

CONSTRUCTION SKILLS NETWORK

Labour Market Intelligence Report



North East

5-year outlook 2022-2026

NORTH EAST

The volume of construction work in the North East is slightly below the UK forecast of 3.2% at an annual average rate of approximately

↑ **2.6%**

Fastest sector rate of growth expected for



Private housing
Non-housing R&M

Commercial
Infrastructure

Strongest recruitment requirement levels



Non-construction professional, technical, IT, and other office-based staff (210 per year)

Plant operatives (310 per year)

Wood trades and interior fit-out (370 per year)

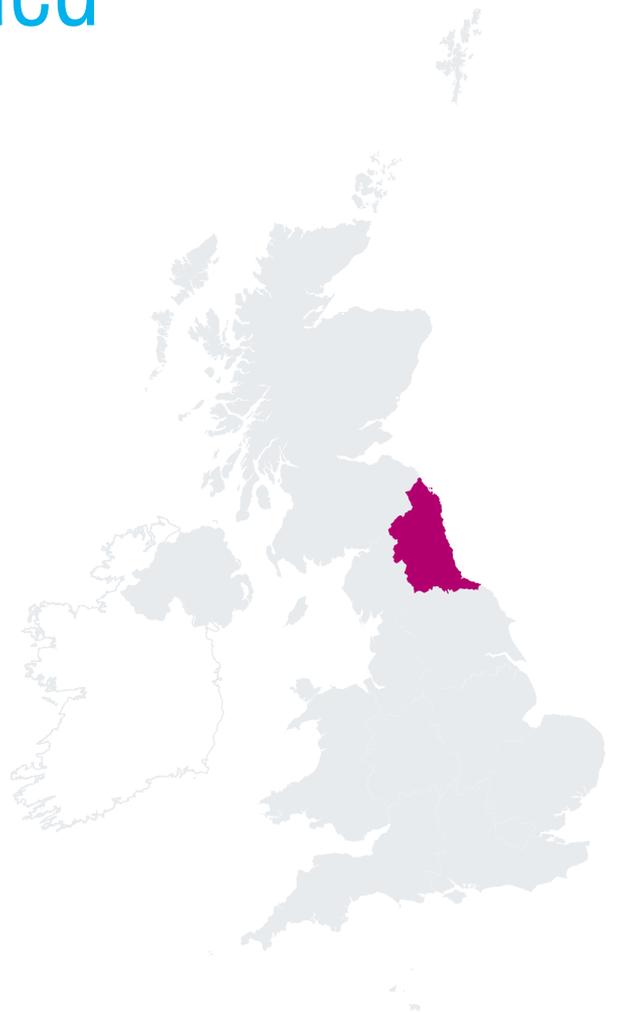
Major projects in the North East include



Blyth Gigafactory (£2.6bn)
Teesworks
Freeport (£200m)

New homes project, Skerningham
(4,500 homes)

The annual recruitment requirement in the North East of 1.9% per year is slightly below the UK average of 2.0% and means an extra 9,250 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 construction industry in the North East is slightly different to the UK structure for the new work sectors.

