federal government projects

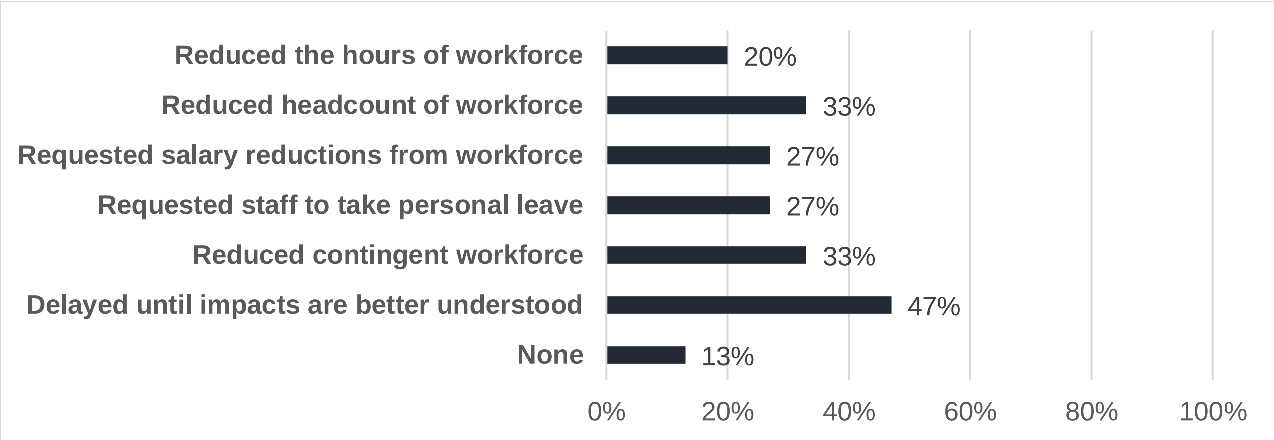
100%

Reported reductions related to private sector projects

Top sectors experiencing a reduction in work due to COVID-19

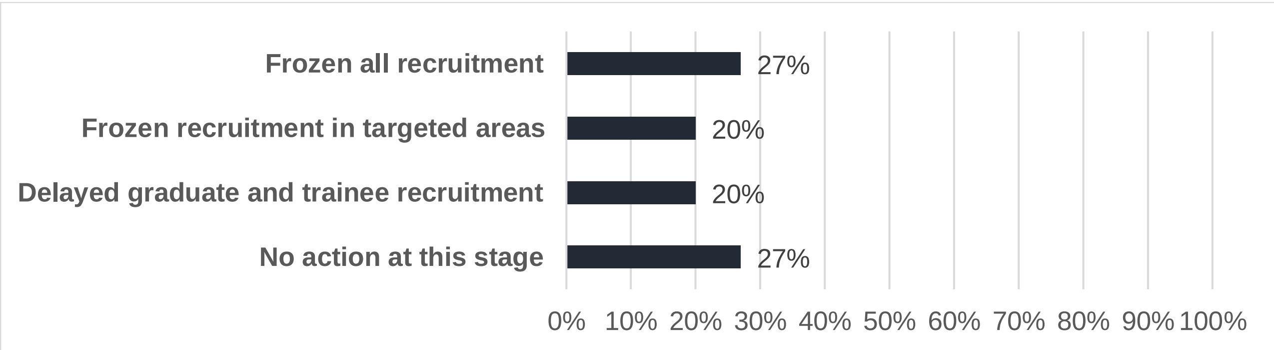


Workforce management response to COVID-19 impacts



Other actions flagged by our medium member firms include claiming the JobKeeper wage subsidy.

Recruitment response to COVID-19 impacts



Medium member firms have also noted impacts with their planned recruitment of skilled migrants.

INDUSTRY HEALTH CHECK RESULTS – SMALL FIRMS

36 small firms participated in the pulse survey. These are firms with up to 19 employees.

