



ConstructionSkills Network 2011-2015 North West

LABOUR MARKET INTELLIGENCE



CONTENTS

SUMMARY AND KEY FINDINGS

THE OUTLOOK FOR CONSTRUCTION
IN THE NORTH WEST

CONSTRUCTION EMPLOYMENT FORECASTS
FOR THE NORTH WEST

COMPARISONS ACROSS THE UK



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Labour Market Intelligence

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ConstructionSkills is the Sector Skills Council for construction, tasked by Government to ensure the UK's largest industry has the skilled workforce it requires. Working with Government, training providers and employers, it is responsible for ensuring that the industry has enough qualified new entrants and that the existing workforce is fully skilled and qualified, as well as for improving the performance of the industry and the companies within it.

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1. Summary - North West

With an annual average rate of decline of 0.6% between 2011 and 2015, the North West's construction industry is predicted to underperform the UK average quite significantly. Following a reasonable increase in 2010, total output is forecast to sink back into negative territory in 2011 and 2012 as public sector cuts weigh down the new work market. The decline is expected to come to a halt in 2013, but little growth is projected for the region to 2015. At 268,770, total construction employment in 2015 is forecast to be up 3.7% on the 2011 level but remain 1.4% below the 2009 figure.

Regional comparison 2011-2015

	Annual average % change in output	Growth in total employment	Total Annual Recruitment Requirement
North East	-0.4%	4,590	2,400
Yorkshire and Humber	-0.6%	7,670	2,510
East Midlands	0.9%	7,930	3,860
East of England	2.4%	21,900	5,220
Greater London	1.8%	10,720	4,190
South East	2.2%	19,560	5,440
South West	1.1%	4,970	3,920
Wales	1.2%	10,700	4,160
West Midlands	-0.5%	9,290	2,680
Northern Ireland	1.4%	4,140	1,050
North West	-0.6%	2,510	4,090
Scotland	1.0%	11,090	3,360
UK	1.0%	115,070	42,880

Source: CSN, Experian
ref. CSN Explained, Section 4, Note 2



The Infrastructure sector is predicted to be the best performer, with growth of around **6.4%** per year between **2011 and 2015**

Key findings

Before its cancellation in the summer of 2010, the Building Schools for the Future (BSF) programme was especially important in driving output in the region's public non-housing construction sector. Thus as work on existing education projects begins to come to an end and little else comes online to replace them, output should begin to see year-on-year declines in each of the years between 2011 and 2015. With an annual average rate of contraction of 22.8% for new public non-housing work over the review period, the North West is likely to be the hardest hit of any region or nation in the UK.

The two housing sectors – public and private – are expected to see equal magnitudes of change over the forecast period. Although public housing is predicted to decline at an annual average rate of 5.6% between 2011 and 2015, private housing should grow by 5.6%. The end of the Kickstart Housing Delivery Programme and a lower level of funding being available to the Homes and Community Agency (HCA) going forward, as announced in the Comprehensive Spending Review (CSR), will be responsible for falling activity levels in public housing construction. In contrast, private housing output should return to growth in 2011, albeit from a very low base, following four consecutive years of decline. Easing credit conditions, for both consumers and developers should help to stimulate the market, although a relatively weak demographic profile should keep the region from performing to quite the same level as the UK as a whole.

With a projected annual average growth rate of 6.3%, the industrial construction sector in the North West is likely to outperform the commercial one (2.4%). The former is well placed to benefit from the uplift in manufacturing due to the region's larger production base, when compared to the UK as a whole. Furthermore, an improving infrastructure network should help to drive demand for distribution centres linked to new/improved transport hubs. In the commercial sector, the return of demand for office and retail space will be slow.

