

CONSTRUCTION SKILLS NETWORK

Labour Market Intelligence Report



South West

5-year outlook 2022-2026

SOUTH WEST

The volume of construction work in the South West, one of the lowest of the regions and therefore lower than the UK forecast of 3.2%, will grow by an annual average rate of

↑ **2.5%**

The biggest gains in output are set to come from

↑ **Private housing
Repair & Maintenance**

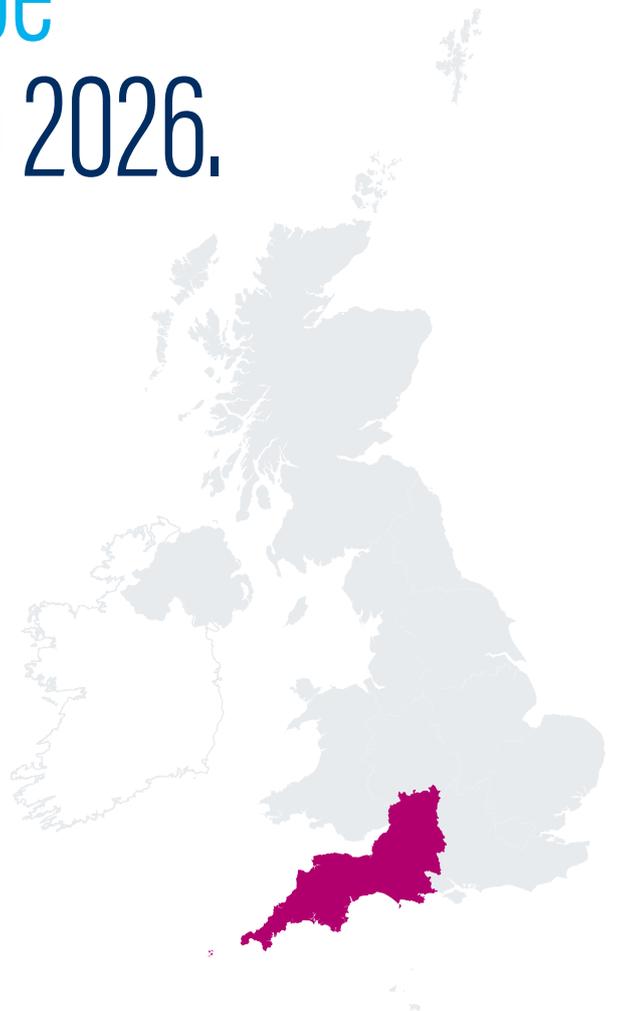
The occupations with the strongest additional recruitment requirements are

↑ **Wood trades** (2,290 per year)
**Other construction professionals
and technical staff** (1,060 per year)
Electrical trades (1,050 per year)

Major projects in the South West include

+ **Hinkley Point C** (£25bn)
Upgrading the A303 (£250m)

The annual recruitment requirement in the South West of 3.6% per year is above the UK average of 2.0% and means an extra 41,950 workers will be needed from 2022 to 2026.



UK Macroeconomic backdrop

In 2020 and 2021, the UK went through several lockdowns in response to the spread of the Covid-19 virus.

The adverse impact on the economy was more severe in 2020 when Gross Domestic Product (GDP) contracted by nearly 10%, but the rollout of the Covid-19 vaccination programme, which started in late 2020 together with progressively less restrictive lockdown measures has meant that 2021 was a period of relative growth and improved confidence.

Macroeconomic indicators suggested that the economy would face a mixed start to 2022 as growth weakened towards the end to 2021 in response to the rapidly increasing numbers of Covid-19 cases associated with the Omicron variant and a fall in consumer confidence and retail activity. The major purchase index also fell and consumers' views on the economy and on their personal finances also worsened, driven by concerns over the higher cost of living and the prospect of looming interest rate increases. However, the impact of the Omicron variant appears to have passed without significant economic damage and economic forecasts at the start of 2022 had an average of over 4% GDP growth for the year, after allowing for the expected squeeze on real incomes and household consumption.

While supply chain issues that initially emerged in 2021 continued to blight the construction industry, leading to associated rise in input costs, there were signs that this had started to ease slightly

by the end of the year. In January 2022 GB monthly construction output had increased by 1.6% to £14.6bn, which was the highest monthly output figure since February 2020. The IHS Markit/CIPS UK Construction PMI® Total Activity Index increased from 56.3 in January 2022 to 59.1 in February, pointing towards an increase in construction activity.

