

# IMPACT OF THE MOVEMENT CONTROL ORDER (MCO) AND THE COVID-19 PANDEMIC ON ARCHITECTURAL PRACTICES IN MALAYSIA

Shaping the future of the profession in the age of big data

In conversation with PAM - Episode 2  
4 July 2020



**Ar. David Teoh**

Committee Member  
PAM Research & Futures Committee  
PAM Promotion of the Profession Committee

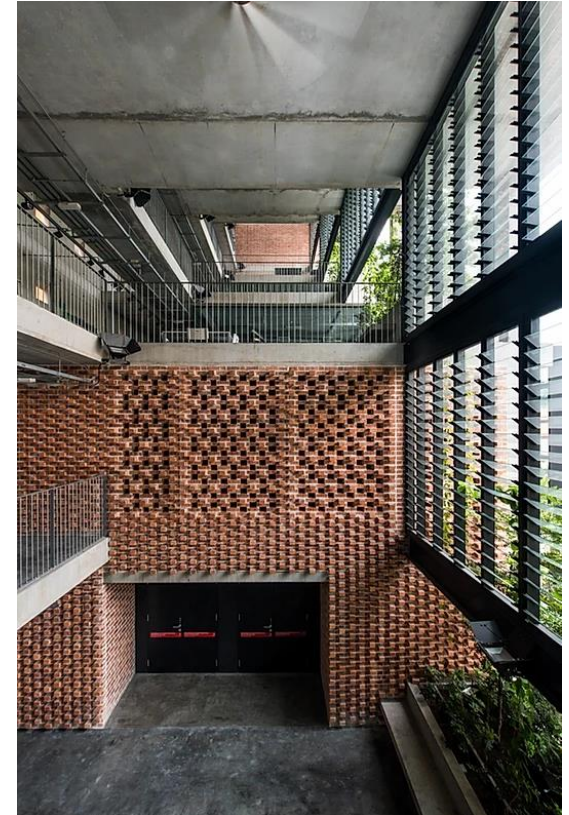
## Survey Objectives

- **Need for data** to communicate the needs of architecture firms to formulate economic policy.
- **Reference for firms** to understand the state of the profession.

## Survey Results

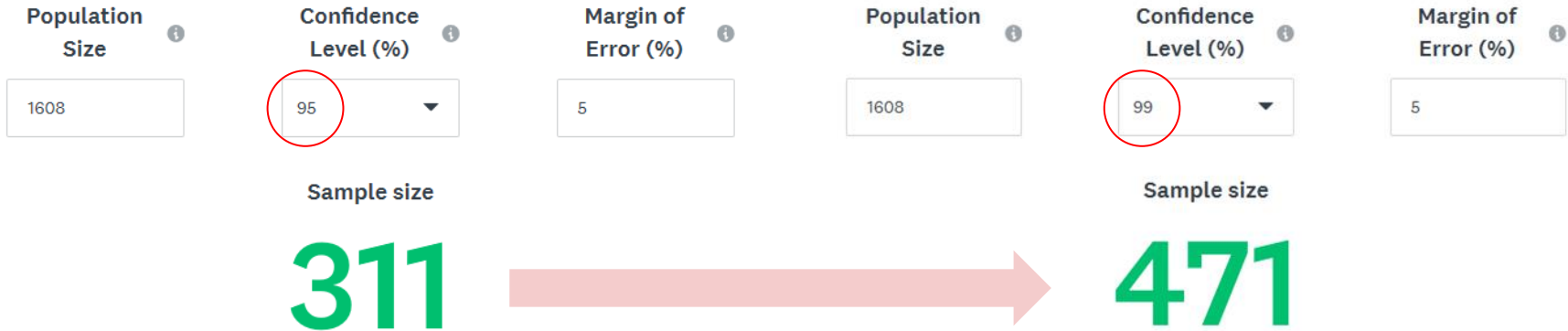
- Survey was conducted between **5 - 10 May 2020**
- Sample size of **354 firms out of 1608 firms**
- **22% of firms equates to a projected accuracy of 95.4%**

<sup>1</sup> For a population of 1608 ACPs, 354 respondents would provide a 95.4% accuracy according to the SurveyMonkey sample confidence formula. Reference: <https://www.surveymonkey.com/mp/sample-size-calculator/>



