

2012–2016 Construction Skills Network West Midlands

LABOUR MARKET INTELLIGENCE



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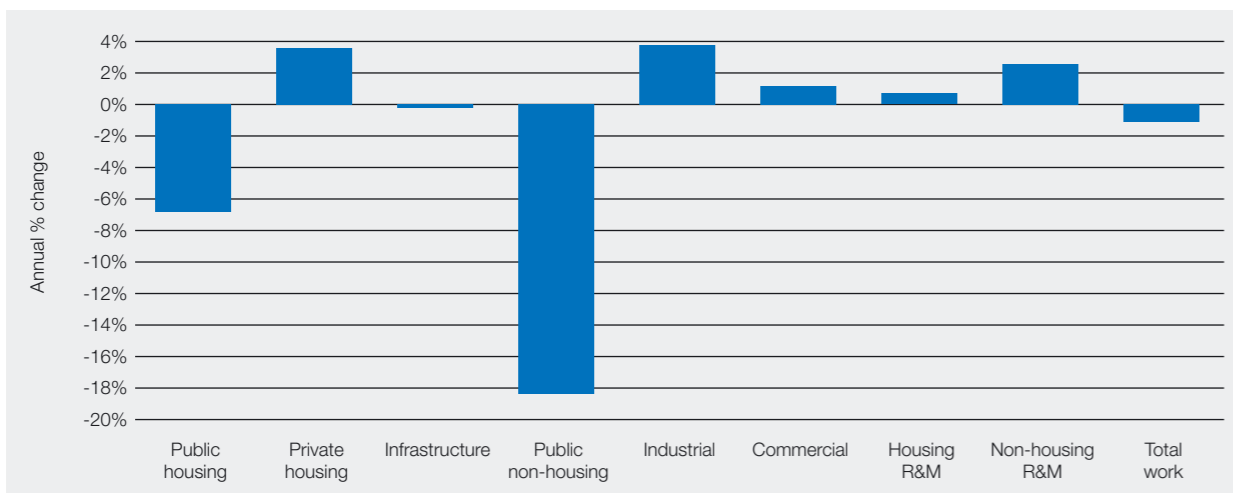
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1. Summary – West Midlands

The region's construction industry is expected to decline by an annual average rate of 1.1% over the forecast period. Projected performance is very different for the new work and repair and maintenance (R&M) sectors, with the former declining by 2.3% a year on average but the latter seeing growth of 1.7%. Construction employment in the West Midlands is forecast to reach 207,900 in 2016, 2% lower than in 2012. Despite this weak performance, the region will still have an annual recruitment requirement (ARR) of 3,730.

Annual average construction output growth 2012-2016 - West Midlands



Source: CSN, Experian ref. CSN Explained, Section 5.3, Note 2



The Private Housing, Industrial, Commercial and R&M sectors are all projected to see growth

Key findings

Not all sectors in the West Midlands are forecast to experience negative growth over the forecast period. The private housing, industrial, commercial and R&M sectors are all projected to see growth. However, modest expansion in these sectors is overshadowed by strong falls in the public housing and public non-housing sectors.

The public non-housing sector will be by far the worst performing with an annual average decline of 18.4%. The region benefited strongly from the early waves of the Building Schools for the Future programme (BSF) and in fact has the biggest remaining project still ongoing, in Wolverhampton, thus once these complete activity is expected to fall sharply.

Over the forecast period public housing will also see a drop in output levels of 6.8% on average. Under the Affordable Homes Programme 2011-2015 funding for the West Midlands will be considerably less when compared to the 2008-2011 National Affordable Housing Programme (NAHP).

The industrial sector will see the strongest growth (3.8%) over the forecast period on an annual average basis. Wolverhampton is set to see a new Jaguar Land Rover engine plant worth £350m. The plant will produce low emission four cylinder engines and is planned to open in 2014.

The private housing and commercial sectors will grow by 3.6% and 1.2% respectively on an annual average basis in the five years to 2016. City Sentral a new shopping centre worth £250m is due to transform Stoke-on-Trent once completed in 2015.

Overall the R&M sector is expected to perform better as average growth per year is 1.7% over the forecast period with the non-housing sector (2.6%) performing better than the housing one (0.7%).

Construction employment in the West Midlands is forecast to reach 207,900 in 2016 which is 2% lower than 2012. The region is projected to experience an annual average decline in employment of 0.7% over the forecast period.

However 12 of the 26 occupational categories are expected to see growth including other construction professionals and technical staff (16%), architects (13%) and glaziers (12%).

The West Midlands accounts for 8.1% of total UK ARR, a little less than its share of employment in 2010 (8.5%). At 3,730 it represents 1.8% of the region's base 2012 employment, similar to the UK average of 1.9%.

Regional comparison 2012-2016

	Annual average % change in output	Growth in total employment	Total ARR
North East	0.5%	4,840	2,170
Yorkshire and Humber	0.0%	-6,370	2,630
East Midlands	1.0%	-1,800	3,460
East of England	2.9%	10,660	5,710
Greater London	2.5%	16,560	1,790
South East	2.2%	28,020	4,520
South West	2.2%	9,560	7,220
Wales	1.3%	11,590	4,280
West Midlands	-1.1%	-7,360	3,730
Northern Ireland	2.1%	3,880	1,170
North West	-0.9%	-6,990	5,080
Scotland	1.3%	13,520	4,480
UK	1.4%	76,110	46,240

Source: CSN, Experian ref. CSN Explained, Section 5.3, Note 2

2. The outlook for construction in the West Midlands

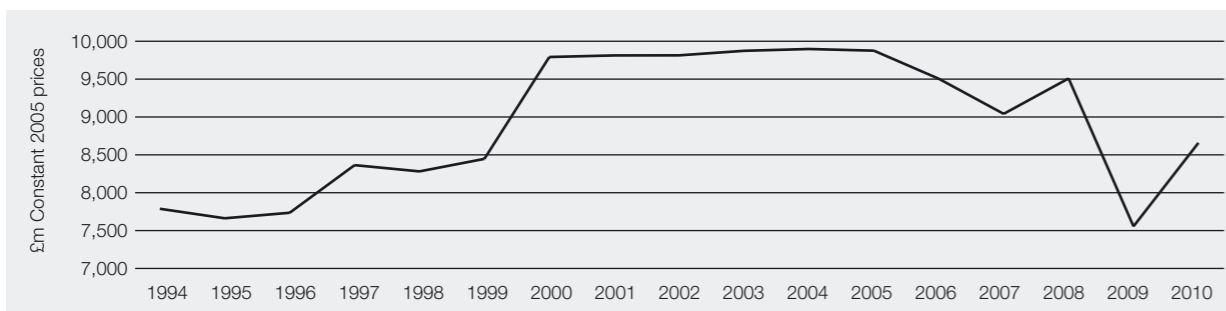
2.1 Construction output in the West Midlands – overview

Total construction output in 2010 stood at £8.7bn (2005 prices) up 15% on the previous year. Whilst the new work sector grew by 27% to £6bn the R&M sector declined by 5% to £2.7bn.

The public non-housing sector grew by 82% to £1.4bn, its highest level since records began in 1990. Output in the sector has been boosted by the ProCure 21 and Building Schools for Future (BSF) programme. The public housing sector rose by 64% supported by the 2008-11 NAHP.

In contrast the non-housing R&M sector saw a decline of 12% to £1.4bn, its lowest level since 1994.