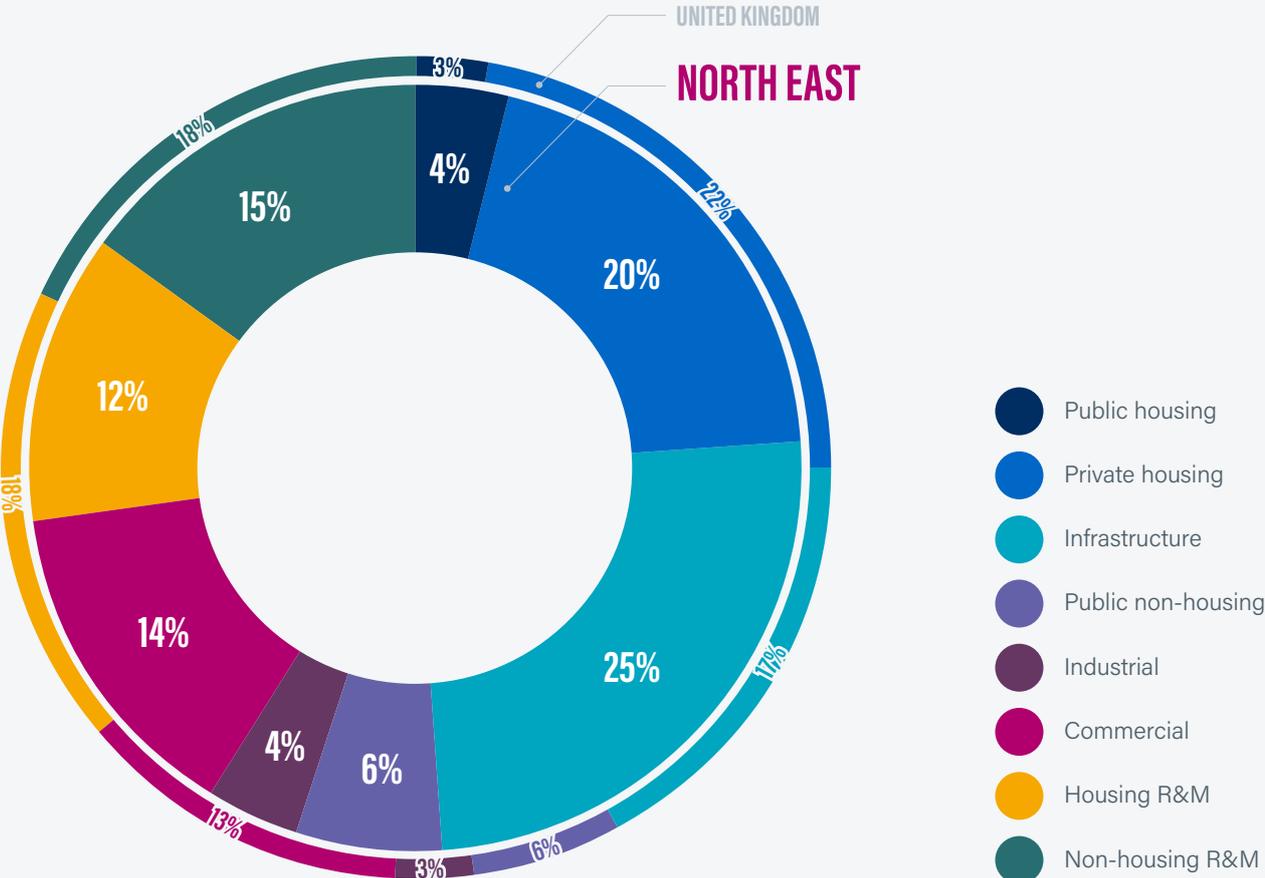
In 2021 a significant increase in infrastructure work meant it was the largest sector in the region accounting for 25% of total output, with private housing slightly behind on 20%. Other new build sectors were close to the UK structure.

There is a difference in the R&M sectors with the North East having lower shares compared to the UK. This looks to be due to the region seeing a larger drop in output for housing R&M work in 2020, down by nearly 20%, compared to the UK drop of nearly 14%, while non-housing R&M then dropped by over 20% in 2021. This means output for both R&M sectors will be coming back from a lower level when compared to the UK.

Infrastructure total output

25%

CONSTRUCTION INDUSTRY STRUCTURE 2021 NORTH EAST VS UK



2021 view

Total annual output 2021

£5.4bn

Total estimated output 2022

£5.6bn



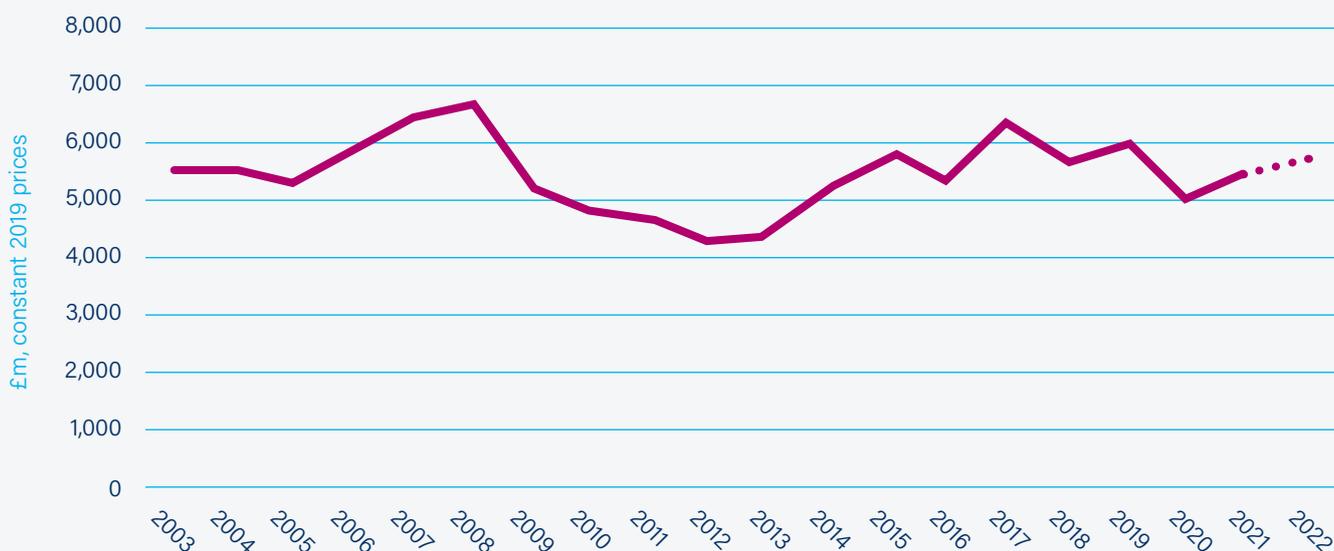
In 2021 construction output in the North East is estimated to have grown by nearly 12%, which is similar to the UK level of growth.