The cautious optimism at the start of 2022 would have also been helped by the easing of Covid-19 restrictions across the UK. However, increasing supply chain costs and inflation were brought firmly back into focus following Russia's invasion of Ukraine at the end of February, which subsequently led to the introduction of economic sanctions on Russia that have exacerbated already rising global commodity prices, especially oil and gas, food, and raw materials for industrial production. As a result, economic forecasts are now being revised down for the UK in 2022 and 2023 as higher energy and food prices drive up inflation and squeeze the cost of living for many.

Although the macroeconomic pressures will undoubtedly have an impact on construction work as aggregate demand weakens in the short to medium-term, we still see the greatest challenge the construction industry faces over the next five years being the recruitment of sufficient numbers of people to fill the growing number of vacancies.

The UK economy is in the grip of the tightest labour market for several decades and going into 2022, construction vacancies were nearly double the level seen in 2019. This shows little sign of easing, even with a weakening of demand, which points towards growing competition in the job market. Recruiting workers will be a major task and means construction employers will need to refresh the way they recruit. Employing fully skilled workers is unlikely to meet the expected shortfall because, to put it bluntly, the workers aren't available; they have left industry through retirement, emigration, or choice.

To prepare for growth, the industry must consider recruiting from a wider and more varied range of sources while approaches to recruitment need to adapt to help construction companies attract from as wide a base of potential workers as possible. Without the workers and skills required, industry will be unable to capitalise on the growth opportunities that are identified in the 2022-2026 Outlook to build the volume of homes the country needs, construct the infrastructure to ensure the economy thrives and retrofit our built environment to meet net zero targets.

Early indicators suggest that the economy will face a mixed start to 2022.

Structure

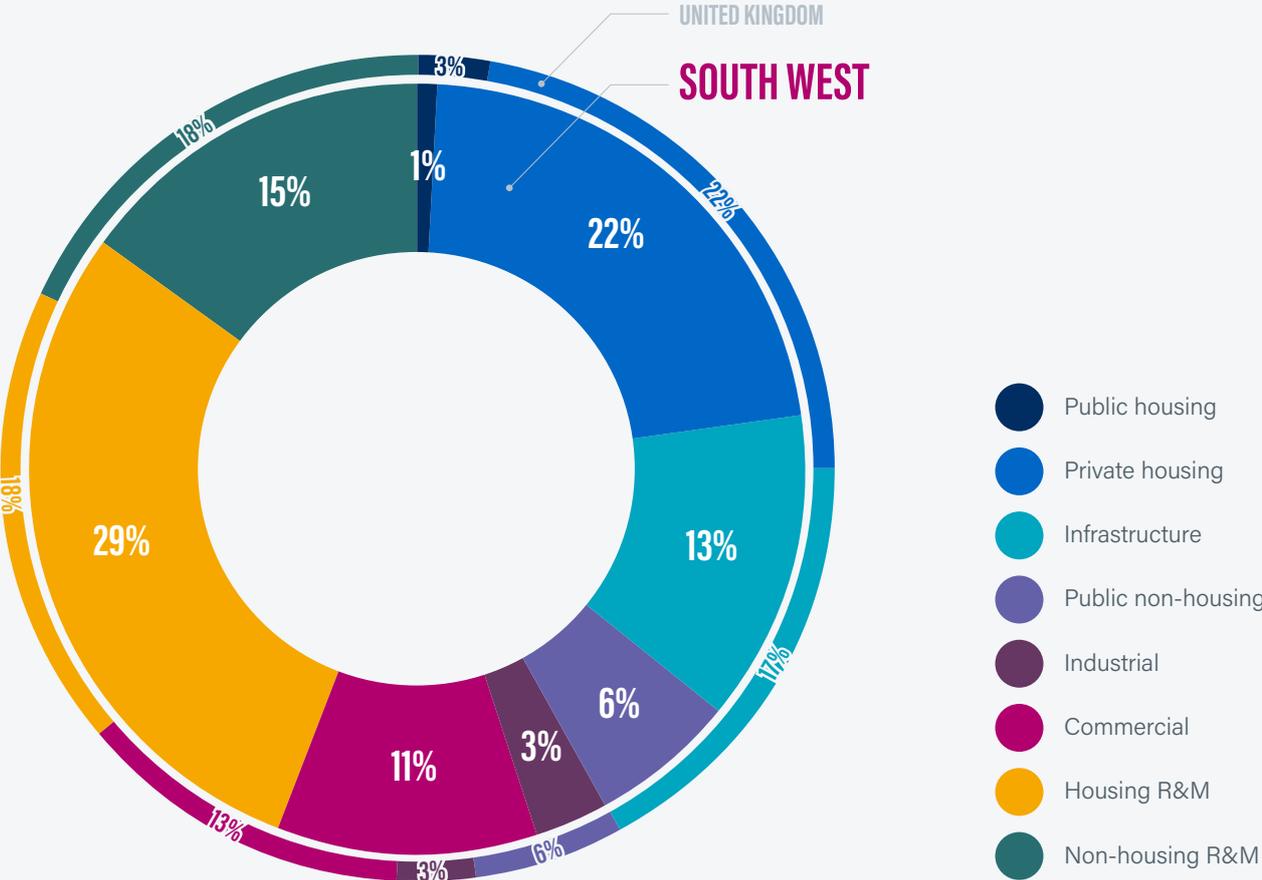
The profile of the construction industry in the South West has one main difference when compared to the UK profile, a far higher share of housing R&M.