Construction output 1994-2010 - West Midlands



Source: ONS
ref. CSN Explained, Section 5.3, Note: 1

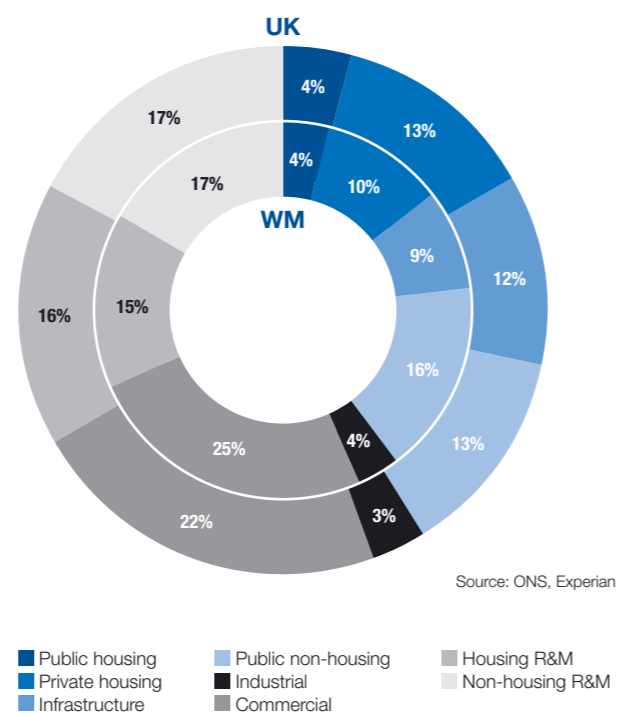
2.2 Industry structure

The diagram, Construction Industry structure 2010 – UK vs. the West Midlands, illustrates the sector breakdown of construction in the West Midlands compared to that in the UK. The percentages for each sector illustrate what proportion of total output each sector accounts for.

Overall the structure of the West Midlands construction market is similar to that of the UK as a whole. In 2010 the region's new work market (68%) took a similar share of total construction to that of the UK (67%).

The region accounts for a larger share of total activity for the public non-housing (16% vs. 13%) and commercial sectors (24% vs. 22%). However, West Midlands' infrastructure (12% vs. 9%) sector is smaller when compared with the national figure.

Construction industry structure 2010 - UK vs. West Midlands



Source: ONS, Experian

Economic structure - West Midlands (£ billion, 2006 prices)

Selected sectors	Actual	Forecast					
	2010	Annual % change, real terms					
	2010	2011	2012	2013	2014	2015	2016
Public services	22.3	1.1	-0.8	-0.5	-0.4	0.1	0.3
Financial and business services	15.7	0.1	1.3	2.3	2.6	3.0	3.1
Transport and communications	5.9	1.9	1.1	2.0	2.1	2.4	2.4
Manufacturing	12.1	1.9	2.4	3.1	2.2	1.6	1.0
Distribution, hotels and catering	14.8	1.1	0.6	1.9	2.2	2.5	2.8
Total Gross Value Added (GVA)	87.2	0.8	0.4	1.4	1.6	1.8	1.9

Source: Experian
ref. CSN Explained, Section 5.3, Note 3

2.3 Economic overview

The expected performance of a regional or national economy over the forecast period (2012–2016) provides an indication of the construction sectors in which demand is likely to be strongest.

2.4 Economic structure

In 2010 the West Midlands' Gross Value Added (GVA) increased by 2% to £87.2bn (2006 prices) when compared to the previous year. This is 7% of GVA when compared as a share of the UK.

Distribution, hotels and catering saw growth of 3% to £14.8bn. The financial and business services and public services also saw an increase in output of 2.5% and 1% respectively. In contrast, the transport and communication sector saw a small decline in growth of 0.6%, whilst the manufacturing sector stagnated.

2.5 Forward looking economic indicators

The region's GVA is expected to have increased by 0.8% in 2011 but growth is likely to decelerate to 0.4% in 2012. GVA continues to increase thereafter, but the rate of growth never exceeds 2% during the forecast period. The manufacturing and transport and communication sectors are expected to see modest growth levels in the five years to 2016. The financial and business services sector is forecast to see relatively better expansion and in 2016 the sector is projected to grow by 3.1%. The public services sector will see a small contraction between 2012-2014 before output rises again towards the end of the forecast period.

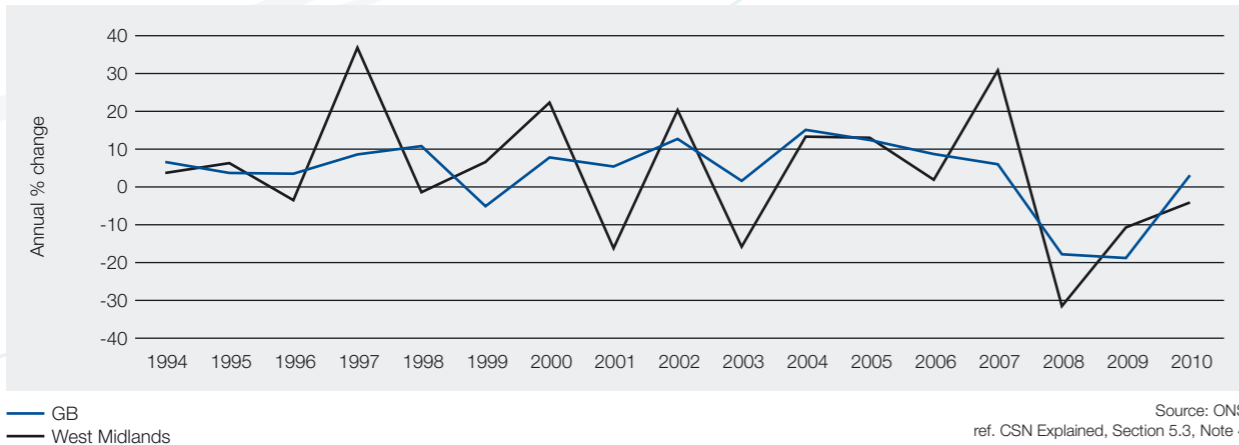
Both real household disposable income and household spending are estimated to have declined in 2011 and further, marginal, falls are expected in 2012. Growth in disposable incomes is unlikely to exceed 2% until 2016, although expansion in household spending may breach this mark a year earlier. From 2012 LFS unemployment is due to decrease from 0.24m to 0.18m in 2016. House price growth in the West Midlands will remain modest over the forecast period.

Economic indicators - West Midlands (£ billion, 2006 prices - unless otherwise stated)

	Actual	Forecast					
	2010	Annual % change, real terms					
	2010	2011	2012	2013	2014	2015	2016
Real household disposable income	67.0	-4.4	-0.1	1.0	1.0	1.7	2.1
Household spending	70.8	-1.6	-0.1	1.5	1.8	2.2	2.4
Working age population (000s and as % of all)	3245.3	0.59	0.59	0.60	0.60	0.61	0.61
House prices (£)	169,615	-3.6	-0.1	2.4	2.8	2.7	2.8
LFS unemployment (millions)	0.24	0.23	0.24	0.23	0.21	0.20	0.18

Source: ONS, DCLG, Experian

New construction orders growth 1994-2010 - West Midlands vs. GB



2.6 New construction orders – overview

In 2010 total new work orders fell by 4% to £4bn, their lowest level since 2004.

The infrastructure sector saw the greatest decline in orders of 60% to £369m. However new orders in the sector were coming down from a very high base in 2009 when the contracts for a number of motorway upgrades and the redevelopment of Birmingham New Street station were placed. The public non residential sector saw the biggest increase in orders of 25% to £1.5bn.

2.7 New construction orders – current situation

The first half of 2011 saw orders fall by 22% when compared to the first half of 2010. The public housing sector saw a big increase of 107% in orders, followed by the private housing (47%) and industrial (10%) sectors. In contrast, the public non-residential (56%), infrastructure (49%) and commercial (17%) sectors all saw a decline.