2021 view

The region experienced a slightly higher drop in output during 2020, **down by 18% compared to 15% for the UK**. This means 2021 output will be less than 2019's output and it may be towards the end of 2023, or the start of 2024, before it is above pre-pandemic levels.

CONSTRUCTION OUTPUT 2003 - 2022 NORTH EAST

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



Output Forecast 2022 - 2026

North East average growth rate

In the North East, the volume of work will grow by an annual average rate of 2.6%, which is just below the UK rate of 3.2%. All sectors will see growth over the forecast, with new work being similar to R&M, and most following a pattern of higher growth in the earlier years, which slows down towards the latter years.

While the industrial sector has the highest annual average growth rate at 6.1%, it has a relatively low share of total output at just under 5%. The biggest gains in output are set to come from the private housing (+£161m), non-housing R&M (+£124), commercial (+£123m) and infrastructure (+£112m) sectors, accounting for more than 70% of the total output increase.

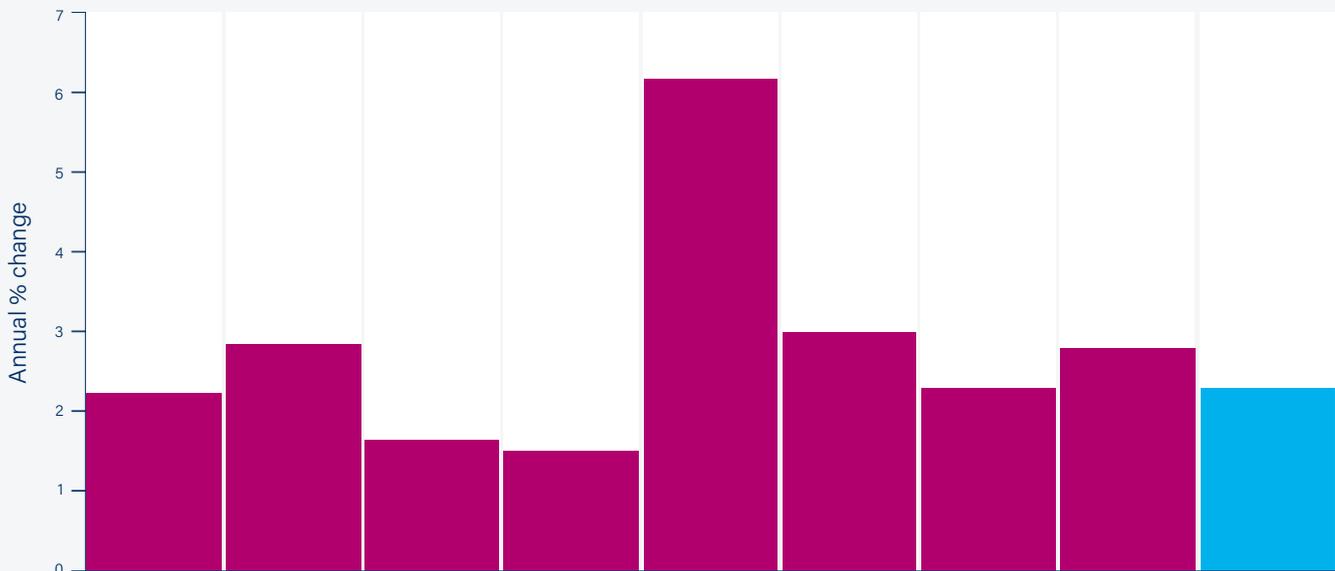
2.6%

Forecast

ANNUAL AVERAGE OUTPUT GROWTH BY SECTOR 2022-2026 NORTH EAST

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
2.2%	2.8%	1.6%	1.5%	6.1%	3.0%	2.6%	2.8%	2.6%