In 2021 housing R&M was the strongest sector in the region, accounting for 29% of total work, having increased by over 40% from output in 2020. Output in the other sectors then follows a similar profile to the UK.

Housing R&M total output

29%

CONSTRUCTION INDUSTRY STRUCTURE 2021 SOUTH WEST VS UK



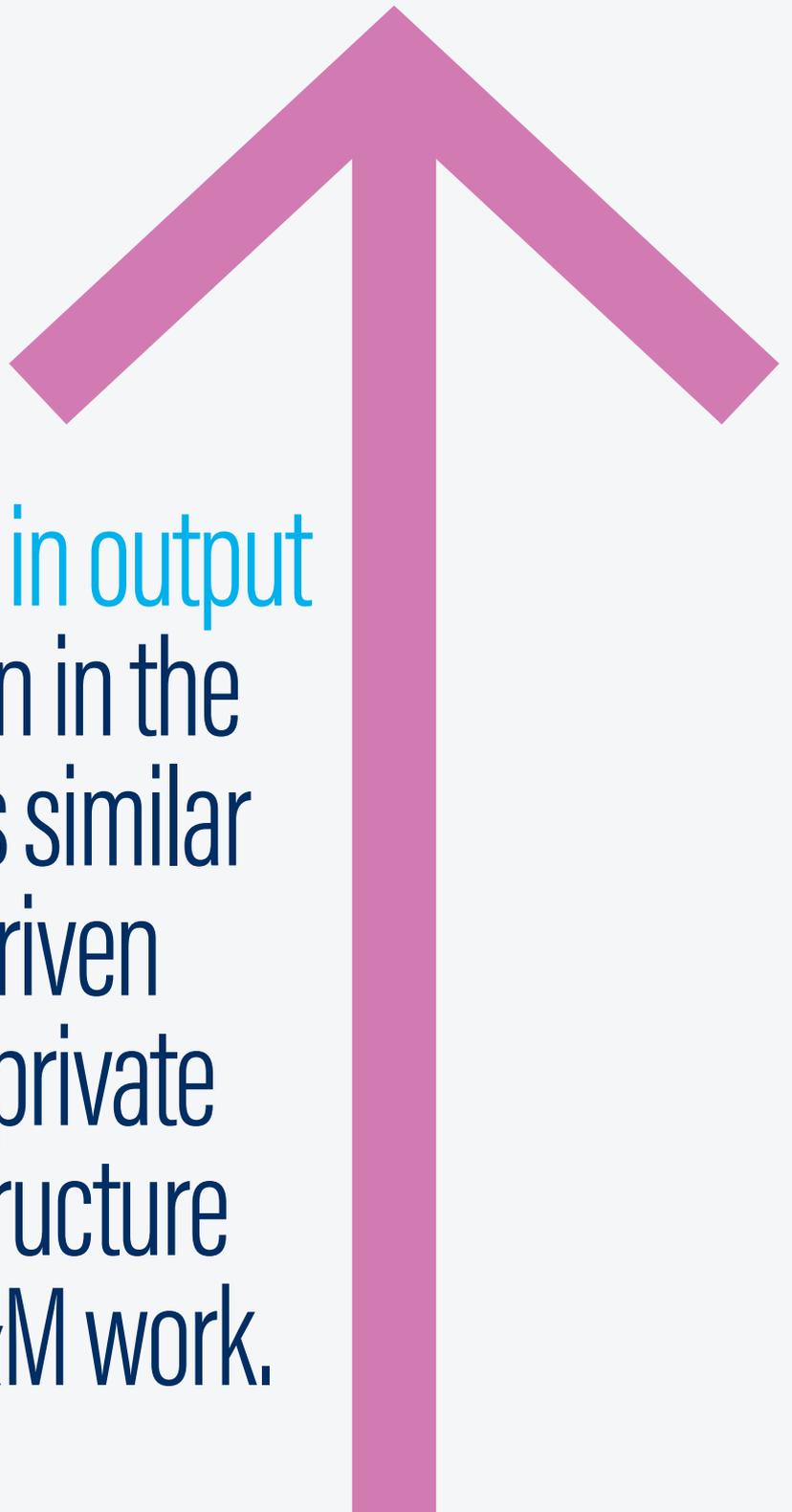
2021 view

Total annual output 2021

£12.9bn

Total estimated output 2022

£13.4bn



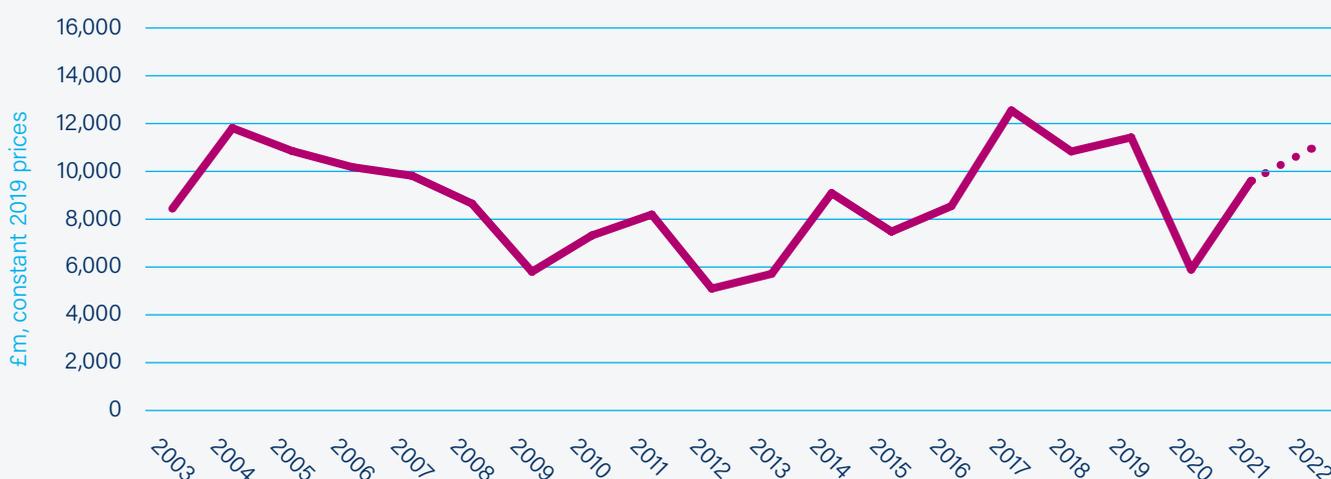
The 13% pick up in output during 2021 seen in the South West was similar to the UK, and driven by increases in private housing, infrastructure and housing R&M work.

2021 view

However, while infrastructure was the main sector for the UK, housing R&M work was clearly the driving force in the region, increasing by more than 40%. The South West is close to the UK view with the drop in output seen in 2020 not quite recovering in 2021 and being 5% down on pre-pandemic levels. However, with growth forecasted we expect to see output reach the level seen in 2019 towards the end of 2022 or early into 2023.

CONSTRUCTION OUTPUT 2003 - 2022 SOUTH WEST

Source: ONS
Ref: CSN explained, Section 4: Note 1



Output forecast 2022 - 2026

South West annual average growth rate

In the South West, the volume of work will grow by an annual average rate of 2.5%, which is lower than the UK rate of 3.2%. Nearly all sectors will see growth over the forecast, with R&M slightly stronger than new work, and most following a pattern of higher growth in the earlier years, which slows down towards the latter years. The exception is infrastructure work, where we see a decrease in output as the main construction work at Hinkley Point C ramps down towards the latter part of the forecast.