New work construction orders - West Midlands (£ million, current prices)

	Actual	Annual % change				
	2010	2006	2007	2008	2009	2010
Public housing	158	41.5	57.1	-19.7	-14.0	-34.8
Private housing	527	-14.9	-12.6	-40.4	-27.1	-1.2
Infrastructure	369	-13.4	153.2	-41.8	66.0	-60.3
Public non-housing	1510	-3.6	17.6	2.2	20.8	24.9
Industrial	168	13.9	28.3	-51.9	-37.4	-23.1
Commercial	1261	20.1	42.5	-32.1	-40.6	22.1
Total new work	3,993	1.9	30.8	-31.5	-10.7	-4.1

Source: ONS ref. CSN Explained, Section 5.3, Note 4

2.8 Construction output – short-term forecasts (2012–2013)

Regional Office for National Statistics (ONS) output statistics are published in current prices and are thus inclusive of any inflationary effect. At the time of writing, ONS construction output statistics were only available for the first two quarters of 2011.

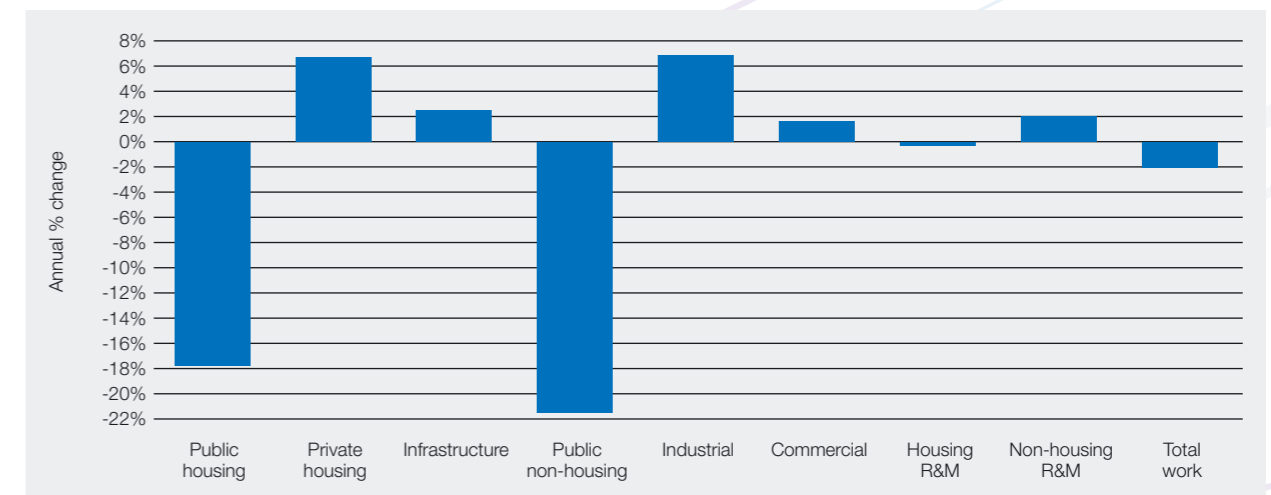
Construction output in the first half of 2011 totalled £4.5bn in current prices, down by 6% compared with the previous half-year but 3% higher than in the same period of 2010. The infrastructure sector was the strongest, with half-year on half-year growth of 17%, while housing R&M work declined at the same rate. The expected outturn for 2011 is one of a decline of around 1% in real terms.

Construction output in the West Midlands is expected to decline by an annual average rate of 2% in the short term. 2012 is likely to be a poor year for the industry in the region, with a fall of 5% in activity, before a modest recovery begins in 2013.

The commercial market accounts for the largest share of new work and output is predicted to increase by 1.6% on a yearly average rate. A new shopping centre worth £250m is due to transform Stoke-on-Trent. Work is already underway on City Sentral that will deliver 650,000 square feet of new space incorporating new stores, a multi-screen cinema, restaurants and cafes, improved parking and a new bus station. The project is due to be complete in 2015.

The public non-housing sector accounts for the second largest share of the new work market. On an annual average basis the sector is expected to decline by 21.5% over the two years to 2013. The sector has benefited strongly from projects undertaken in the education and health sub sectors over the past couple of years. As these projects draw to a close and with little else in the pipeline, the sector is due to see big falls in activity.

Annual average construction output growth 2012-2013 - West Midlands



Source: Experian ref. CSN Explained, Section 5.3, Notes 1 and 2

BSF 'legacy' projects will continue to deliver schools that reached financial close by the time the scheme was cancelled in mid-2010. It is anticipated that the majority of schools will be completed this year. One of the largest schemes left in the programme is in Wolverhampton worth £270m.

The West Midlands has also seen a significant amount of investment pumped into the region's hospitals and health centres under the ProCure 21 programme. In contrast, the current funding made available from the ProCure 21+ programme is relatively small.

The private housing sector accounts for the third largest share of the new work market and is expected to grow by 6.7% on an annual average basis. As is the case across most of the English regions and devolved nations, moderate recovery is driven by easing credit conditions, a slowly improving economy, rising consumer confidence, and, eventually, the return of the first-time buyer.

Infrastructure accounts for the fourth largest share of the new work market and the sector is forecast to grow by 2.5% on a yearly basis. The Department for Transport has given final approval to the £127m Midland Metro scheme, which would link the existing Midland Metro Line One to Birmingham New Street Station with completion due by 2014.

Both public housing and industrial sectors account for the smallest share of the new work market. While the public housing sector will decline by 18% on an average annual basis, the industrial sector will grow by 7%.

The R&M market is predicted to see modest growth of 0.9% over the two years to 2013. Housing R&M output is due to fall slightly by 0.3% whereas the non-housing R&M sector increases by 2%.

Construction output - West Midlands (£ million, 2005 prices)

	Actual	Forecast annual % change			Annual average
	2010	2011	2012	2013	2012-13
Public housing	341	-14%	-21%	-14%	-17.7%
Private housing	914	-4%	6%	7%	6.7%
Infrastructure	755	11%	12%	-6%	2.5%
Public non-housing	1,432	4%	-27%	-16%	-21.5%
Industrial	331	7%	5%	9%	6.8%
Commercial	2,147	0%	-5%	8%	1.6%
New work	5,920	1%	-6%	0%	-3.2%
Housing R&M	1,301	-6%	-1%	0%	-0.3%
Non-housing R&M	1,437	-6%	1%	3%	2.0%
Total R&M	2,737	-6%	0%	2%	0.9%
Total work	8,658	-1%	-5%	1%	-2.0%

Source: Experian
ref. CSN Explained, Section 5.3, Notes 1 and 2

2.9 Construction output – long-term forecasts (2012–2016)

The region's construction industry is expected to decline by 1.1% on an annual average basis over the forecast period.

Public non-housing will see the greatest decline as output falls by 18.4% on a yearly basis in the five years to 2016. The main arguments surrounding this decline have been put forward in the short-term forecasts section above. It should be remembered that output in the sector in 2010 and 2011 has been running at twice the long-term average for the sector. This sort of level is unsustainable in the longer-term, thus it is no real surprise that a significant decline is forecast. That does not mean that all work ceases in the sector. The Library of Birmingham is due to move into a new £188.8 million building in 2013. A library and theatre facilities will come together to improve the City's information resources by creating 'a unique centre for knowledge, learning and culture'.

Over the forecast period public housing will also see a drop in output levels of 6.8% on average. The West Midlands benefitted from £622.44m of funding between 2008 and 2011 under the old National Affordable Housing programme. While it is not possible to make a direct comparison as the Homes and Communities Agency (HCA) has amalgamated the West and East Midlands into one operating area, for which the funding totals £286m. The inevitable conclusion is that activity in the sector will fall unless social housing providers are extraordinarily successful in accessing finance from other sources. During the 2011-2015 period it is anticipated that approximately 13,500 new affordable homes will be constructed in the Midlands, which is around 17% of total new affordable homes created.