Reduction in work for small firms

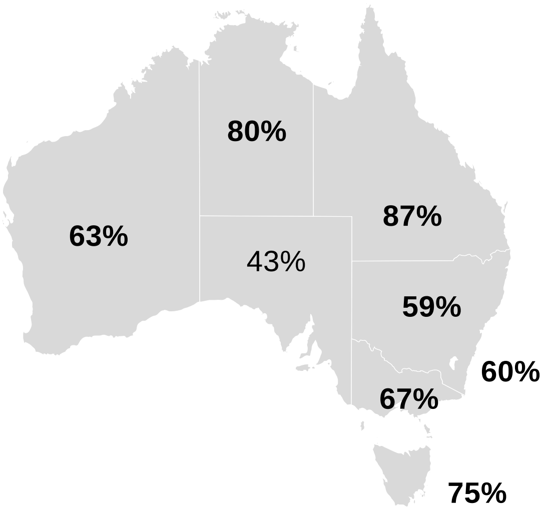
Seeing a reduction in work

67%

Average reduction in work

40%

Percentage of firms reporting a reduction in work by jurisdiction



17%

Reported reductions related to local council projects

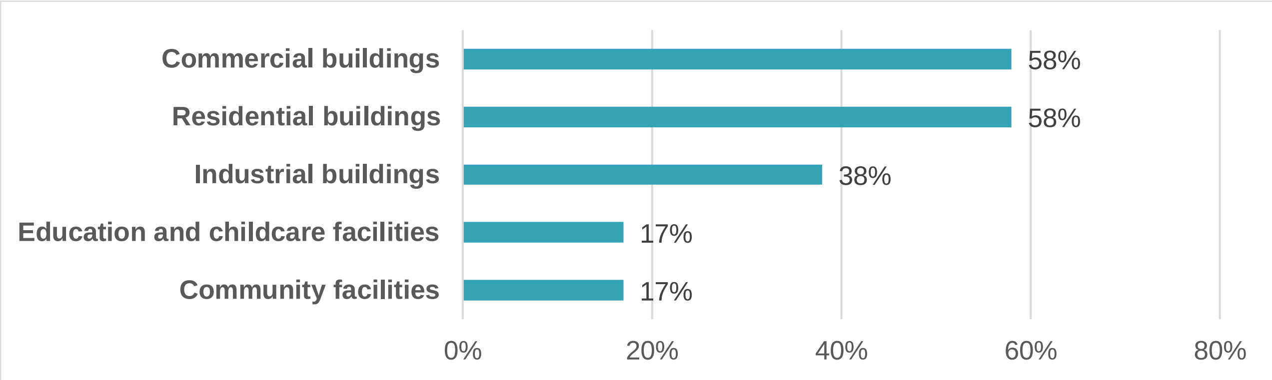
8%

Reported reductions related to state/territory and Federal government projects

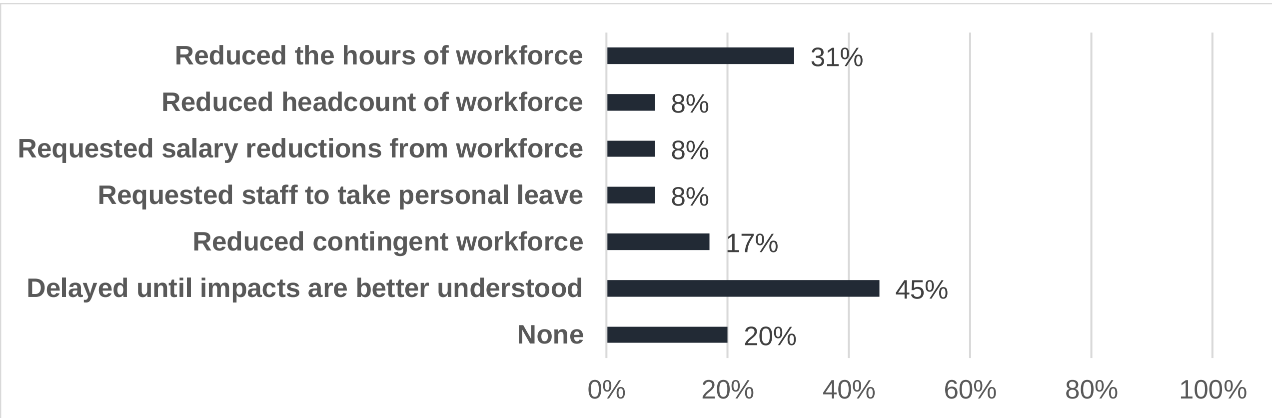
96%

Reported reductions related to private sector projects

Top sectors experiencing a reduction in work due to COVID-19

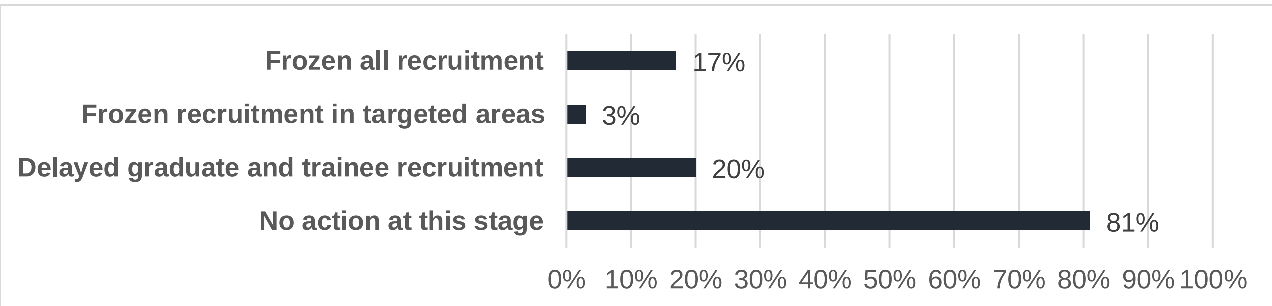


Workforce management response to COVID-19 impacts



Some small firms noted the above is not relevant to their business as a sole operator. Other firms noted that they have reduced the hours of casual and part-time staff, directors have taken a pay cut, and dividends to shareholders have been cut.

Recruitment response to COVID-19 impacts



It was again noted by some firms that the above is not relevant to sole operator businesses.

THE SIX-MONTH OUTLOOK FOR FIRMS

Survey participants were asked to identify the ongoing impacts of COVID-19 in six months' time, and the action they will put in place to mitigate challenges. Below summarises the feedback received.

The pipeline of work

53%	17%	17%
*Indicate their pipeline of work will **likely shrink** in the next six months*	*Indicate their pipeline will **likely become more uncertain** in the next six months*	*Indicate their pipeline will **likely remain stable or grow** in the next six months*

- Many firms are seeing an **uneven recovery for the pipeline –** it is anticipated that there will be a reduction for some project types and an increase for others.
- Firms specialising in **government-related projects** noted a **fairly secure** pipeline of work.