While the industrial sector has the highest annual average growth rate at 5.3%, it has a relatively low share of total output at just under 3%. The biggest gains in output are set to come from the private housing (+£600m) and housing R&M (+£570m) sectors, accounting for around 70% of the total output increase. The public housing sector also has a relatively strong growth rate of 3.7%, however, like the industrial sector, it accounts for a relatively low share of total output (under 2%).

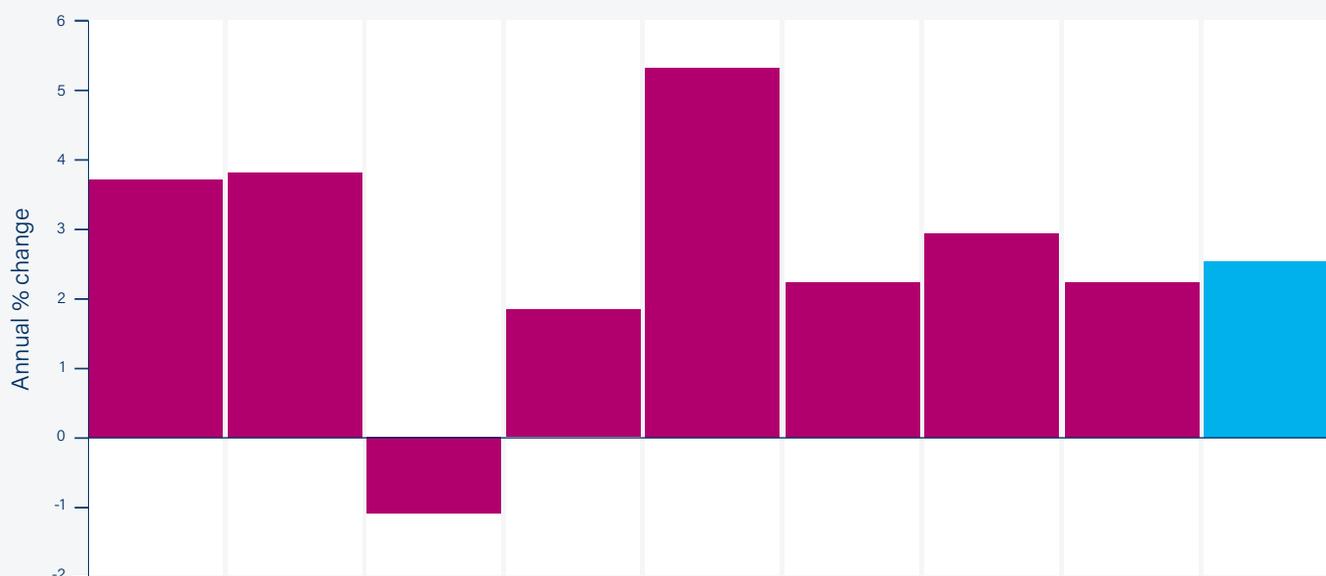
2.5%

Forecast

ANNUAL AVERAGE OUTPUT GROWTH BY SECTOR 2022-2026 SOUTH WEST

Source: Experian
Ref: CSN Explained, Section 4, Note 2

Public housing	Private housing	Infrastructure	Public non-housing	Industrial	Commercial	Housing R&M	Non-housing R&M	Total work
3.7%	3.8%	-1.1%	1.8%	5.3%	2.2%	2.9%	2.2%	2.5%



CONSTRUCTION OUTPUT - SOUTH WEST (£ MILLION, 2019 PRICES)

	Actual	Forecast (Annual % change, real terms)					Annual average
	2021	2022	2023	2024	2025	2026	2022-2026
Public housing	163	5.5%	2.5%	4.0%	3.2%	3.2%	3.7%
Private housing	2,890	4.3%	4.4%	5.1%	2.7%	2.6%	3.8%
Infrastructure	1,607	7.7%	-8.1%	-4.7%	-0.2%	0.3%	-1.1%
Public non-housing	826	-1.2%	3.3%	4.1%	1.0%	2.0%	1.8%
Industrial	344	15.4%	5.4%	5.8%	0.3%	0.3%	5.3%
Commercial	1,398	0.8%	4.3%	2.3%	1.9%	1.5%	2.2%
New work	7,227	4.3%	1.4%	2.5%	1.7%	1.8%	2.3%
Housing R&M	3,747	4.9%	4.6%	2.3%	0.8%	1.8%	2.9%
Non-housing R&M	1,895	1.6%	3.7%	1.1%	2.9%	1.9%	2.2%
Total R&M	5,641	3.8%	4.3%	1.9%	1.5%	1.8%	2.7%
Total work	12,868	4.1%	2.7%	2.2%	1.6%	1.8%	2.5%

The annual average growth rate is the rate of growth between the end of 2021 and the end of 2026, i.e., five-year period.