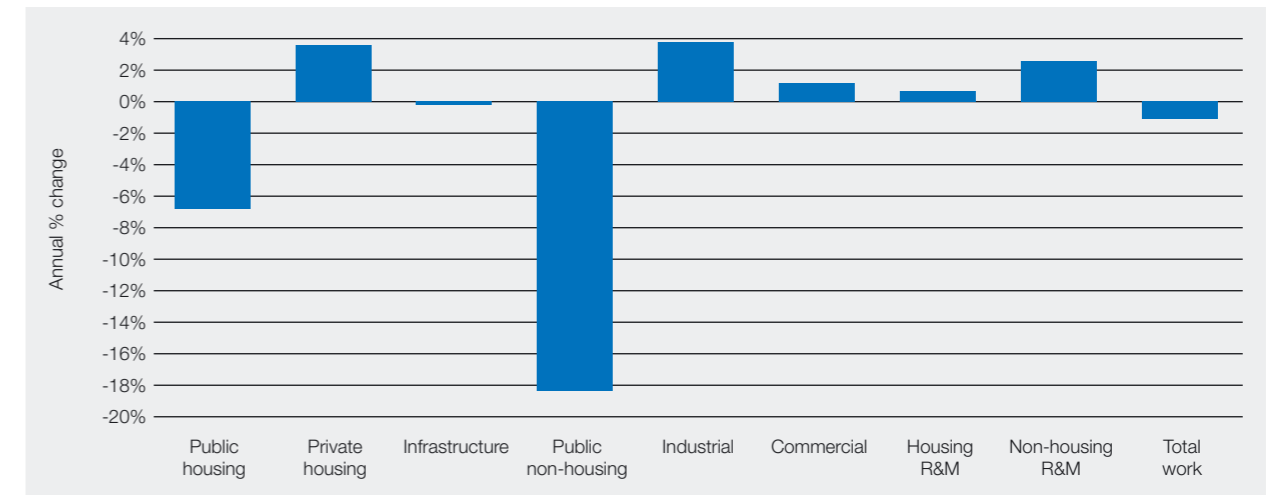
Output in the infrastructure sector is expected to end the forecast period at much the same level that it started, giving little annual average growth over the period.

The industrial sector will see the greatest growth (3.8%) over the forecast period on an annual average basis. Jaguar Land Rover has been given the go ahead by South Staffordshire Council to build a new £350m engine plant near Wolverhampton. Work to prepare the i54 business park near the M54 is due to start at the beginning of this year. Local authorities in the area plan to serve the i54 site by constructing a new slip road off the M54 at Junction 2. The plant will produce low emission four cylinder engines and is planned to open in 2014.

The private housing and commercial sectors will grow by 3.6% and 1.2% respectively on an annual basis in the five years to 2016.

Overall the R&M sector is expected to perform better as average growth per year is 1.7% over the forecast period. Non-housing R&M is predicted to grow by 2.6% whilst housing R&M will see negligible growth of 0.7%. The West Midlands is the site of a significant proportion of our manufacturing industry and its central position means that it is a popular region to site logistics and distribution hubs. Increasing energy costs should provide the impetus for landlords and tenants of these non-residential buildings to invest in energy efficiency measures and renewable technologies. It should be remembered that the Green Deal, due to come into operation in October 2012, is a vehicle to help fund retrofitting measures in both the housing and non-housing sectors.

Annual average construction output growth 2012-2016 - West Midlands



Source: CSN, Experian
ref. CSN Explained, Section 5.3, Note 2

Construction output - West Midlands (£ million, 2005 prices)

	Estimate	Forecast annual % change					Annual average
	2011	2012	2013	2014	2015	2016	2012-16
Public housing	293	-21%	-14%	-2%	5%	1%	-6.8%
Private housing	876	6%	7%	3%	2%	0%	3.6%
Infrastructure	838	12%	-6%	-6%	1%	-1%	-0.2%
Public non-housing	1,488	-27%	-16%	-20%	-15%	-14%	-18.4%
Industrial	356	5%	9%	2%	2%	0%	3.8%
Commercial	2,141	-5%	8%	1%	1%	1%	1.2%
New work	5,992	-6%	0%	-3%	-1%	-1%	-2.3%
Housing R&M	1,227	-1%	0%	2%	2%	0%	0.7%
Non-housing R&M	1,353	1%	3%	3%	3%	3%	2.6%
R&M	2,579	0%	2%	3%	2%	2%	1.7%
Total work	8,571	-5%	1%	-1%	0%	0%	-1.1%

Source: CSN, Experian
ref. CSN Explained, Section 5.3, Notes 2

2.10 Beyond 2016

Eastside is part of a ten year plan to regenerate the east side of Birmingham city. The multi million pound scheme will complement existing educational institutions such as Aston University and new developments such as Ventureeast, City Park Gate and Eastside Locks.

In the long term the biggest project proposed for the region is the High Speed 2 rail link between London and Birmingham which is currently planned to start in 2017. Work on the scheme will be spread across three regions, Greater London, the South East and the West Midlands. The base construction costs and contractor administration costs were estimated by High Speed Two Ltd in December 2009 at £6.8bn.

3. Construction employment forecasts for West Midlands

3.1 Total construction employment forecasts by occupation

The table presents actual construction employment (SICs 41-43, 71.1, and 74.9) in the West Midlands for 2010, the forecast total employment in 26 occupations and in the industry as a whole between 2012 and 2016. A full breakdown of occupational groups is provided in Section 5 of CSN explained.

Construction employment in the West Midlands is forecast to reach 207,900 in 2016, 2% lower than in 2012. Employment in the region is likely to have grown modestly in 2011 as a

result of a lagged effect of the very strong rise in output in 2010. However the prospects for 2012 are more downbeat as employment levels fall by 2% and they will continue to decline to 2014 given a weak output performance.

However 12 of the 26 occupational categories are expected to see growth. Other construction professionals and technical staff are forecast to see an 18% increase in employment. In absolute terms this occupation also sees the largest increase in employment of 2,680 to 17,650. Other construction specific occupations such as architects (13%) and glaziers (12%) also see growth in employment.

Total employment by occupation - West Midlands

	Actual	Forecast	
	2010	2012	2016
Senior, executive, and business process managers	12,880	11,820	13,650
Construction managers	18,820	19,530	17,840
Non-construction professional, technical, IT, and other office-based staff	32,090	34,360	33,190
Wood trades and interior fit-out	20,390	20,290	20,450
Bricklayers	5,530	5,860	4,440
Building envelope specialists	8,520	8,250	9,810
Painters and decorators	11,640	12,520	10,640
Plasterers and dry liners	2,850	2,620	2,730
Roofers	4,450	4,020	3,190
Floorers	2,180	2,340	2,210
Glaziers	4,420	4,000	4,490
Specialist building operatives nec*	6,020	5,440	5,370
Scaffolders	1,050	1,130	1,220
Plant operatives	2,280	2,430	2,030
Plant mechanics/fitters	2,220	2,050	2,000
Steel erectors/structural	3,100	3,300	2,670
Labourers nec*	5,770	5,220	5,080
Electrical trades and installation	17,600	15,910	16,610
Plumbing and HVAC trades	12,850	13,350	11,190
Logistics	3,610	3,930	4,400
Civil engineering operatives nec*	3,600	3,280	2,780
Non-construction operatives	3,090	2,830	2,920
Civil engineers	4,170	4,310	3,330
Other construction professionals and technical staff	16,410	14,970	17,650
Architects	2,350	2,150	2,430
Surveyors	5,250	5,350	5,580
Total (SIC 41-43)	184,960	184,480	178,910
Total (SIC 41-43, 71.1, 74.9)	213,140	211,260	207,900

Source: ONS, CSN, Experian ref. CSN Explained, Section 5.3, Notes 5 and 6
NEC* - Not elsewhere classified

3.2 Annual recruitment requirements (ARR) by occupation

The ARR is a gross requirement that takes into account workforce flows into and out of construction, due to factors such as movements between industries, migration, sickness, and retirement. However, these flows do not include movements into the industry from training, although robust data on training provision is being developed by ConstructionSkills. Thus, the annual recruitment requirement provides an indication of the number of new employees that would need to be recruited into construction each year in order to realise forecast output.