CONSTRUCTION OUTPUT - NORTH EAST (£ MILLION, 2019 PRICES)

	Actual	Forecast (Annual % change, real terms)					Annual average
	2021	2022	2023	2024	2025	2026	2022-2026
Public housing	205	1.7%	2.1%	3.1%	2.2%	2.2%	2.2%
Private housing	1,073	4.3%	2.4%	4.1%	1.8%	1.6%	2.8%
Infrastructure	1,323	5.8%	-1.4%	1.1%	1.8%	1.0%	1.6%
Public non-housing	337	-3.0%	3.3%	4.5%	1.0%	2.0%	1.5%
Industrial	196	17.5%	5.4%	5.9%	1.3%	1.3%	6.1%
Commercial	768	3.7%	6.0%	2.0%	1.9%	1.5%	3.0%
New work	3,901	4.5%	2.0%	2.8%	1.7%	1.5%	2.5%
Housing R&M	656	5.3%	4.6%	2.3%	-0.2%	0.8%	2.6%
Non-housing R&M	825	2.6%	4.6%	2.3%	2.9%	1.9%	2.8%
Total R&M	1,480	3.8%	4.6%	2.3%	1.5%	1.4%	2.7%
Total work	5,382	4.3%	2.7%	2.6%	1.7%	1.4%	2.6%

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

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

In the North East the industrial sector is benefitting from the construction of a **£2.6bn Gigafactory in Blyth**, producing electric vehicle batteries.

This would become the first Gigafactory in the UK, when it is expected to commence battery production in 2023. The land has been acquired, and ISG was appointed the main contractor in December 2020. Construction started in September 2021. Also, The Wates Group and Turner & Townsend have been appointed by Envision AESC to lead the design and project manage the build of its £450m advanced car battery gigafactory at the International Advanced Manufacturing Park.

GRI Renewables is investing a total of £78m at the Able Marine Energy Park, and at the Teesworks Offshore Manufacturing Centre. Work started in late September 2021 and will lead the development of a major offshore wind hub. It is part of the wider £200m Teesworks Freeport project, which has

received the first loan, of £107m, from the UK Investment Bank.

For private housing, long term plans such as the new garden villages proposed for Burtree (2,000 homes) and Skerningham (4,500 homes) will be a boost for the region.

A potential upside could come in the form of the Tees Combined-Cycle Power Plant. Having gained Development Consent Order approval, a construction start date is yet to be announced for the £700m 1.7GW gas-fired Tees Combined-Cycle Power Plant, though the current start-date is being placed in the mid-2020s, with completion by the end of the decade. Hence this presents an upside risk to the long-term forecast, though the time frame remains unclear.

Teesworks Freeport, the major offshore wind hub will cost

+ **£200m**

1.7GW gas-fired Tees Combined-Cycle Power Plant will cost

+ **£700m**

Workforce forecast

The level of output growth in the North East gives an annual average increase of 0.7% in the construction workforce, which is very close to the UK figure of 0.8%. Although there was a drop in output during 2020, the construction workforce in the region held up at 96,100 before dipping slightly to 95,700 in 2021. We are expecting to see the workforce growing to 96,600 in 2022, before increasing to reach an estimate of 99,100 by 2026.