Source: Experian Ref: CSN Explained, Section 4, Note 2

The main new work project in the region is the **Hinkley Point C** nuclear new build project. The halfway point in construction was reached in September 2021, and **the on-site workforce set to increase to 8,500 in 2022/2023.**

Dredging continues in the Bristol Channel to enable six cooling water tunnel heads to be placed after tunnel boring is completed. The first prefabricated steel ring section for the second reactor was lifted into place in November 2021. With the forecast start date for Unit 1 generation in 2027, construction work will ramp down towards the latter years of the forecast, hence the drop in infrastructure output as there isn't a project of the same scale in the pipeline for the South West.

Work to upgrade the A303 between Sparkford and Ilchester, with costs up to £250m, is in progress and plans for the section between Amesbury to Berwick Down are under review. There are potential plans for mass transit systems in Bristol or tidal lagoon schemes that may provide a future boost to infrastructure work, depending how they progress.

New housing work will be supported by developments such as Taunton Garden Town, China Clay Community Eco-Town and Elms Park, assuming plans are progressed. In March 2021, Bristol City Council gave the green light to Goram Homes to proceed with plans to build more than 1,700 new homes in the coming year, including 600 affordable properties.

In the industrial sector, Belgian building materials producer Etex has unveiled ambitious plans for a £140m plasterboard factory in Bristol. The company has purchased a brownfield site at the Royal Portbury Dock in Bristol port, close to one of its existing plants. Subject to planning approval the plant should be operational by 2022.

The Health Infrastructure Programme in the South West Peninsula's NHS estate, with capital investment of more than £1bn, will support work in the public non-housing sector.

New homes to be built in Bristol in 2023

+ **1,700**

Etex plans to build plasterboard factory in Bristol

+ **£140m**

Workforce forecast

The level of output growth in the South West gives an annual average increase of 0.7% in the construction workforce, which is just lower than the UK figure of 0.8%. Again, the region was similar to the UK, in 2020 there was a slight drop in the workforce of just under 2% to 238,900, which dipped slightly in 2021 to 237,300. In 2022 we expect the workforce to pick up to 240,000 and then continue to grow to 245,500 by 2026.

TOTAL WORKFORCE BY OCCUPATION - SOUTH WEST

	Actual	Estimate	Forecast	
	2020	2021	2022	2026
Senior, executive, and business process managers	18,600	17,500	17,500	17,400
Construction project managers	3,300	3,100	3,200	3,400
Other construction process managers	13,800	13,000	13,200	14,300
Non-construction professional, technical, IT, and other office-based staff	31,400	34,000	34,400	34,700
Construction trades supervisors	3,500	3,800	3,900	3,700
Wood trades and interior fit-out	29,400	29,900	30,100	31,100
Bricklayers	7,500	7,100	6,900	7,900
Building envelope specialists	13,400	12,600	12,800	13,700
Painters and decorators	9,800	9,300	9,300	9,400
Plasterers	4,500	4,900	4,900	5,000
Roofers	5,300	5,700	5,400	5,500
Floorers	1,200	1,100	1,100	1,100
Glaziers	2,300	2,400	2,500	2,600
Specialist building operatives nec*	4,700	4,400	4,400	4,500
Scaffolders	3,500	3,300	3,300	3,600
Plant operatives	3,500	3,300	3,700	3,400
Plant mechanics/fitters	2,900	2,700	2,700	2,800
Steel erectors/structural fabrication	2,900	2,700	3,000	2,600
Labourers nec*	5,300	5,700	5,800	5,700
Electrical trades and installation	20,400	19,300	19,500	20,700
Plumbing and HVAC Trades	18,500	18,500	18,600	19,200
Logistics	1,200	1,100	1,200	1,100
Civil engineering operatives nec*	2,700	2,500	2,800	2,300
Non-construction operatives	2,100	2,000	2,000	1,800
Total (SIC 41-43)	211,500	210,100	212,100	217,400
Civil engineers	3,000	2,800	3,100	2,600
Other construction professionals and technical staff	17,600	17,300	17,300	17,300
Architects	2,200	2,100	2,200	2,300
Surveyors	4,600	5,000	5,300	5,800
Total (SIC 41-43, 71.1, 74.9)	238,900	237,300	240,000	245,500