The ARR for the 26 occupations within the West Midlands construction industry is illustrated in the table. The figure of 3,730 is indicative of the average requirements per year for the industry, as based on the output forecasts for the region. This takes into account 'churn' i.e. the flows into and out of the industry, excluding training flows.

At 1,040 and accounting for 28% of the region's total ARR, labourers nec have the highest ARR. Construction managers and glaziers have an ARR of 980 and 130 respectively.

The West Midlands account for 8.1% of total UK ARR, a little less than its share of total employment (8.5%). The West Midlands' ARR as a share of 2012 base employment is 1.8%, marginally lower than the UK average of 1.9%.

Please note that all of the ARRs presented in this section are employment requirements and not necessarily training requirements. This is because some new entrants to the construction industry, such as skilled migrants or those from other industries where similar skills are already used, will be able to work in the industry without the need for significant retraining.

Non-construction operatives is a diverse occupational group including all of the activities under the SICs 41-43, 71.1, and 74.9 umbrella that cannot be classified elsewhere, such as cleaners, elementary security occupations nec and routine inspectors and testers. The skills required in these occupations are highly transferable to other industries and forecasting such movement is hazardous given the lack of robust supportive data. Therefore the ARR for non-construction operatives is not published.

Finally, for certain occupations there will be no appreciable requirement over the forecast period, partly due to the recession creating a 'pool' of excess labour.

Annual recruitment requirement by occupation - West Midlands

	2012-2016
Senior, executive, and business process managers	-
Construction managers	980
Non-construction professional, technical, IT, and other office-based staff	510
Wood trades and interior fit-out	-
Bricklayers	-
Building envelope specialists	190
Painters and decorators	-
Plasterers and dry liners	-
Roofers	-
Floorers	-
Glaziers	130
Specialist building operatives nec*	-
Scaffolders	-
Plant operatives	140
Plant mechanics/fitters	-
Steel erectors/structural	-
Labourers nec*	1,040
Electrical trades and installation	200
Plumbing and HVAC trades	-
Logistics	460
Civil engineering operatives nec*	-
Non-construction operatives	-
Civil engineers	-
Other construction professionals and technical staff	-
Architects	-
Surveyors	80
Total (SIC 41-43)	3,650
Total (SIC 41-43, 71.1, 74.9)	3,730

Source: CSN, Experian ref. CSN Explained, Section 5.3, Notes 5 and 6
NEC* - Not elsewhere classified

4. Comparisons across the UK

The West Midlands (-1.1%) along with the North West (-0.9%) are the only regions projected to see a decline in their annual average growth rate over the next five years. For the UK the yearly growth rate is 1.4%. The best performing region is expected to be the East of England with a rate of 2.9%.

Over the forecast period, we seem to be seeing the emergence of a north/south divide, with the greater South East (the South East, Greater London and the East of England) faring best, and the northern English regions faring worst. In between are the devolved nations, who, although they have their overall expenditure limits set by Westminster, through their devolved administrations have more control on what it will be spent than the English regions. Already the devolved administrations in Scotland and Northern Ireland have redirected a proportion of resource funding to the capital expenditure account, which should benefit the construction industry in these areas.

There are a number of reasons for the emergence of this north/south divide. The first is the more constrained outlook for public expenditure going forward. While declines in public housing activity are expected to be fairly similar across the board, with one or two exceptions, the profile for the public non-residential sector is very different. Output in this sector hit a new historic high in 2010 and since 2007 had grown by over 72% in real terms, primarily driven by work under the BSF programme. The West Midlands benefited strongly under the early waves of BSF thus unfortunately has further to fall once the remaining 'legacy' projects complete.

Second, major infrastructure projects are tending to be greater South East centric at present. Infrastructure activity in the UK is at a historic high, exceeding its previous peak in 1993 during the building of the Channel Tunnel. This level of activity is being driven largely projects in the South East corner of England – Crossrail, Thameslink, M25 widening, London Gateway port, to name a few. That is not to say that there are not projects elsewhere, there are, but they are tending to be of a lesser size. The West Midlands will see investment of £127m on the Midland Metro scheme, which would link the existing Midland Metro Line One to Birmingham New Street Station.

Third, growth in the commercial sector is likely to be stronger in the greater South East than elsewhere in England. The offices market has already been strengthening in London and along the M4 corridor/Thames Valley, while excess capacity issues remain a problem across many regional centres. The northern English regions also have many currently mothballed retail and leisure developments for which it is difficult to see an economic imperative to restart, at least in the short term.

Not surprisingly, given its weak output performance, the West Midlands is projected to experience an annual average decline in employment of 0.7% over the five years to 2016, compared with employment growth of 0.6% across the UK as a whole. Wales is predicted to have the strongest growth in employment, despite only moderate growth in output. That is because most of its growth is focussed in the more labour intensive repair and maintenance sectors. Not surprisingly, employment growth is also stronger than the UK average in the South East, Greater London and the South West.

The West Midlands' ARR, at 3,730, represents 1.8% of projected 2012 base employment, a marginally lower ratio than for the UK as a whole (1.9%). In the case of this region it is the weak demand for employment that is the major factor in the low ARR ratio.

Overall the R&M sector is expected to perform better as average growth per year is 1.7% over the forecast period

Annual average output growth by region 2012-2016



Source: CSN, Experian ref CSN Explained, Section 5.3, Note 2

Annual recruitment requirement (ARR) by region 2012-2016



Source: CSN, Experian



Other construction professionals and technical staff are forecast to see an 18% increase in employment

5. CSN explained

This appendix provides further details and clarification of some of the points covered in the report.

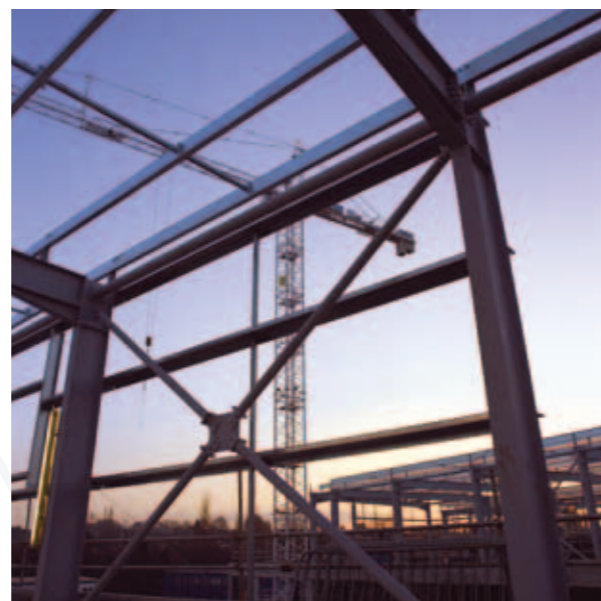
Section 5.1 gives an overview of the underpinning methods that are used by the CSN, working in partnership with Experian, to produce the suite of reports at both a UK, national and regional level.

Section 5.2 provides a glossary to clarify some of the terms that are used in the reports, while section 5.3 has some further notes that relate to the data sources that are used for the various charts and tables. Section 5.3 also outlines what is meant by the term footprint, when talking about the areas of responsibility that lie with a Sector Skills Council.

Section 5.4 explains the sector definitions used within the report and provides examples of what is covered in each.

Section 5.5 gives a detailed breakdown of the 26 occupational groups into the individual standard occupational classification (SOC) codes that are aggregated to provide the employment and recruitment requirement.

Section 5.6 then concludes by giving details about the range of LMI reports, the advantages of being a CSN member and the contact details should people be interested in joining.



5.1 CSN methodology

Background

The **Construction Skills Network (CSN)**, launched in 2005, represents a radical change in the way that ConstructionSkills collect and produce information on the future employment and training needs of the industry. CITB-ConstructionSkills, CIC and CITB Northern Ireland are working as ConstructionSkills, the Sector Skills Council for Construction to produce robust Labour Market Intelligence to provide a foundation on which to plan for future skills needs and to target investment.