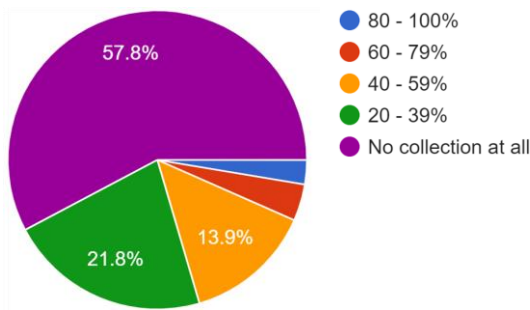
PAM Centre, Bangsar, by HMA & Associates.  
(Photo credit: David Yeow, [www.davidyeow.com](http://www.davidyeow.com) )

## Survey Accuracy

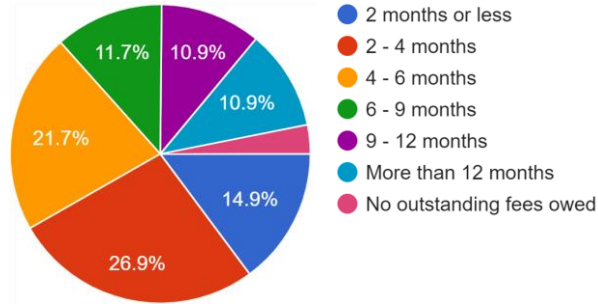


- Our aim is to get 471 firms to fill in the next survey.
- The bigger the sample - the more accurate the data.
- **Help us, help you.**

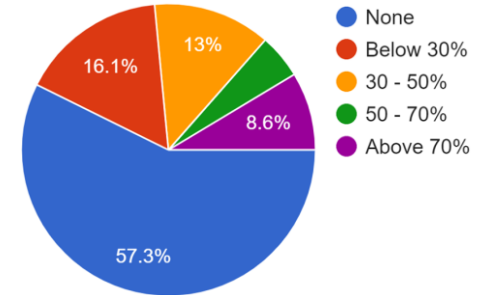
## Fee Collection During the MCO



Percentage of outstanding claims paid during MCO



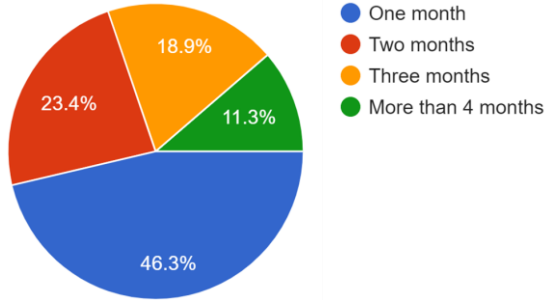
Percentage of fees owed as a factor of total monthly salary cost



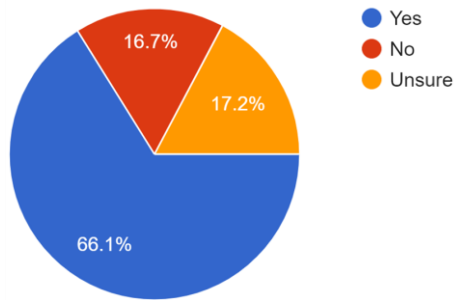
Fees owed from public sector projects (Federal or State Government entities)

- **58% of ACPs had no collection of fees during the MCO.**
- **80% of ACPs would have at least 2-4 months fees owed** affecting sustainable cash flow.
- **43% of the ACPs polled have outstanding fees unpaid from public sector projects.**

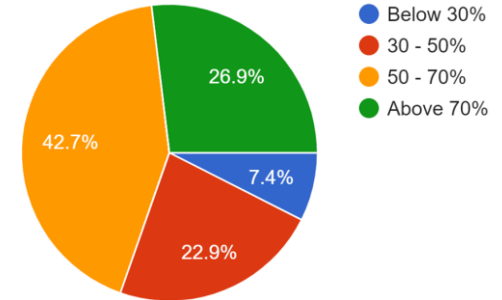
## Are ACPs able to sustain salaries post-MCO?



Duration of time ACPs will be able to pay salaries at the same rate after MCO



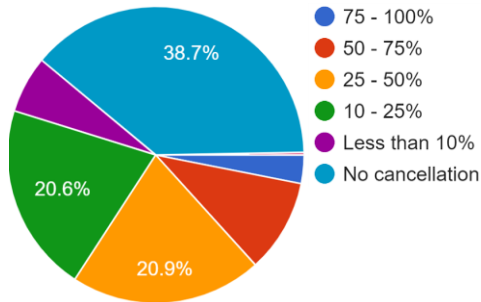
Are ACPs facing difficulty paying salaries for the month of May onwards?



