

NECA Industry Survey and Policy Implications

*Impact of COVID-19 on the
Electrical and Communications Industry in Australia*

October 2020





ABOUT NECA

The National Electrical and Communications Association (NECA) is the peak industry body for Australia's electrical and communications contracting industry, which employs more than 165,000 workers and delivers an annual turnover in excess of \$23 billion.

NECA represents the best interests of some 5,400 electrical contracting businesses across all Australian States and Territories.

We aim to help our members and the wider industry to operate and manage their business more effectively and efficiently while representing their interests to Federal and State Governments, regulators and principal industry bodies such as the Australian Chamber of Commerce and Industry (ACCI) and Standards Australia.

NECA is strongly committed to supporting the next generation of electrical and communications contractors. Working with our partner Registered Training Organisations (RTOs) and Group Training Organisations (GTOs), NECA provides employment and ongoing skills development for approximately 4,800 apprentices across Australia. The majority of these apprentices get the opportunity to gain work experience with NECA's members through our group schemes.

Our training arm delivers training options for an additional 4,000 qualified electricians across the industry, providing technical advice and business skills training along with business development and marketing training for managers.

NECA also manages and promotes the industry wide annual Excellence and Apprentice Awards, a scholarship program, the NECA Foundation and the Alternative Pathways Project.

NECA has been advocating for, and on behalf of, the electrotechnology industry for over 100 years.

NECA RESEARCH SNAPSHOT

Key findings from NECA COVID-19 Industry Impact September 2020 research:

- 93% of businesses in September 2020 said COVID-19 had an impact on their business with most experiencing a *significant* or *moderate* impact. This is consistent with the results from May 2020 (94%).
- Over 50% of businesses in September 2020 have reduced employee hours to buffer the impact of COVID-19, this is slightly higher than the May 2020 findings of just below 50%. This indicates the market conditions are relatively the same.
- 80% of all businesses surveyed in September 2020 have seen a negative financial impact as a result of COVID-19 with almost one in five experiencing a reduction in revenue of more than 50%. This is unchanged from the May 2020 research findings.
- Businesses are concerned about the future pipeline of work, with more than 50% of new projects and installations impacted and at least 66% of work underway due to come to an end within six months.
- Opportunities for future work remain slim, with 64% fewer tender opportunities identified by businesses in September 2020, as compared to the previous year (a drop from 70% in May 2020). This may be an indicator of new government infrastructure measures stimulating activity.
- A majority of respondents are somewhat confident their business will recover; however, they see government support as critical to industry recovery.
- As of September 2020, 75% of businesses have applied for government assistance, with a further 3% intending to apply. Of those receiving government support, the majority of businesses responding to the survey are receiving JobKeeper payments (74%), apprentice wage subsidies (28%) and accessing the instant asset write-off provisions (23%).
- As of September 2020, 58% of respondents believe investment in infrastructure and construction is required to stimulate the economy. Any stimulus must be supported by regulatory reform.
- 38% of respondents in September 2020 employ mature age apprentices in their businesses, with one third (32%) of all respondents indicating provision of an adult apprentice wage subsidy would support an increase of this cohort.
- As of September 2020, 36% of respondents believe extending apprentice subsidies to all businesses will positively support the nation's recovery.
- Regulatory reform is key to moving forward with 30% in September 2020 (29% in May 2020) of respondents seeking adoption of a uniformed approach to Security of Payment laws. This reflects growing uncertainty about whether businesses in the electrical industry will be paid for work already completed.
- Other ways respondents believe government can support business include the introduction of Unfair Contracts legislation (23%); expanding HomeBuilder (28%); and a relaxation of Extension of Time provisions (11%).

SURVEY RESPONDENT PROFILE

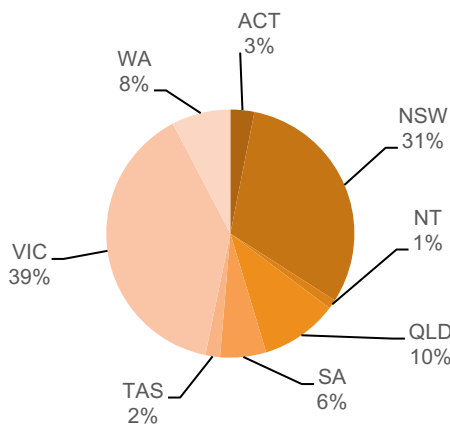
NECA surveyed 377 representatives of the electrical and communications industry between 10 September 2020 and 24 September 2020 on their experience during the COVID-19 pandemic. The survey was open to members and non-members from across the industry.