The CSN functions at both a national and regional level. It comprises of a National Group, 12 Observatory groups, a forecasting model for each of the regions and countries, and a Technical Reference Group. An Observatory group currently operates in each of the nine English regions and also in Wales, Scotland and Northern Ireland.

Observatory groups currently meet bi-annually and consist of key regional stakeholders invited from industry, Government, education and other SSCs, all of whom contribute local industry knowledge and views on training, skills, recruitment, qualifications and policy. The National Group also includes representatives from industry, Government, education and other SSCs. This Group convenes once a year and sets the national scene, effectively forming a backdrop for the Observatories.

At the heart of the CSN are a number of forecasting models which generate forecasts of employment requirements within the industry for a range of occupational groups. The models are designed and managed by Experian under the independent guidance and validation of the Technical Reference Group, comprised of statisticians and modelling experts.

It is envisaged that the models will evolve over time as new research is published and modelling techniques improve. Future changes to the model will only be made after consultation with the Technical Reference Group.

The model approach

The model approach relies on a combination of primary research and views from the CSN to facilitate it. National data is used as the basis for the assumptions that augment the models, which are then adjusted with the assistance of the Observatories and National Group. Each English region, Wales, Scotland and Northern Ireland has a separate model (although all models are inter-related due to labour movements) and, in addition, there is one national model that acts as a constraint to the individual models and enables best use to be made of the most robust data (which is available at the national level). The models work by forecasting demand and supply of skilled workers separately. The difference between demand and supply forms the employment requirement.

The forecast **total employment** levels are derived from expectations about construction output and productivity. Essentially this is based upon the question 'How many people will be needed to produce forecast output, given the assumptions made about productivity?'.

The **annual recruitment requirement (ARR)** is a gross requirement that takes into account workforce flows into and out of construction, due to such factors as movements between industries, migration, sickness, and retirement. However, these flows do not include movements into the industry from training, although robust data on training provision is being developed by ConstructionSkills in partnership with public funding agencies, Further Education, Higher Education and employer representatives. Thus, the annual recruitment requirement provides an indication of the number of new employees that would need to be recruited into construction each year in order to realise forecast output.

Demand is based upon the results of discussion groups comprising industry experts, a view of construction output and a set of integrated models relating to wider national and regional economic performance. The models are dynamic and reflect the general UK economic climate at any point in time. To generate the labour demand, the models make use of a set of specific statistics for each major type of work that determine the employment, by trade, needed to produce the predicted levels of construction output. The labour supply for each type of trade or profession is based upon the previous years' supply (the total stock of employment) combined with flows into and out of the labour market.

The key leakages (outflows) that need to be considered are:

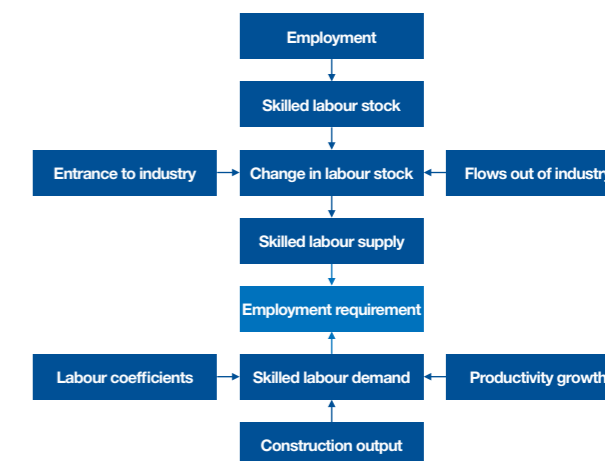
- transfers to other industries
- international/domestic OUT migration
- permanent retirements (including permanently sick)
- outflow to temporarily sick and home duties.

The main reason for outflow is likely to be transfer to other industries.

Flows into the labour market include:

- transfers in from other industries
- international/domestic IN migration
- inflow from temporarily sick and home duties.

The most significant inflow is likely to be from other industries. A summary of the model is shown in the flow chart.



5.2 Glossary of terms

- **Building envelope specialists** – any trade involved with the external cladding of the building other than bricklaying, e.g. curtain walling.
- **Demand** – demand is calculated using construction output data from the Office for National Statistics (ONS) and the Department of Finance and Personnel Northern Ireland (DFP), along with vacancy data from the National Employers Skills Survey, from the Department for Education and Skills. These data sets are translated into labour requirements by trade by using a series of **coefficients** to produce the labour demand that relates to the forecasted output levels.
- **GDP** – Gross Domestic Product – total market value of all final goods and services produced. A measure of national income. $GDP = GVA$ plus taxes on products minus subsidies on products.
- **GVA** – Gross Value Added – total output minus the value of inputs used in the production process. GVA measures the contribution of the economy as a difference between gross output and intermediate outputs.
- **Coefficients** – To generate the labour demand, the model makes use of a set of specific statistics for each major type of work to determine employment, by trade or profession, based upon the previous years' supply. In essence this is the number of workers of each occupation/trade to produce £1m of output across each sub-sector.
- **LFS** (Labour Force Survey) – a UK household sample survey which collects information on employment, unemployment, flows between sectors and training, from around 53,000 households each quarter (>100,000 people).
- **LMI** (Labour Market Intelligence) – data that are quantitative (numerical) or qualitative (insights and perceptions) on workers, employers, wages, conditions of work, etc.
- **Macroeconomics** – the study of an economy on a national level, including total employment, investment, imports, exports, production and consumption.
- **Nec** – not elsewhere classified, used as a reference in LFS data.
- **ONS** – Office for National Statistics – official statistics on economy, population and society at national UK and local level.
- **Output** – total value of all goods and services produced in an economy.
- **Productivity** – output per employee.
- **SIC codes** – Standard Industrial Classification codes – from the UK Standard Industrial Classification of Economic Activities produced by the **ONS**.
- **SOC codes** – Standard Occupational Classification codes.
- **Supply** – the total stock of employment in a period of time plus the flows into and out of the labour market. Supply is usually calculated from **LFS** data.



5.3 Notes and footprints

Notes

- 1 Except for Northern Ireland, output data for the English regions, Scotland and Wales are supplied by the Office for National Statistics (ONS) on a current price basis. Thus national deflators produced by the ONS have been used to deflate to a 2005 constant price basis, i.e. the effects of inflation have been stripped out.
- 2 The annual average growth rate of output is a compound average growth rate, i.e. the rate at which output would grow each year if it increased steadily year-on-year over the forecast period.
- 3 Only selected components of gross value added (GVA) are shown in this table and so do not sum to the total.
- 4 For new construction orders comparison is made with Great Britain rather than the UK, owing to the fact that there are no orders data series for Northern Ireland.
- 5 Employment numbers are rounded to the nearest 10.
- 6 The tables include data relating to plumbers and electricians. As part of SIC 45, plumbers and electricians working in contracting are an integral part of the construction process. However, it is recognised by ConstructionSkills that SummitSkills has responsibility for these occupations across a range of SIC codes, including SIC 45.31 and 45.33.

Footprints for Built Environment SSCs

ConstructionSkills is responsible for SIC 45 Construction and part of SIC 74.2 Architectural and Engineering activities and related technical consultancy.

The table summarises the SIC codes (2003) covered by ConstructionSkills:

	SIC Code	Description
ConstructionSkills	45.1	Site preparation
	45.2	Building of complete construction or parts; civil engineering
	45.3	Building installations (except 45.31 and 45.33 which are covered by SummitSkills)
	45.4	Building completion
	45.5	Renting of construction or demolition equipment with operator
	74.2*	Architectural and engineering activities and related technical consultancy

* AssetSkills has a peripheral interest in SIC 74.2

The sector footprints for the other SSCs covering the Built Environment:

SummitSkills

Footprint – Plumbing, Heating, Ventilation, Air Conditioning, Refrigeration and Electrotechnical.

Coverage – Building Services Engineering.