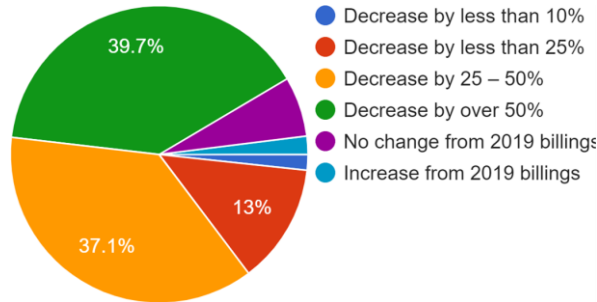
Salaries as a percentage of total ACP overheads

- **46% of ACPs have 1 month reserves to pay staff at pre-MCO salary rates, 23% are able to sustain for 2 months.**
- **83% of ACPs have concerns over making their payroll commitments for the month of May onwards.**
- **For 70% of ACPs salary costs equate to more than half of the company's overheads.**

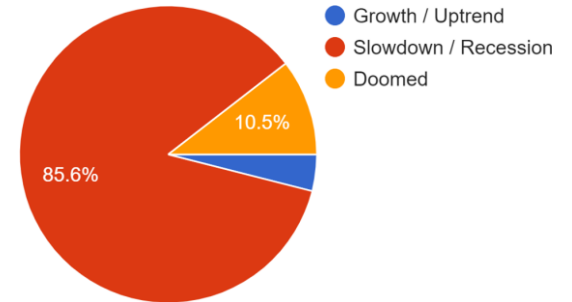
## Outlook for 2020/2021



Percentage of jobs that will be cancelled



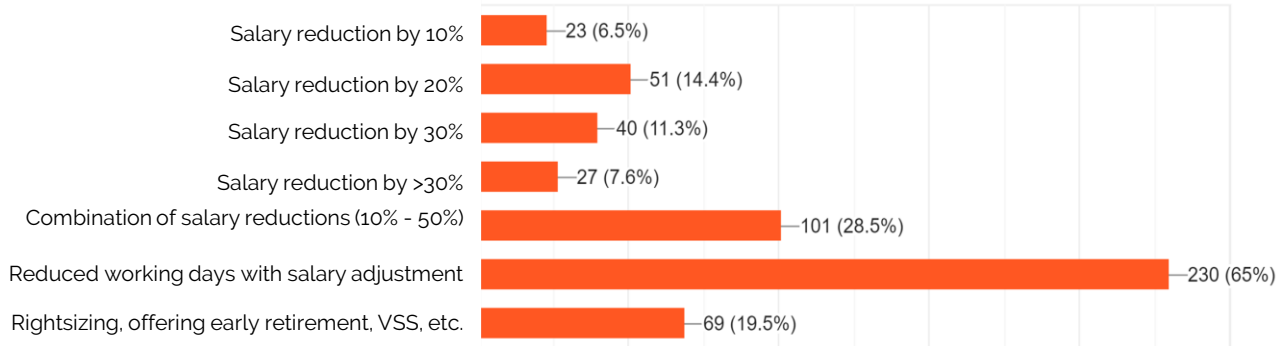
Estimated fee billings for 2020



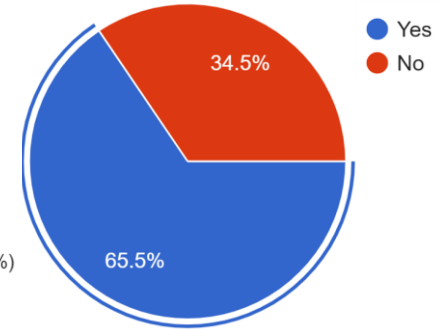
Outlook for 2020 / 2021

- **61% of ACPs will be experiencing cancellation of projects in the short term.**
- **40% anticipate a decrease of fees by over 50% for 2020,**
- **37% anticipate a decrease of between 25-50% amongst all ACPs polled,**
- **85.6% anticipate a recession in the next 12 months while 10.5% feel that their business is doomed now**