Businesses responding to the survey represent nearly 12,000 employees across all states and territories, and across remote, regional and metropolitan Australia.

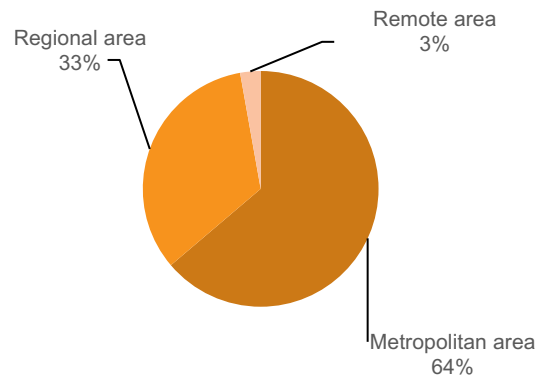
The majority of respondents operate out of New South Wales (31%) and Victoria (39%) and operate within metropolitan areas (64%). The response to the survey was markedly higher in Victoria in September 2020 compared to May 2020, and responses reflect the greater impact of COVID-19 on this state compared with other parts of the country.

The largest group of respondents to the survey are small and medium enterprises (SMEs) (84%) i.e. businesses employing less than 20 employees. In May 2020, 76% of respondent businesses were SMEs.

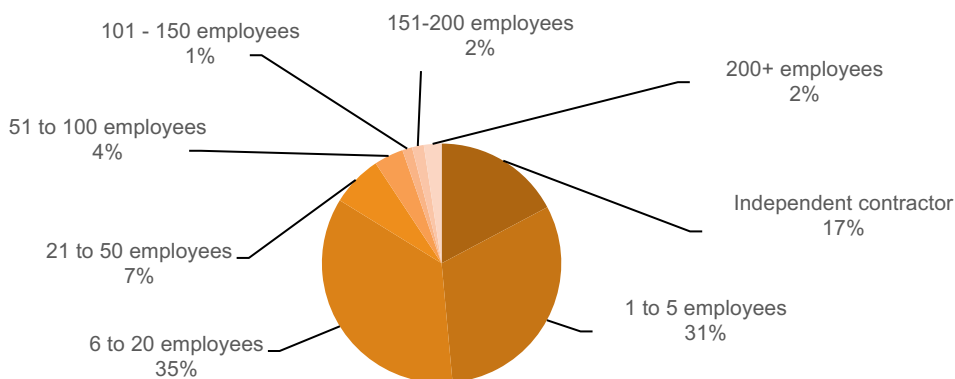
State/Territory (N=377)



Location (N=377)



Size of business (N=377)



Type of work (N=377)

Types of work* undertaken by respondents to the survey include:

- Commercial Services (57%)
- Residential Services (46%)
- Building and Construction (38%)
- Industrial Services (25%)
- Data and Communications (24%)
- Government/Infrastructure Projects (16%)
- Electricity, Water, Gas, Waste Services (9%)

**more than one type of work could be selected in the survey*

IMPACT OF COVID-19 ON AUSTRALIAN ELECTRICAL AND COMMUNICATIONS INDUSTRY

Extent of COVID-19 impact on respondent business (N=377)

Respondents were asked the level of impact COVID-19 was having on their business. A sizeable majority of respondents (93%) reported COVID-19 having an impact on their business with most experiencing a *moderate* or *significant* impact on their business.

Interestingly, the larger the respondent's business, the more likely the respondent was to report a higher impact of COVID-19. While SMEs on average are experiencing a moderate impact, larger businesses face a significant impact.

COVID-19 impact on respondent business revenue (N=377)

Compared with the same time last year, 80% of respondents in September 2020 saw a reduction in revenue, with one in five seeing their revenue fall more than 50%. These figures almost exactly mirror NECA's May 2020 findings.

Despite significant revenue losses, very few businesses have terminated employees (14%). Of these, even fewer businesses have needed to let apprentices go (3%). Encouragingly, these figures remain unchanged from the May 2020 industry survey. This is in large part due to the federal government's JobKeeper payment.

Businesses are exploring all avenues to retain their highly skilled workforces through this difficult period. Nearly 50% of businesses have reduced employee work hours as a result of COVID-19. Businesses are also redeploying employees, retraining employees and continue to work to identify new revenue streams to continue trading and keep staff on their books.

