

COVID-19 Business Impact Survey Jersey

Construction Industry Results

May 2020



Summary of results

Grant Thornton, in association with the Jersey Chamber of Commerce have conducted a survey to identify the true business impact of the outbreak of COVID-19 in Jersey. They sought to identify how businesses have adapted in the face of the crisis, what they have learnt from these new approaches and which they may even maintain post crisis.

We enjoyed a particularly high response from two key sectors, both of which are facing difficulties of different measure in this pandemic; construction and tourism & hospitality. This report offers focus on how the construction industry is managing in the crisis and their vision for the future.

Strong representation from small to medium sized operators in construction

Nearly **70%** those who replied to the survey run small to medium sized companies, employing fewer than 25 people, while nearly a fifth of those who responded had companies that employed more than 75 staff.

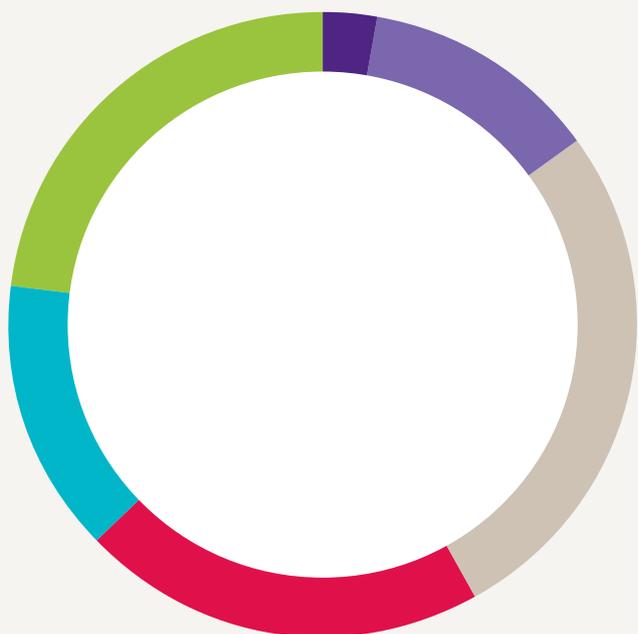
Construction workers are keen to begin operating again

While many construction sites remain empty under strict lockdown guidelines, many of those working in the industry are keen to recommence operations. In fact, they want it more than the general workforce, with **90%** wanting to operate again whilst adhering to the current social distancing guidelines compared to **80%** from the general survey results.

Key issues facing businesses amid the COVID-19 breakout

Reduced operations, business uncertainty and a reduction in demand are cited as the key issues facing those working in the construction industry in Jersey today.

- Inability to operate
- Reduced operations
- Reduction in demand
- Remote working
- Access to finance (e.g. loans)
- Business uncertainty



Summary of results

Turnover has dropped significantly, but they have managed to avoid increasing their debt overall

Nearly **80%** of all those surveyed have said they believe their turnover has reduced by more than **50%**. Cash and profit however have fared slightly better, with **70%** believing their profit and cash flow have also reduced by the same amount. Half of those who responded believe their debt has increased marginally.

While redundancy is an option, the construction industry is less likely to take this option as opposed to other sectors

Less than half of those working in construction believe they will need to conduct any major redundancies. A third believe they will need to cut their workforce by up to **10%**.

As this industry is heavily centered on manual and physical work and is less desk based, just over half of their workforce are being asked to work remotely – a much smaller percentage compared to other sectors.

Construction workers have welcomed Phase 2 of the Government's Co-Funded Payroll Scheme

At the time Phase 1 was introduced, there were no applications for this Scheme or for the Jersey COVID-19 Special Situations Fund (formerly the Jersey Recovery Fund) or the Business Disruption Loan Guarantee Scheme.

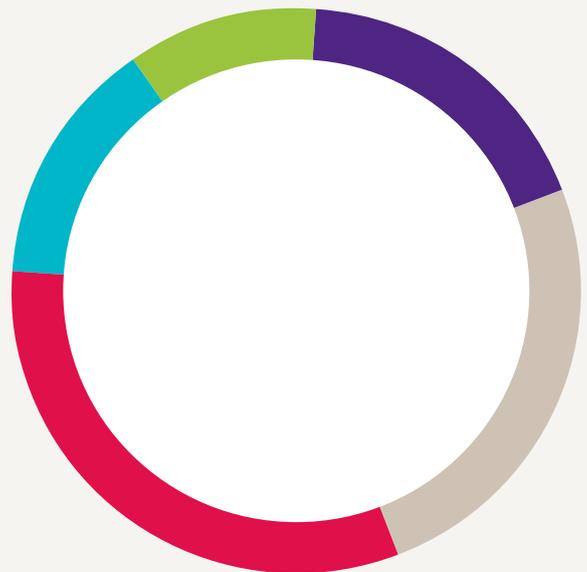
When Phase 2 was launched **80%** of those who responded to this survey stated that they have sought funding from Phase 2 of the Government Co-Funded Payroll Scheme.

Of those who have applied for Phase 2 of the scheme, only a quarter have since received financial support, with over **40%** saying they are still awaiting for financial support.

What does the future of work look like post pandemic?

It's encouraging to see that those in this sector recognise the importance of a better work life balance and will actively work towards better working policies that encourage this. Flexibility is the key trend in these results, with many in construction agreeing that they will offer their employees greater flexibility in when they choose to work.