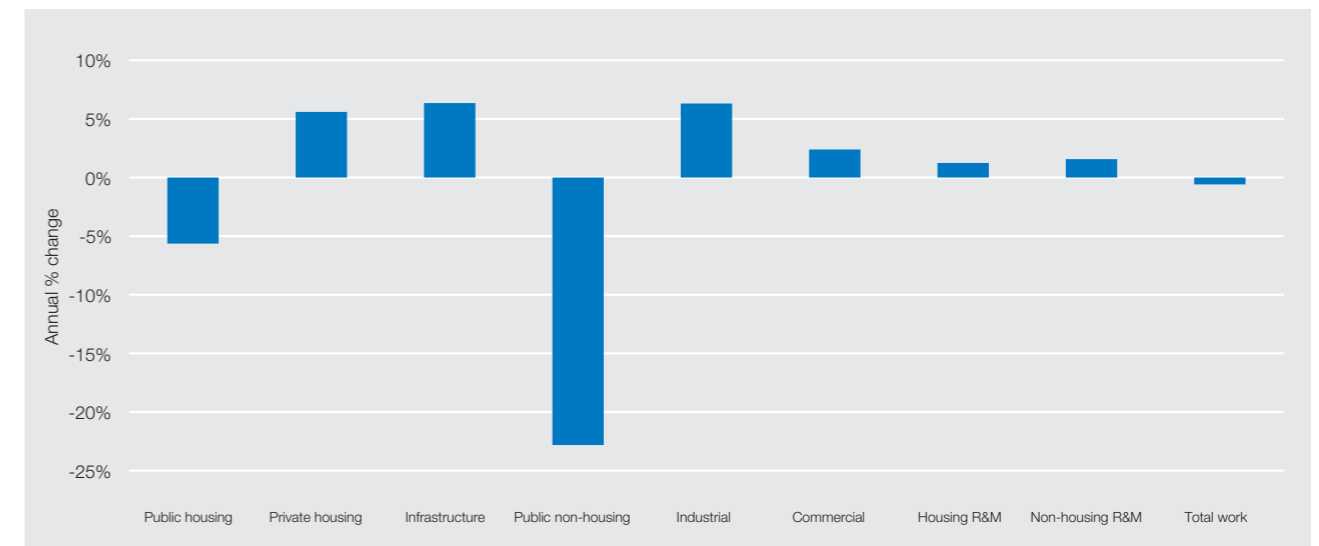
The infrastructure construction sector is predicted to be the best performer, with average growth of around 6.4% per year between 2011 and 2015. The level of activity should be highest in 2013, with output forecast to increase by 19% year-on-year, as Phase 3B of the Manchester Metrolink scheme begins to build a head of steam. The £430m Mersey Crossing, recently given the green light in the Comprehensive Spending Review, should also play a vital role in driving output.

Between 2011 and 2015, total construction employment in the North West is projected to increase by 3.7% to 268,770. Specialist building operatives nec* (9%) and civil engineers (8.9%) are predicted to see the largest increases in employment in percentage terms over the period, although in absolute terms, wood trades and interior fit-out (1,090) and plumbing HVAC trades (1,040) should see the greatest rises. At 4,090, the annual recruitment requirement in the region is forecast to be equivalent to just 1.6% of base 2011 employment.



Media City, Salford

Annual average construction output growth 2011-2015 - North West



Source: CSN, Experian
ref. CSN Explained, Section 4, Note 2

*nec - not elsewhere classified

2. The outlook for construction in the North West

2.1 Construction output in the North West – overview

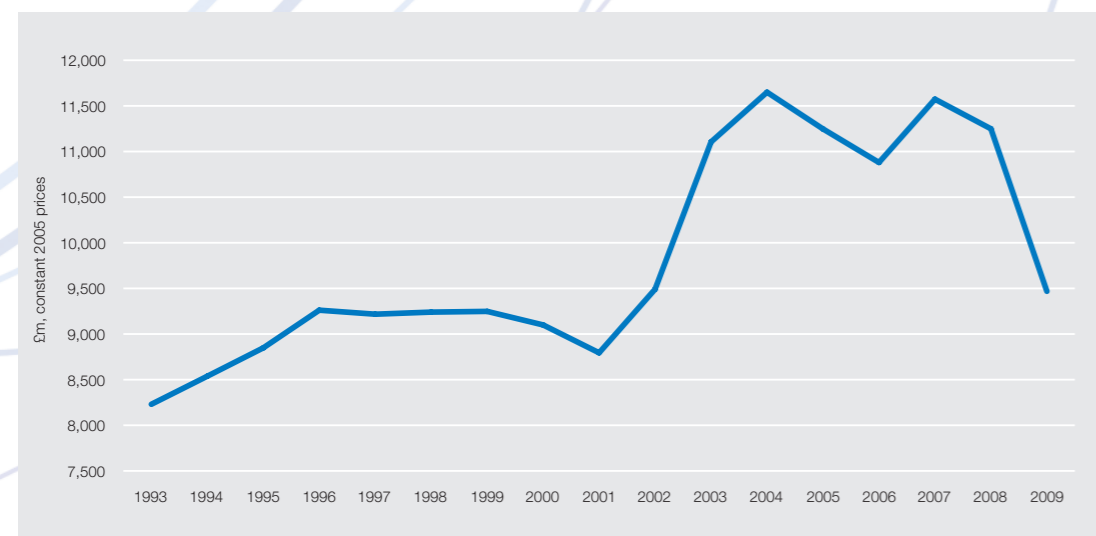
In 2009, total construction output in the region declined by 16% to £9.5bn (in 2005 prices), the lowest level since 2002 and the second consecutive year of contraction. The new work sector saw a slightly steeper fall than repair and maintenance (R&M), of 17% to £5.6bn, compared to 14% to £3.9bn for R&M.