Types of work impacted by COVID-19 (N=377)

The impact of COVID-19 has largely affected *New Projects and Installations*, with more than half of all respondents citing this as having the greatest impact on their business (53%, compared to 56% in May 2020) as opposed to *Current Projects and Installations* (14%; 12% in May 2020).

Fewer respondents have experienced an impact on Maintenance related activity, either *Contract/Planned* (22%, up from 17% in May 2020) or *Ad hoc/Emergency* (12%; 15% in May 2020).

Pipeline of future work (N=377)

When asked when they expected their current pipeline of work to dry up, 50% of respondents expected to run out of work within three months, and a further 16% expected this to occur within six months. Interestingly, one quarter of respondents are comfortable with pipeline of activity showing a level of confidence in the nation's recovery pathway.

It is however a concern that respondents foresee less work available in the medium term, with 65% saying there were fewer tender opportunities in the market compared with last year, a finding similar to the May 2020 survey (70%).

With over 90% of respondents indicating the COVID-19 recession has adversely affected their businesses and 80% experiencing a loss of revenue, this amplifies the need for government action to support the sector by fast-tracking infrastructure projects, maintaining financial support measures and incentives, devising new programs to support small business, adopting purchasing practices to favour local businesses, and cutting red tape and regulation wherever possible.

Business confidence (N=377)

The industry generally remains somewhat confident (48%) of a recovery (52% in May 2020) but continues to see government support as critical to industry recovery. 75% of businesses responding to the September 2020 survey said they have applied for government assistance – up from 59% in May 2020. JobKeeper (74%) was the most commonly accessed government assistance measure by respondents.

Read alongside other findings from the September 2020 survey, this is a cause for significant concern, as it points to an artificial economy propped up by government assistance measures. While these initiatives are welcomed by industry, it highlights the need for a pipeline of long-term construction and infrastructure projects to be developed and approved in a timely manner to ensure the industry is self-sustaining as support measures are gradually phased out.

Government support of business during COVID-19 (N=377)

Of the survey respondents, 58% see government investment in infrastructure and construction projects as a way to lead the COVID-19 recovery phase, down from 70% in May 2020. This drop may be as a result of recent government infrastructure funding announcements. 36% highlighted the extension of apprentice subsidies be extended to businesses of all sizes, not just SMEs. Since the September survey, the industry has welcomed the federal government budget 2020-21 announcement to extend apprentice subsidies to all businesses and to introduce the Boosting Apprenticeship Commencements Wage Subsidy.

Other ways respondents believe government can support business include:

- Expand HomeBuilder Scheme by reducing the size of the investment required: 28%;
- Introduce mutual recognition of contractor licences across all states and territories: 32%;
- Provide adult apprentice (aged 21 years and over) wage subsidies: 32% (28% in May 2020): supporting both sector demand coupled with the opportunity to attract and retrain workers displaced from other sectors due to COVID-19;
- Adopt a uniformed approach to Security of Payment laws: 30% (29%): this reflects clear and increasing concern about whether business will be paid for the work it has done;
- Introduce Unfair Contracts legislation: 23% (24%);
- Extend business insolvency provisions: 8%; and
- Relax Extension of Time (EoT) provisions: 11% (15%)

Confidence of payment for work completed to date (N=377)

Some reticence about whether payment will be forthcoming for work completed to date is evident within the industry, with 15% of respondents indicating little or no confidence they would be paid for work already undertaken.

Just over one third (38%) said they were *somewhat confident* they would be paid. Less than half said they were *very confident* or *extremely confident*. This further emphasises the need for measures to be enacted to guarantee security of payments, including the introduction of statutory trusts, to provide a sustainable long-term approach that will permanently replace so-called zombie provisions that temporarily allow businesses to trade while insolvent.

COVID-19-related delays sourcing products preventing completion of projects (N=377)

The impact of COVID-19 on the ability of businesses to source materials is preventing some from completing projects on time, with 55% of respondents suggesting they *sometimes* experience delays that affect their ability to complete work to schedule.

Overwhelmingly, these delays and their impact are skewed toward small businesses employing fewer than 20 people, with 67.2% of respondents in this cohort identifying such delays as an issue.

Mature-age apprentices (N=377)

More than one third (38%) of respondents said they currently employ mature-age apprentices in their businesses. Of the respondents who indicated they employ mature-age apprentices, the majority are SMEs (74%).

Across all respondents, almost 32% proposed the need for additional government assistance or other measures to sustainably employ apprentices aged 21 years and over to the electrical and communications industry.