- Remote working
- Better work / life balance
- Offer staff the option to work remotely
- Offer staff more choice on flexible working hours
- Using third parties to self / distribute



Summary of results

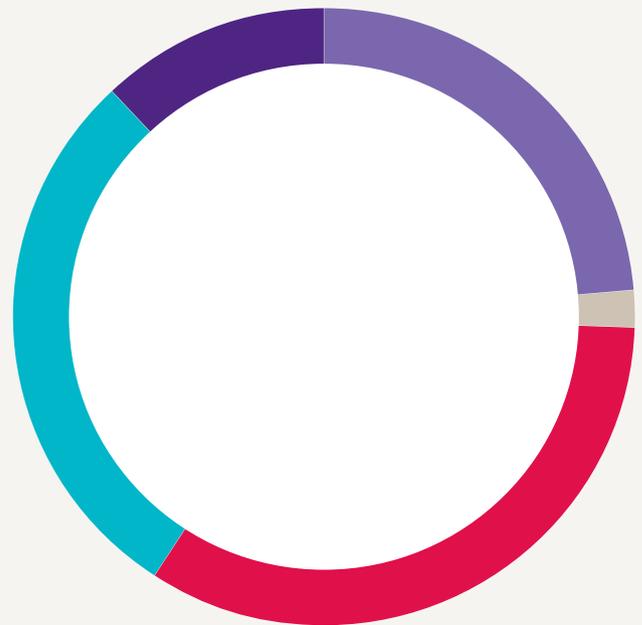
Bonuses, promotions and salaries are likely to be frozen

More than **60%** of those surveyed said they will impose salary reductions or freezes in the coming months.

Equally, any promotions and bonuses are likely to be postponed while they consider their future in the current climate.

It is encouraging to see that over **40%** have said they will not be making any changes to their business in the coming months, preferring to maintain the status quo.

-  No change, our business will continue, but staff will work remotely
-  We intend to hire more people
-  We will impose salary reductions / freezes
-  We will limit bonuses / promotions
-  We will actively work to reduce our current headcount



A large proportion of their staff's wellbeing has been negatively impacted by COVID-19

Those working in construction have stated that they believe three quarters of their employees' wellbeing has been negatively impacted.

They have cited stress as being one of the key causes of mental health difficulties. Many said they were worried that some of their employees did not understand the importance of instilling social distancing on site and worry about the safety of themselves and their colleagues.

Those who already suffer from mental health issues have had their concerns further exacerbated by the level of business uncertainty this crisis has caused.

What does the Government need to focus on in order to relax restrictions?

The construction industry is seeking guidance from the government on how they can drive their businesses and industry forward post crisis. For some, they are seeking some form of additional fiscal stimulus.

They also seek better guidance on social distancing guidelines as many tasks require more than one operative to work in close proximity with the other. They seek clarity on these scenarios.

Some have asked that restrictions should be made on an individual basis rather than as a generic rule. They have also asked that the government considers allowing UK based specialist sub-contractors the right to enter the Island without the need to isolate first.

Summary of results



Keep it local - Buy Jersey

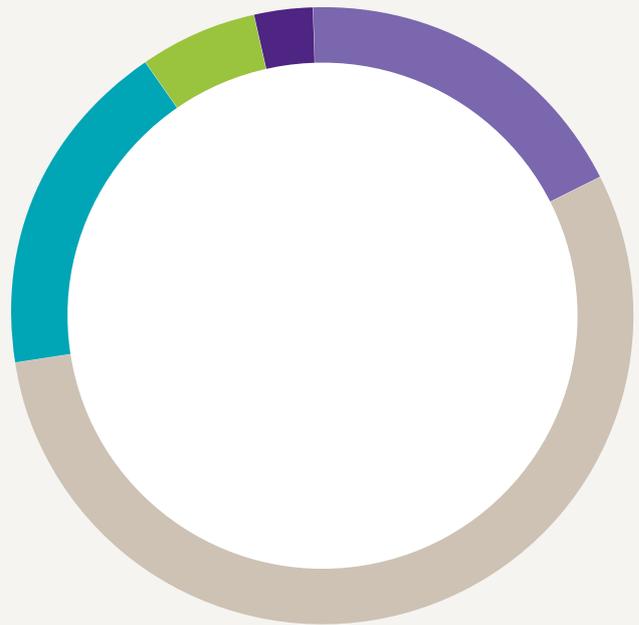
90% of those who responded to the survey from construction said they would commit to spending locally whenever possible and support other local businesses by buying locally over exporting goods from outside of the Channel Islands.

Construction remains positive and confident in their survival

This industry remains far more confident than other industries in its recovery.

Over **70%** of those who responded to the survey said they were either extremely confident or confident that their company will survive the crisis.

- Extremely confident
- Confident
- Neutral
- Not confident
- Extremely doubtful



Just over half of those working in construction believe they need to change their business model post crisis

55% of those who responded to the survey believe they should adapt their model, here is what they said they would consider:

- Many are looking at ways to streamline, improve efficiencies and even consider digital tools to assist with automation.
- Sustainability is also high on many companies' agenda by looking at what they can do to support the environment, become more financially effective and structurally sound.
- A positive was the response to "never waste a crisis" – they will look at safety measures and also what steps they can take to cut overheads and reduce fixed costs.



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