



WELLBEING IN CONSTRUCTION

BDO WELLBEING IN BUSINESS INDEX
BDO TE RANGAHAUA O NGĀ HAUORA PAI

JULY 2022

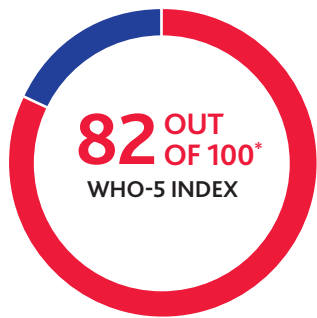


WELLBEING IN CONSTRUCTION

CHALLENGES AND OPPORTUNITIES FOR CONSTRUCTION BUSINESS LEADERS

Construction scored 82 out of 100 in the WHO-5 wellbeing index, with 37% of sector business leaders saying that they had been feeling less mentally healthy over the past 6 months. The whole-of-business average WHO-5 score was 69.

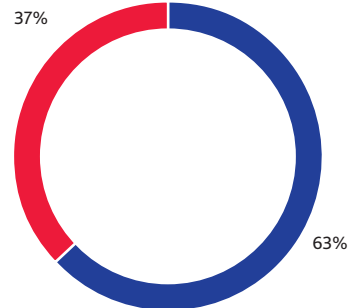
We know from the survey that there is a link between business performance and wellbeing, so a strong WHO-5 score among business leaders in construction at the time of surveying (late May 2022) isn't that surprising. The WHO-5 score provides a snapshot of wellbeing at a certain point, and, at that time, New Zealand's construction industry was booming.



*** HOW THE WHO-5 SCORE IS CALCULATED:**

The WHO-5 survey prompts respondents to rate their wellbeing in the last two weeks against 5 key statements. Someone who scores 'all of the time' on a particular statement is given a score of 5, while if they score 'at no time' they get a score of 0 for that statement. The total raw score, ranging from 0 to 25, is multiplied by 4 to give the final score, with 0 representing the worst imaginable wellbeing and 100 representing the best imaginable wellbeing.

IN THE LAST 6 MONTHS HAS ANYTHING BEEN CAUSING YOU TO FEEL LESS MENTALLY HEALTHY THAN NORMAL?

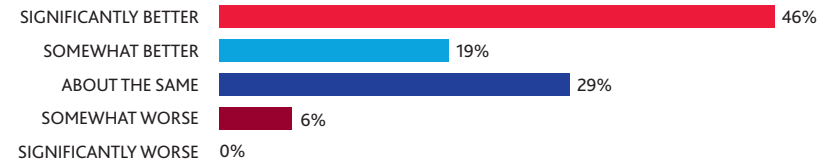


- YES – I HAVE BEEN FEELING LESS MENTALLY HEALTHY THAN NORMAL
- NO – I HAVE NOT BEEN FEELING LESS MENTALLY HEALTHY THAN NORMAL

EMPLOYEE PERFORMANCE AND CONFLICT CAUSING ISSUES

Of those who said they had been feeling less mentally healthy than normal, over half of these respondents cited the impacts of COVID-19 as the most common business reason. Second was employee performance or conflict at 39%. This is perhaps a reflection of the skills shortage and tight immigration settings that continue to cause problems for many sectors, but particularly in construction, which was already facing challenges in this area prior to the borders shutting. Many construction businesses are seeing employees jump ship for at times small pay increases – this is often not what's best for the employee long term, and creates issues for construction companies competing for the best talent while also trying to manage cash flow.

COMPARED WITH WHEN YOUR BUSINESS WAS FACING THE MOST DISRUPTION FROM COVID-19, WOULD YOU SAY IN THE LAST TWO WEEKS YOUR GENERAL WELLBEING HAS BEEN:



TAKING INTO CONSIDERATION YOUR PREVIOUS ANSWERS, HOW DO YOU EXPECT YOUR GENERAL SATISFACTION WITH LIFE TO BE IN 6 MONTHS' TIME?



WELLBEING IN CONSTRUCTION

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) A NEW INDUSTRY CHALLENGE

Nearly one-third (29%) said that challenges in addressing ESG (Environmental, Social, and Governance) were causing them to feel less mentally healthy. ESG considerations are becoming a key topic for construction businesses not just in Aotearoa but around the world. New insulation rules are expected to come into play towards the end of 2022, with further regulation expected as the New Zealand Government seeks to support the country's transition to a low-emissions economy.

While most construction businesses are keen to build in a more sustainable way, there has been little guidance from Government on how to do this, which is perhaps the reason why ESG considerations are becoming an increasing stressor in this industry.

The same number (29%) also said external economic and political factors were causing them to feel less mentally healthy than usual. Given inflation and interest rates are proving particularly disruptive to the construction industry this is not surprising.

Just under two-thirds (65%) said that they were feeling better than when COVID-19 was at peak disruption, while 29% were feeling about the same.

WEATHERING A POTENTIAL SLOW DOWN AHEAD

"Construction is an industry that traditionally has experienced some mental health challenges. We do expect conditions to get a little tighter in some parts of the sector towards the end of this year, so it will be key for construction business leaders to have strong financial management processes in place."



NICK INNES-JONES,
BDO CONSTRUCTION SECTOR SPECIALIST

"It's interesting to see ESG as something that's causing some degree of stress for construction businesses – this is an emerging consideration, often requested by clients, that is unlikely to have been as high on the agenda a few years ago. It really shows how seriously construction businesses are starting to take ESG and we hope that more Government support becomes available in this area to help."



JAMES MACQUEEN,
BDO CONSTRUCTION SECTOR SPECIALIST.

WELLBEING IN CONSTRUCTION

SHIELDING CONSTRUCTION BUSINESSES FROM RISK

There are several steps construction business leaders can take to help shield themselves against future uncertainty:

1. Plan workflow carefully to avoid any gaps between projects, taking into account current material shortages and likely delays.
2. Do your due diligence when accepting projects – if a client is unlikely to be able to pay the last bill, don't accept them.
3. Avoid fixed price contracts, especially if the price is fixed at current prices.
4. Stress test – have a monthly forecast for the next financial year and stress test this against any unforeseen events to show how your business would perform. A monthly review of your financials and gross margins will give you a much better idea of how your business is performing and will enable you to forecast more easily.
5. Focus on your cash flow – address your overheads, slow down capital expenditure and review job margins.
6. Start preparing to right size if necessary (also known as downsizing). Organisations need to consider what overheads they can trim now to operate at half the level they are working at present.
7. That said, it's important to still retain your skilled staff and continue with their training (the Government's Apprenticeship Boost scheme can help you do this), so that you don't perpetuate the skills shortage which is having a significant contribution to current conditions.



CONTACT OUR SPECIALIST CONSTRUCTION TEAM
AT [BDO.NZ/CONSTRUCTION](https://www.bdo.co.nz/construction)



WELLBEING SUPPORT
CONTACTS

[Mates in Construction](#)

[Xero Assistance Programme \(XAP\)](#)

[1737.org.nz](https://www.1737.org.nz) – National mental health helpline

Mental Health Foundation ([mentalhealth.org.nz](https://www.mentalhealth.org.nz))

Rural Support Trust