Support for business recovery from COVID-19 (N=329)

The research indicates that across Australia, the impacts of COVID-19 are serious and significant for the electrical and communications industry. An analysis of open questions identified a number of areas for support:

- Government investment in a pipeline of infrastructure within metropolitan and regional Australia, underpinned by flexible, open government procurement opportunities;
- Major regulatory and systemic reform to taxation, education and support of local Australian businesses and manufacturing;
- Incentive and grant based programs that will stimulate economic opportunities for domestic/residential activities to assist small and medium sized business; and
- Long term commitment to and investment in new technologies and emerging markets including green energy (solar/battery).

While these points reflect feedback received in May 2020, two clear themes emerged from open questions to which respondents were able to give written responses.

One, JobKeeper is (and will be) central to the recovery of businesses in the electrical and communications contracting industry: these variously noted a need for the initiative to continue; to expand it to medium and larger sized businesses adversely impacted by the pandemic but not currently eligible; and – in recognition of the 'lag effect' in turnover due to pre-existing work pipelines at the start of the crisis – for special eligibility criteria for JobKeeper to be made available to the electrical technology industry as these expire.

And two, a common theme was the need for state governments to abolish payroll tax completely to remove a clear impediment to hiring staff at a time of high (and rising) unemployment.

Given the proportionately higher level of response from Victoria, it is unsurprising that strong feedback was received that continued lockdowns now pose existential risks to the ongoing viability of businesses in that state, and that respondents want the restrictions lifted immediately.

SUMMARY

The findings of NECA's September 2020 COVID-19 industry impact survey offers new insights into how the electrical and communications industry in Australia is faring as the pandemic continues and government interventions shape the way we move forward.

Since the first survey in May 2020 the impact of COVID-19 has differed across the country. While a number of states have begun to 'normalise', Victoria has continued to face severe lockdown measures and the September 2020 results reflect a skew in responses from businesses located in this state.

Even so, the overall September 2020 survey results are strikingly similar to NECA's findings in May 2020. To this end, the following analysis references the May 2020 results where possible to provide additional context.

57% of respondents in September 2020 did not respond to the survey in May 2020 i.e. the views of more than half of those answering the most recent survey were not included in the May findings. This tends to underline the statistical veracity of the September results: not least given the overall findings in September 2020 closely reflect the original responses tabulated in May.

While COVID-19 continues to have a clear adverse impact on the electrical and communications contracting sector, the industry is faring reasonably when compared to other parts of the economy such as hospitality, retail and tourism. Outside of Victoria, the industry impact of COVID-19 is being felt similarly across all states and territories, across all sizes of business, and across all sub-sectors of the industry.

These effects include the loss of jobs, supply chain shortages, increased contractual, legal and industrial risks, reduced productivity due to physical distancing requirements, and heightened levels of uncertainty and reluctance amongst consumers to engage electrical work/projects.

While the industry remains confident it will eventually recover from the pandemic, the research continues to paint a sobering picture that validates the concerns identified by NECA in its earlier survey in May 2020. There continues to be limited opportunities on the horizon, with some 64% fewer tender opportunities compared to this time last year, and pipelines of work expected to dry up within three to six months. Approximately one in four businesses now expects to run out of work within one month.

To date, electrical contracting businesses have proven remarkably resilient in the face of COVID-19, with only 14% of respondents indicating they had terminated staff and less than 3% saying they had let go apprentices. However, with 80% of respondents reporting a downward trend in revenue it is clear that continued government assistance to support economic recovery is necessary. Consequently, the industry looks toward government for leadership.

State and Federal governments are called upon to urgently undertake the following:

- **Back small business** through targeted economic stimulus – supporting local businesses to work in local areas to rebuild local economies and local communities;
- **Unlock a pipeline of infrastructure** to generate jobs and economic activity;
- **Commit to taxation and regulatory system** reforms to ensure a sustainable and self-sufficient economy that encourages consumer confidence and investment; and
- **Energise the future** through supporting a diverse workforce, labour mobility, training and development.

NECA welcome the opportunity to work with all levels of government to provide and evidence base to inform current and future initiatives that will seek to ensure Australia has a prompt, sustainable and successful recovery from COVID-19.

Use of survey data

Chapters are only permitted to share data that is aligned to the survey data summary
When sharing insights from the research, reference *NECA COVID-19 Industry Impact Survey*.

Survey source data

NECA COVID-19 Industry Impact Survey data has been prepared by the National Electrical Communications Association with 377 respondents representing nearly 12,000 employees across all Australian states and territories in remote, regional and metropolitan areas.

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