ConstructionSkills shares an interest with SummitSkills in SIC 45.31 Installation of wiring and fittings and SIC 45.33 Plumbing. ConstructionSkills recognises the responsibility of Summit Skills across Standard Industrial Classifications (SIC) 45.31 and 45.33, thus data relating to the building services engineering sector is included here primarily for completeness.

AssetSkills

Footprint – Property Services, Housing, Facilities Management, Cleaning.

Coverage – Property, Housing and Land Managers, Chartered Surveyors, Estimators, Valuers, Home Inspectors, Estate Agents and Auctioneers (property and chattels), Caretakers, Mobile and Machine Operatives, Window Cleaners, Road Sweepers, Cleaners, Domestic, Facilities Managers.

AssetSkills has a peripheral interest in SIC 74.2.

Energy and Utility Skills

Footprint – Electricity, Gas (including gas installers), Water and Waste Management.

Coverage – Electricity generation and distribution; Gas transmission, distribution and appliance installation and maintenance; Water collection, purification and distribution; Waste water collection and processing; Waste Management.

5.4 Definitions: types and examples of construction work

Public sector housing - local authorities and housing associations, new towns and government departments

Housing schemes, old people's homes and the provision within housing sites of roads and services for gas, water, electricity, sewage and drainage.

Private sector housing

All privately owned buildings for residential use, such as houses, flats and maisonettes, bungalows, cottages and the provision of services to new developments.

Infrastructure - public and private

Water

Reservoirs, purification plants, dams, water works, pumping stations, water mains, hydraulic works etc.

Sewerage

Sewage disposal works, laying of sewers and surface drains.

Electricity

Building and civil engineering work for electrical undertakings such as power stations, dams and other works on hydroelectric schemes, and decommissioning of nuclear power stations, onshore wind farms.

Gas, communications, air transport

Gas works, gas mains and gas storage; post offices, sorting offices, telephone exchanges, switching centres etc.; air terminals, runways, hangars, reception halls, radar installations.

Railways

Permanent way, tunnels, bridges, cuttings, stations, engine sheds etc., signalling and other control systems and electrification of both surface and underground railways.

Harbours

All works and buildings directly connected with harbours, wharves, docks, piers, jetties, canals and waterways, sea walls, embankments and water defences.

Roads

Roads, pavements, bridges, footpaths, lighting, tunnels, flyovers, fencing etc.

Public non-residential construction¹

Factories and warehouses

Publicly owned factories, warehouses, skill centres.

Oil, steel, coal

Now restricted to remedial works for public sector residual bodies.

Schools, colleges, universities

State schools and colleges (including technical colleges and institutes of agriculture); universities including halls of residence, research establishments etc.

Health

Hospitals including medical schools, clinics, welfare centres, adult training centres.

Offices

Local and central government offices, including town halls, offices for all public bodies except the armed services, police headquarters.

Entertainment

Theatres, restaurants, public swimming baths, caravan sites at holiday resorts, works and buildings at sports grounds, stadiums, racecourses etc. owned by local authorities or other public bodies.

Garages

Buildings for storage, repair and maintenance of road vehicles, transport workshops, bus depots, road goods transport depots and car parks.

Shops

Municipal shopping developments for which the contract has been let by a Local Authority.

Agriculture

Buildings and work on publicly financed horticultural establishments; fen drainage and agricultural drainage; veterinary clinics.

Miscellaneous

All work not clearly covered by any other headings, such as fire stations, police stations, prisons, reformatories, remand homes, civil defence work, UK Atomic Energy Authority work, council depots, museums, libraries.

Private industrial work

Factories, warehouses, wholesale depots, all other works and buildings for the purpose of industrial production or processing, oil refineries, pipelines & terminals, concrete fixed leg oil production platforms (not rigs); private steel work; all new coal mine construction such as sinking shafts, tunnelling, etc.

Private commercial work²

Schools and universities

Schools and colleges in the private sector, financed wholly from private funds.

Health

Private hospitals, nursing homes, clinics.

Offices

Office buildings, banks.

Entertainment

Privately owned theatres, concert halls, cinemas, hotels, public houses, restaurants, cafés, holiday camps, swimming pools, works and buildings at sports grounds, stadiums and other places of sport or recreation, youth hostels.

Garages

Repair garages, petrol filling stations, bus depots, goods transport depots and any other works or buildings for the storage, repair or maintenance of road vehicles, car parks.

Shops

All buildings for retail distribution such as shops, department stores, retail markets, showrooms, etc.

Agriculture

All buildings and work on farms, horticultural establishments.

Miscellaneous

All work not clearly covered by any other heading, e.g. exhibitions, caravan sites, churches, church halls.

New work

New housing

Construction of new houses, flats, bungalows only.

All other types of work

All new construction work and all work that can be referred to as improvement, renovation or refurbishment and which adds to the value of the property.³

Repair and maintenance

Housing

Any conversion of, or extension to any existing dwelling and all other work such as improvement, renovation, refurbishment, planned maintenance and any other type of expenditure on repairs or maintenance.

All other sectors

Repair and maintenance work of all types including planned and contractual maintenance.⁴

¹ Where contracts for the construction or improvement of non-residential buildings used for public service provision, such as hospitals, are awarded by private sector holders of contracts awarded under the Private Finance Initiative, the work is classified as 'private commercial'.

² Where contracts for the construction or improvement of non-residential buildings used for public service provision, such as hospitals, are awarded by private sector holders of contracts awarded under the Private Finance Initiative, the work is classified as 'private commercial'.

³ Contractors reporting work may not always be aware of the distinction between improvement or renovation work and repair and maintenance work in the non-residential sectors.

⁴ Except where stated, mixed development schemes are classified to whichever sector provides the majority (i.e. over 50%) of finance.

5.5 Occupational groups

Occupational group

Description, SOC reference.

Senior, executive and business process managers

Directors and chief executives of major organisations, 1112
 Senior officials in local government, 1113
 Financial managers and chartered secretaries, 1131
 Marketing and sales managers, 1132
 Purchasing managers, 1133
 Advertising and public relations managers, 1134
 Personnel, training and Industrial relations managers, 1135
 Office managers, 1152
 Civil service executive officers, 4111
 Property, housing and land managers, 1231
 Information and communication technology managers, 1136
 Research and development managers, 1137
 Customer care managers, 1142
 Storage and warehouse managers, 1162
 Security managers, 1174
 Natural environment and conservation managers, 1212
 Managers and proprietors in other services nec*, 1239

Construction managers

Production, works and maintenance managers, 1121
 Managers in construction, 1122
 Quality assurance managers, 1141
 Transport and distribution managers, 1161
 Recycling and refuse disposal managers, 1235
 Managers in mining and energy, 1123
 Occupational hygienists and safety officers (H&S), 3567
 Conservation and environmental protection officers, 3551

Non-construction professional, technical, IT, and other office-based staff (excl. managers)

IT operations technicians, 3131
 IT user support technicians, 3132
 Estimators, valuers and assessors, 3531
 Finance and investment analysts/advisers, 3534
 Taxation experts, 3535
 Financial and accounting technicians, 3537
 Vocational and Industrial trainers and instructors, 3563
 Business and related associate professionals nec*, 3539
 Legal associate professionals, 3520
 Inspectors of factories, utilities and trading standards, 3565
 Software professionals, 2132
 IT strategy and planning professionals, 2131
 Estate agents, auctioneers, 3544
 Solicitors and lawyers, judges and coroners, 2411
 Legal professionals nec*, 2419
 Chartered and certified accountants, 2421
 Management accountants, 2422