- Current **delays and deferrals** for projects **are exacerbating the uncertain outlook**.
- A **challenge for many firms is 'lengthening' their pipeline** into the future for some project types. The buildings sector was highlighted as a key concern.

Firms also shared their intended response to challenges over the next six months.

- A key focus is **developing client relationships**. This includes more follow ups with potential clients, proactively offering services, and evolving their business development approach.
- A **clearer customer and market position to build sales** was flagged. Some firms indicated that reducing margins is one strategy they will take to build or maintain their market position. Showcasing innovations and other value adds is another strategy highlighted.
- Firms noted **opportunities in the broader pipeline of work** to target, particularly publicly funded **infrastructure projects**. Accessing new markets was flagged by many as a focus.
- Some also noted their actions will be unchanged from their pre-COVID-19 approach.

The workforce

35%	60%	47%
Indicate the headcount of their workforce is ***uncertain or will likely decrease*** *in the next six months*	*Indicate their workforce's headcount will likely* ***remain the same or increase*** *in the next six months*	*Indicate their* ***skill requirements will change*** *in the next six months*

- Some firms noted they will **expand their contingent workforce** as a first step to meet any increased demand, given uncertainties about the long-term pipeline.
- The following **skill areas were flagged** by firms as an area of focus:
    - **Versatility and adaptability** – well-rounded skills to deliver a range of services;
    - Skills related to **transport infrastructure** projects; and
    - **Digital upskilling and innovation** skills to stand out and be more efficient.