Workforce covers construction contracting, SIC 41, 42 & 43 along with supporting technical and professional workers in SIC 71 and 74.9

* Not elsewhere classified

Source: ONS, CSN, Experian
Ref: CSN Explained, Section 4, Notes 5 and 6

Annual Recruitment Requirement (ARR)

The average annual recruitment requirement in the South West is set to average 3.6% per year, based on 2021 workforce levels, which is higher than the UK figure of 2.0%. This means the construction industry would have to increase current recruitment by 8,390 new workers each year to deliver the expected work between the start of 2022 and end of 2026.

The following occupations have some of the strongest recruitment requirement values:

- **Wood trades and interior fit-out** (2,290 per year)
- **Other construction professionals and technical** (1,060 per year)
- **Electrical trades and installation** (1,050 per year).

Wood trade roles will be in demand as they also have a high requirement relative to the workforce, at 7.7% compared to the overall figure of 3.6%. There will also be pressure on occupations, such as labourers (7.4%), plant operatives (6.9%), and surveyors (6.2%) where demand is high compared to their workforce level. For occupations that have no ARR value on the table, indication is that recent levels of recruitment will be able to meet future need if they are maintained.

ANNUAL RECRUITMENT REQUIREMENT BY OCCUPATION - SOUTH WEST

	ARR as % of 2021 workforce	ARR value per year
Senior, executive, and business process managers	-	-
Construction project managers	1.6%	50
Other construction process managers	4.5%	590
Non-construction professional, technical, IT, and other office-based staff	2.7%	930
Construction trades supervisors	1.3%	50
Wood trades and interior fit-out	7.7%	2,290
Bricklayers	3.0%	210
Building envelope specialists	1.6%	200
Painters and decorators	-	-
Plasterers	-	-
Roofers	4.0%	230
Floorers	-	<50
Glaziers	2.5%	60
Specialist building operatives nec*	-	-
Scaffolders	1.8%	60
Plant operatives	6.9%	230
Plant mechanics/fitters	-	-
Steel erectors/structural fabrication	-	<50
Labourers nec*	7.4%	420
Electrical trades and installation	5.4%	1,050
Plumbing and HVAC Trades	2.6%	490
Logistics	-	<50
Civil engineering operatives nec*	-	<50
Non construction operatives	-	-
Total (SIC 41-43)		6,860
Civil engineers	-	-
Other construction professionals and technical staff	6.1%	1,060
Architects	-	<50
Surveyors	6.2%	310
Total (SIC 41-43, 71.1, 74.9)	3.6%	8,390

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Note: figures may not sum to totals due to rounding

Source: ONS, CSN, Experian
Ref: CSN Explained, Section 4, Notes 5 and 6

When looking at the workforce and ARR forecast it is important to note that in 2021, the South West saw a strong increase in construction job vacancies, with companies having difficulty in finding suitably skilled workers. This has led to skills shortages being reported over a range of occupations and wage rates increasing as companies look to attract workers. While there are indications of a drop in construction vacancies towards the end of 2021, levels are still higher than what was seen before the impact of Covid-19.

The ARR was developed to give a forward-looking view of where extra recruitment demand is needed, therefore it takes account of existing trends, such as the movement of people into and out of the construction industry that we'd expect to happen, although on an annual basis. Recruitment to fill vacancies would be one aspect of movement of workers into the industry, however, companies can look to fill this through several routes.

Companies can:

- Attract skilled workers who are already working elsewhere in the construction industry, although this obviously moves existing workers around rather than meet overall industry need
- Attract skilled workers who have left the industry back into construction. This would be either those who have left to work in other industries or those that have become unemployed/inactive
- Attract and train new entrants into the workforce from those leaving school, further education, or higher education
- Improve the retention of workers within the industry
- Look at how productivity can be improved.