Management consultants, actuaries, economists and statisticians, 2423
 Receptionists, 4216
 Typists, 4217
 Sales representatives, 3542
 Civil Service administrative officers and assistants, 4112
 Local government clerical officers and assistants, 4113
 Accounts and wages clerks, book-keepers, other financial clerks, 4122
 Filing and other records assistants/clerks, 4131
 Stock control clerks, 4133
 Database assistants/clerks, 4136
 Telephonists, 4141
 Communication operators, 4142
 General office assistants/clerks, 4150
 Personal assistants and other secretaries, 4215
 Sales and retail assistants, 7111
 Telephone salespersons, 7113
 Buyers and purchasing officers (50%), 3541
 Marketing associate professionals, 3543
 Personnel and industrial relations officers, 3562
 Credit controllers, 4121
 Market research interviewers, 4137
 Company secretaries (excluding qualified chartered secretaries), 4214
 Sales related occupations nec*, 7129
 Call centre agents/operators, 7211
 Customer care occupations, 7212
 Elementary office occupations nec*, 9219

Wood trades and interior fit-out

Carpenters and joiners, 5315
 Pattern makers, 5493
 Paper and wood machine operatives, 8121
 Furniture makers, other craft woodworkers, 5492
 Labourers in building and woodworking trades (9%), 9121
 Construction trades nec* (25%), 5319



Bricklayers

Bricklayers, masons, 5312

Building envelope specialists

Construction trades nec* (50%), 5319
 Labourers in building and woodworking trades (5%), 9121

Painters and decorators

Painters and decorators, 5323
 Construction trades nec* (5%), 5319

Plasterers and dry liners

Plasterers, 5321

Roofers

Roofers, roof tilers and slaters, 5313

Floorers

Floorers and wall tilers, 5322

Glaziers

Glaziers, window fabricators and fitters, 5316
 Construction trades nec* (5%), 5319

Specialist building operatives nec*

Construction operatives nec* (80%), 8149
 Construction trades nec* (5%), 5319
 Industrial cleaning process occupations, 9132

Scaffolders

Scaffolders, staggers, riggers, 8141

Plant operatives

Crane drivers, 8221
 Plant and machine operatives nec*, 8129
 Transport operatives nec*, 8219
 Fork-lift truck drivers, 8222
 Mobile machine drivers and operatives nec*, 8229
 Agricultural machinery drivers, 8223

Plant mechanics/fitters

Metal working production and maintenance fitters, 5223
 Motor mechanics, auto engineers, 5231
 Labourers in process and plant operations nec*, 9139
 Tool makers, tool fitters and markers-out, 5222
 Vehicle body builders and repairers, 5232
 Auto electricians, 5233
 Vehicle spray painters, 5234
 Tyre, exhaust and windscreen fitters, 8135



Steel erectors/structural

Steel erectors, 5311
 Welding trades, 5215
 Sheet metal workers, 5213
 Metal plate workers, shipwrights and riveters, 5214
 Construction trades nec* (5%), 5319
 Smiths and forge workers, 5211
 Moulders, core makers, die casters, 5212
 Metal machining setters and setter-operators, 5221

Labourers nec*

Labourers in building and woodworking trades (80%), 9121

Electrical trades and installation

Electricians, electrical fitters, 5241
 Electrical/electronic engineers nec*, 5249
 Telecommunications engineers, 5242
 Lines repairers and cable jointers, 5243
 TV, video and audio engineers, 5244
 Computer engineers, installation and maintenance, 5245

Plumbing and heating, ventilation, and air conditioning trades

Plumbers and HVAC trades, 5314
 Pipe fitters, 5216
 Labourers in building and woodworking trades (6%), 9121
 Construction trades nec* (5%), 5319

Logistics

Heavy goods vehicle drivers, 8211
Van drivers, 8212
Packers, bottlers, canners, fillers, 9134
Other goods handling and storage occupations nec*, 9149
Buyers and purchasing officers (50%), 3541
Transport and distribution clerks, 4134
Security guards and related occupations, 9241

Civil engineering operatives nec*

Road construction operatives, 8142
Rail construction and maintenance operatives, 8143
Quarry workers and related operatives, 8123
Construction operatives nec* (20%), 8149
Labourers in other construction trades nec*, 9129

Non-construction operatives

Metal making and treating process operatives, 8117
Process operatives nec*, 8119
Metal working machine operatives, 8125
Water and sewerage plant operatives, 8126
Assemblers (vehicle and metal goods), 8132
Routine inspectors and testers, 8133
Assemblers and routine operatives nec*, 8139
Stevedores, dockers and slingers, 9141
Hand craft occupations nec*, 5499
Elementary security occupations nec*, 9249
Cleaners, domestics, 9233
Road sweepers, 9232
Gardeners and groundsmen, 5113
Caretakers, 6232

Civil engineers

Civil engineers, 2121

Other construction professionals and technical staff

Mechanical engineers, 2122
Electrical engineers, 2123
Chemical engineers, 2125
Design and development engineers, 2126
Production and process engineers, 2127
Planning and quality control engineers, 2128
Engineering professional nec*, 2129
Electrical/electronic technicians, 3112
Engineering technicians, 3113
Building and civil engineering technicians, 3114
Science and engineering technicians nec*, 3119
Architectural technologists and town planning technicians, 3121
Draughtspersons, 3122
Quality assurance technicians, 3115
Town planners, 2432
Electronics engineers, 2124
Building inspectors, 3123
Scientific researchers, 2321

Architects

Architects, 2431

Surveyors

Quantity surveyors, 2433
Chartered surveyors (not Quantity surveyors), 2434

5.6 CSN website and contact details

The CSN website – <http://www.cskills.org/csn>

The CSN website functions as a **public gateway** for people wishing to access the range of **Labour Market Intelligence (LMI)** reports and **research material** regularly produced by the CSN.

The main UK report, along with the twelve LMI reports (one for Northern Ireland, Scotland, Wales and each of the nine English regions) can be downloaded from the site, while research reports such as the '2020Vision' and 'Closer look at Greater London' are also freely available.

Having access to this range of labour market intelligence and trend insight allows industry, government, regional agencies and key stakeholders to:

- pinpoint the associated, specific, skills that will be needed year by year
- identify the sectors which are likely to be the strongest drivers of output growth in each region and devolved nation
- track the macro economy
- understand how economic events impact on regional and devolved nations economic performance
- highlight trends across the industry such as national and regional shifts in demand
- plan ahead and address the skills needs of a traditionally mobile workforce
- understand the levels of qualified and competent new entrants required into the workforce.

The website also contains further information about:

- how the CSN functions
- the CSN Model approach
- how the Model can be used to explore scenarios
- CSN team contact information
- access to related ConstructionSkills research
- details for those interested in becoming members of the network.

The CSN website can be found at:

<http://www.cskills.org/csn>

CSN members area

While the public area of the CSN Website is the gateway to the completed LMI and research reports, being a member of the CSN offers further benefits.

As a CSN member you will be linked to one of the Observatory groups, which play a vital role in being able to feed back observations, knowledge and insight on what is really happening on the ground in every UK region and nation. This feedback is used to fine tune the assumptions and data that goes into the forecasting programme such as:

- details of specific projects
- demand within various types of work or sectors
- labour supply
- inflows and outflows across the regions and devolved nations.

CSN members therefore have:

- early access to forecasts
- the opportunity to influence and inform the data
- the ability to request scenarios that could address "What would happen if..." types of questions using the model.

Through the Members area of the CSN website, members can:

- access observatory related material such as meeting dates, agendas, presentations and notes
- access sub-regional LMI reports
- download additional research material
- comment/feedback to the CSN Team.

As the Observatory groups highlight the real issues faced by the industry in the UK, we can more efficiently and effectively plan our response to skills needs. If you would like to contribute your industry observations, knowledge and insight to this process and become a member of the CSN, we would be delighted to hear from you.

Contact details

For further information about the CSN website, enquiries relating to the work of the CSN, or to register your interest in joining the CSN as a member, please contact us at:

csn@cskills.org



For more information about the
Construction Skills Network, contact

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Cskills website

<http://www.cskills.org/>

<http://www.cskills.org/contact-us/offices.aspx>

CSN webpage

<http://www.cskills.org/supportbusiness/businessinformation/csn/index.aspx>