Firms also shared their intended response to challenges over the next six months.

- **Efficiency opportunities** within businesses was also flagged by firms as part of their future workforce strategy. This includes reducing 'silos' between different business divisions.
- Some firms noted their **workforce planning approach will become reactive** to bids won.
- Many firms noted they will **deliver more internal training** to increase the breadth of skill sets, particularly focusing on technology and digital skills.

The working environment

76%	16%
Anticipate that some form of ***remote working will continue*** *for six months*	*Raised* ***challenges with ensuring their office is COVIDsafe*** *in the next six months*

- It was also noted by many firms that **hybrid work arrangements** (between the office and home) will likely become the norm in a post-COVID-19 environment.
- A **challenge for many firms will be establishing COVIDsafe offices** – many were designed for agile working environments with desk ratios of 65 to 85 per cent. As such, some firms anticipate they will have 30-50 per cent of staff working from the office.

Firms also shared their intended response to challenges over the next six months.

- Many noted **actions will be heavily informed by government requirements**.

- **Ongoing flexible working arrangements** will be a key focus for some firms, which includes further investments in technology and IT capacity.

Procurement and contracting practices

25%

*Anticipate that **contract terms will become more onerous** in the next six months*

Firms also shared their intended response to challenges over the next six months.

- **Diligent contracting** is flagged as a key action for many firms. More attention will be placed on potential contracts to avoid bad terms.
- **Cashflow considerations and checking client liquidity** were highlighted as other focus areas.

Competition across the industry

56%

*Anticipate that competition across the industry **will become tighter** over the next six months*

28%

***Raised reduced margins as a concern** for the industry over the next six months*

- **Competition will become tighter** across most sectors/project types. There are concerns that this may create a market where businesses become more willing to do poor deals that may result in longer-term pain for the industry. The building sector is a particular concern.
- Some noted that competition across the industry will also depend on how any stimulus packages are rolled out. **Negative impacts from unsustainable competitive practices can be reduced** by distributing funding in a way that seeks to spread benefits across industry.

Many of the actions lists under the above headings show how survey participants will respond to increased competition across the industry. This includes possible reduction in rates, focusing on busier sectors/project types, and improved business development strategies.

BROADER FEEDBACK ON COVID-19 EXPERIENCES

Client decisions impacting projects and firms

Survey participants were asked to provide feedback on client decisions in response to COVID-19 that have impacted their firms and the projects they are working on. Below are trends from those who provided feedback.

51%

*Reported to have had a client **reduce or cancel the scope of works**, or put a **project on hold***

23%

*Reported to have specific **scope of works inclusions on remote working** and other **allowances to project timings***

20%

*Reported that clients have **sought to include specific contract terms relating to COVID-19 impacts***

17%

*Reported to have had **no significant change to the scope of works due to COVID-19***

9%

*Reported to have received client **requests relating to price reductions and extended payment terms***

31%

*Reported to have **not experienced any contract amendments related to COVID-19 impacts***

Other challenges and positives experienced by firms

Participants were asked to share reflections on challenges and positives experienced by their employees over the past few months. Below are some key points highlighted in the responses.

31%

*Reported **positive feedback from employees on remote working***

34%

*Reported **initial teething challenges from remote working** such as technology and remote schooling issues*

32%

*Flagged that **employee productivity has maintained or improved***

19%

*Reported that COVID-19 impacts **have accelerated innovation** in their business*

26%

*Reported that their **employees have expressed job security concerns***

55%

*Highlighted **concerns about stress, anxiety and isolation** with employees*

CONTACT US

We would welcome any opportunity to further discuss the issues raised in this report. To do so, please contact:

Nicola Grayson
Chief Executive
Consult Australia
nicola@consultaustralia.com.au

James Robertson
Policy Advisor
Consult Australia
james@consultaustralia.com.au
Phone: 0448 853 144