3 MONTH MOVING AVERAGE OF CONSTRUCTION VACANCIES, SOUTH WEST

Source: EMSI Burning Glass, selected construction occupations, South West



The response to skills shortages is likely to be a mix of these options, however, there are some challenges. The strength of the jobs market, certainly in the short to medium term, and relatively low levels of unemployment means that there will be increased competition for workers. Companies that are able to understand and meet what workers value the most are the ones that are more likely to be successful at attracting and retaining new staff. That could range from being able to offer long-term career opportunities with support to help development, through to good levels of pay, or flexible working to have a positive work/life balance. Construction companies in the South West will be facing the issues identified in CITB's recently published *Rethinking Recruitment*, which highlights some of the challenges and how to support construction companies in overcoming them.

There are also recent trends in training to consider, with a CITB survey showing a GB wide drop in employer training, which was expected with the impact of Covid-19, along with recent figures on GB apprenticeship starts and wider vocational training being around 12% - 14% lower at the end of 2020/21 compared to 2018/19.

The trends for construction training in England have followed this pattern. For apprenticeships there was a 3% drop in starts for 2019/20 when compared to 2018/19, and in 2020/21 this dropped by a further 9%. This means that construction starts in 2020/21 starts were just over 11% down on 2018/19 figures, however, recent England data for Q2 2021/22 shows 20,500 starts, which is back to levels seen in earlier years.

The South West has followed a slightly different pattern with more of a drop in 2019/20, down by just over 7%, followed by less of a fall in 2020/21 of 3%. However,

the position at the end of 2020/21 is apprenticeship starts being 10% lower than the 2018/19 levels in the region, which is similar to the England figure.

For learners achieving construction qualification in England, there was a 19% drop in achievements in 2019/20, which has picked back up in 2020/21, although not to the level seen in 2018/19. The South West showed more of a drop in 2019/20, down by 34% and a 14% pick up in 2020/21.

Both charts point to a profile of training trends in the South West, which hasn't returned to pre-covid levels for further education learners, or apprenticeships. The increasing demand for workers shown by the ARR and the high level of vacancies being posted indicates that there is some work to do to get construction training to a level that meets current and future demand in the region.

SOUTH WEST, CUMULATIVE MONTHLY APPRENTICESHIP STARTS, CONSTRUCTION, PLANNING AND THE BUILT ENVIRONMENT SECTOR SUBJECT AREA, 2018/19 - 2020/21

Source: Department for Education



CONSTRUCTION SECTOR QUALIFICATION ACHIEVEMENTS, LEVEL 2+, SOUTH WEST, 2017/18 - 2020/21

Source: Department for Education



CITB support to industry in England

CITB England will continue to support industry through various initiatives in 2022.

CITB is therefore looking at a range of actions that will help to support construction companies to invest in training by helping to protect apprenticeships, using targeted funding for skills priorities, helping businesses to identify training needs and ensuring that standards are in place for the required training. Examples of this are the Apprenticeship Toolkit that was launched in February providing information that helps companies to know about the

process of hiring an apprentice, and how CITB can help; and the Onsite Experience hubs, designed to provide a one-stop recruitment solution for construction employers. More details on CITB's actions are set out in the 2022-2023 Business Plan.

Overcoming skills shortages in a more competitive labour market with increasing demand for construction workers will require combined action

from CITB, construction companies and government. Without this, the construction industry will not be able to capitalise on the growth opportunities identified in the 2022-2026 Outlook to build the volume of homes the country needs, the infrastructure to ensure the economy thrives and retrofit our built environment to meet net zero targets.

Targeted funding for skills priorities, helping businesses to identify training needs and ensuring that standards are in place for the required training.

Regional breakdown within England

Click on a region below to view the list of Local Authority Districts within that area.

North East

North West

Yorkshire & the Humber

East Midlands

West Midlands

East of England

Greater London

South West

South East

South West

Bath and North East

Somerset

Bournemouth, Christchurch and Poole

Bristol, City of

Cheltenham

Cornwall

Cotswold

Dorset

East Devon

Exeter

Forest of Dean

Gloucester

Isles of Scilly

Mendip

Mid Devon

North Devon

North Somerset

Plymouth

Sedgemoor

Somerset West and

Taunton

South Gloucestershire

South Hams

South Somerset

Stroud

Swindon

Teignbridge

Tewkesbury

Torbay

Torrige

West Devon

Wiltshire

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