## Managing Financial Risks and the PRIHATIN programme



Options ACPs are considering to manage their financial risks

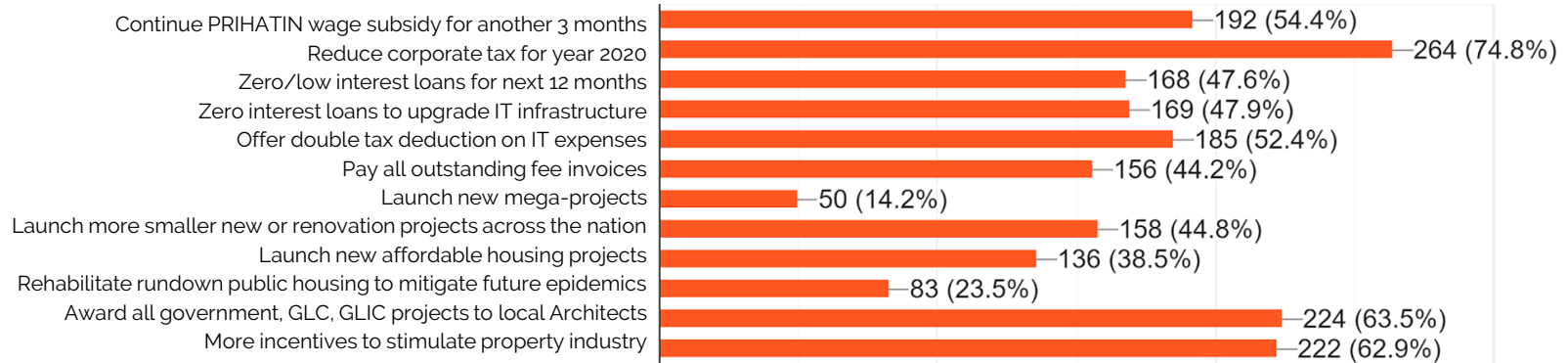


Percentage of ACPs applying for PRIHATIN

- **65% of ACPs are were considering reduced working days with salary adjustment**
- **20% of ACPs are considering retrenchment**
- **66% of the ACPs surveyed have opted to apply for the PRIHATIN wage subsidy.**
- **35% of ACPs opted not to apply for PRIHATIN.**

ACPs did not want to exclude the option of reducing salaries or retrenchment

## Policy suggestions for ACPs to be better supported



Policy suggestions for the consideration of the Government

- **75% of respondents agree that corporate tax should be reduced for 2020.**
- **ACPs require assistance to support IT infrastructure investments for ACPs.**
- **64% would like government, GLC and GLIC projects to be awarded to local Architects.**
- **63% would like the government to roll out incentives to boost the property industry.**
- **ACPs prefer smaller scale projects spread out across the country vs more mega projects**



## Background + Current Issues – Architect Firms



### Professional Role

- **Architect / Engineer firms are crucial for construction sector to restart** due to their role to inspect, supervise, certify construction works and administer the Building Contract. Resident Architect/Engineer provide standing supervision on site and needed at site to enable resumption of construction works. Quantity Surveyors needed to value works done & certify monthly payments.

### Profile

- **99% Architect firms are SMEs.** 90% firms have less than 20 employees. 75% are Sole Proprietors.
- **Total workforce of 35,000** in architecture services in Malaysia

### Severe Cash flow Challenges

- 90% firms are owed fees from private sector clients. **43% owed fees by Government entities.**
- **80% are owed fees amounting to 2-6 months salary.** 84% facing difficulty to pay salaries for May.
- 58% had no collection of fees during MCO. 61% experienced project cancellation.
- 4% firms have decided to close down. 11% considering closure in near future.
- 70% firms say salary costs in professional firm is more than 50% of overheads.
- **35% could not apply for PRIHATIN SME+ wage subsidy,** as they need to reduce salaries / retrench.

### Human Resource Challenges

- **65% will adopt reduced working days with salary adjustment.**
- 20% will be offering VSS, early retirement or retrench to downsize

### Re-starting work during/post MCO

- 12% firms could reopen partially from 49% who applied, due to SOP, test delays, fear of infection, etc
- 37% who applied decided to stay home during MCO3 fearing penalties & costs if one staff is infected.
- 54% reopened offices partially from 4 May. **Low productivity due to WFH, SOPs, safe distancing.**
- 86% expected to have re-opened offices partially only after Hari Raya Aidilfitri holiday.

### Lack IT Infrastructure

- **61% firms struggled to Work From Home during MCO/CMCO due to limited IT infrastructure.**
- **92% firms need immediate funds to upgrade IT infrastructure to increase productivity post MCO** with public health precautions continuing till year end.

## Upcoming 2<sup>nd</sup> Post-MCO Survey



- How are our firms doing 2 months since 1<sup>st</sup> survey?
- How much fees are still owed by different client sectors? Feedback to be provided to policymakers.
- Has the PENJANA economic relief package been effective?
- How can PAM assist in making the profession more resilient?

*Please select **one principal per firm** to respond to the survey only so that data obtained can be as accurate as possible.*