TOTAL WORKFORCE BY OCCUPATION - NORTH EAST

	Actual	Estimate	Forecast	
	2020	2021	2022	2026
Senior, executive, and business process managers	4,600	4,300	4,200	4,400
Construction project managers	1,600	1,500	1,500	1,500
Other construction process managers	4,900	5,200	5,300	5,400
Non-construction professional, technical, IT, and other office-based staff	12,300	13,200	13,400	13,300
Construction trades supervisors	3,000	2,800	2,900	2,900
Wood trades and interior fit-out	5,600	5,200	5,300	5,400
Bricklayers	2,800	2,900	3,000	3,100
Building envelope specialists	2,300	2,400	2,400	2,400
Painters and decorators	3,200	3,000	3,000	3,100
Plasterers	2,400	2,200	2,300	2,400
Roofers	2,800	3,000	2,900	3,100
Floorers	2,700	2,900	2,600	2,800
Glaziers	500	500	500	600
Specialist building operatives nec*	4,500	4,200	4,100	4,300
Scaffolders	1,400	1,300	1,200	1,300
Plant operatives	3,400	3,100	3,300	3,500
Plant mechanics/fitters	2,000	1,800	1,900	2,000
Steel erectors/structural fabrication	1,000	1,100	1,200	1,100
Labourers nec*	4,600	4,900	5,100	5,100
Electrical trades and installation	8,100	8,700	8,600	8,500
Plumbing and HVAC Trades	7,300	6,900	7,000	7,600
Logistics	500	500	500	500
Civil engineering operatives nec*	1,600	1,500	1,500	1,600
Non-construction operatives	500	600	600	600
Total (SIC 41-43)	83,500	83,700	84,400	86,500
Civil engineers	1,200	1,300	1,400	1,500
Other construction professionals and technical staff	9,300	8,700	8,800	9,000
Architects	400	400	400	400
Surveyors	1,700	1,600	1,600	1,600
Total (SIC 41-43, 71.1, 74.9)	96,100	95,700	96,600	99,100

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 North East is set to average 1.9% per year, based on 2021 workforce levels, which is just lower than the UK figure of 2.0%. This means the construction industry would have to increase current recruitment by 1,850 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:

- **Non-construction professional, technical, IT, and other office-based staff** (210 per year)
- **Plant operatives** (310 per year)
- **Wood trades and interior fit-out** (370 per year).

However, there would also be pressure on occupations, such as plant operatives, painters and decorators, and construction trades supervisors, 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 - NORTH EAST

	ARR as % of 2021 workforce	ARR value per year
Senior, executive, and business process managers	-	-
Construction project managers	-	-
Other construction process managers	-	-
Non-construction professional, technical, IT, and other office-based staff	1.6%	210
Construction trades supervisors	5.7%	160
Wood trades and interior fit-out	7.1%	370
Bricklayers	6.2%	180
Building envelope specialists	-	<50
Painters and decorators	6.0%	180
Plasterers	-	<50
Roofers	3.6%	110
Floorers	5.4%	160
Glaziers	-	<50
Specialist building operatives nec*	-	-
Scaffolders	-	-
Plant operatives	9.9%	310
Plant mechanics/fitters	3.8%	70
Steel erectors/structural fabrication	-	-
Labourers nec*	-	-
Electrical trades and installation	-	-
Plumbing and HVAC Trades	-	-
Logistics	-	-
Civil engineering operatives nec*	-	-
Non-construction operatives	-	-
Total (SIC 41-43)		1,750
Civil engineers	-	<50
Other construction professionals and technical staff	-	-
Architects	-	-
Surveyors	-	<50
Total (SIC 41-43, 71.1, 74.9)	1.9%	1,850

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Note: values 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 North East saw the same pattern as England, with 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 were indications of a drop in construction vacancies towards the end of 2021, 2022 has seen vacancy levels pick up and they are still nearly double 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, NORTH EAST

Source: Burning Glass, construction vacancies, North East



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 North East 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 the North East have followed a similar pattern. For apprenticeships there was a 5% drop in starts for 2019/20 when compared to 2018/19, and in 2020/21 this dropped by a further 7%. This means that construction starts in 2020/21 starts were just over 12% down on 2018/19 figures. However, recent data released for England

shows starts for the first six months to be back to levels seen in 2018/19.

For learners achieving further education construction qualification in the North East, there has been a 28% drop in qualification certificates issued between 2017/18 and 2019/20, which has picked back up in 2020/21, although not to the level seen in earlier years.

Both charts point to a similar picture of underlying training trends in the North East and England in general, with a reduction recovering in 2020/21, though not quite back to pre-covid levels, at a time when there is increasing demand for workers. This indicates that there is some work to do to get construction training back to previous levels and then increase to meet current and future demand.

NORTH EAST, 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+, NORTH EAST, 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

North East

County Durham
Darlington
Gateshead
Hartlepool
Middlesbrough
Newcastle upon Tyne
North Tyneside
Northumberland
Redcar and Cleveland
South Tyneside
Stockton-on-Tees
Sunderland

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