The only sector in the North West to experience any growth in output in 2009 was the public non-housing one. The region has been one of the largest beneficiaries of Building Schools for the Future (BSF) funding and

there are approximately 83 projects in Waves 1–4 of the programme. With a year-on-year increase in output of 46%, the sector was worth £1.6bn last year – a record high.

In contrast, the commercial and private housing sectors were the worst performing in 2009, contracting by 37% and 36%, respectively. The former saw a fall in output for the third consecutive year to take the output figure to £1.5bn, while the latter declined for the second successive year to £1bn.

Construction output 1993-2009 - North West



Source: ONS
ref. CSN Explained, Section 4, Note: 1

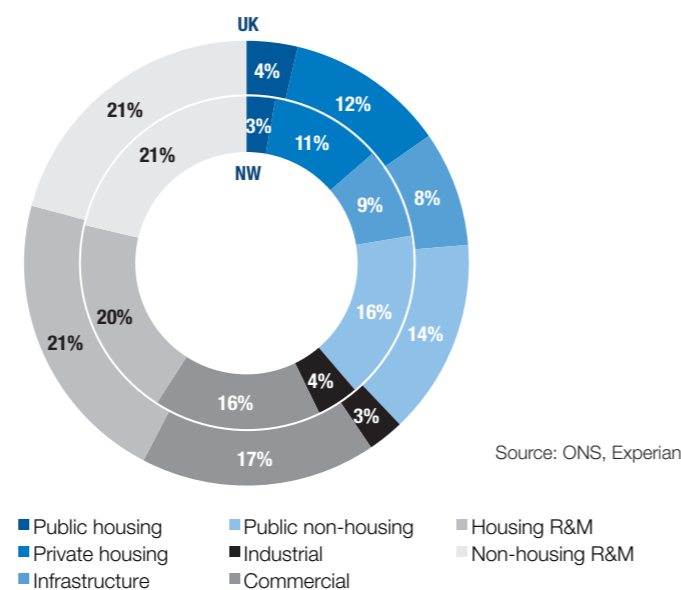
2.2 Industry structure

The diagram, Construction Industry structure 2009 – UK vs. North West, illustrates the sector breakdown of construction in the North West compared to that in the UK. Effectively, the percentages for each sector illustrate what proportion of total output each sector accounts for.

At 59%, the new work sector in the North West accounted for a slightly larger share of total construction output when compared to the UK average (58%) – with R&M activity responsible for the remaining proportion.

On a sector-by-sector basis, the public housing, private housing, commercial and housing R&M sectors accounted for 1% smaller shares than the UK average figures, although infrastructure and industrial were 1% larger. Meanwhile at 16%, the North West's public non-housing sector was 2% bigger than the UK figure.

Construction industry structure 2009 - UK vs. North West (NW)



Source: ONS, Experian

■ Public housing ■ Public non-housing ■ Housing R&M
■ Private housing ■ Industrial ■ Non-housing R&M
■ Infrastructure ■ Commercial

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

Selected sectors	Actual	Forecast					
	2009	Annual % change, real terms					
	2009	2010	2011	2012	2013	2014	2015
Public services	28	1.2	-0.2	-0.1	0.4	0.5	0.9
Financial and business services	24	1.2	2.1	2.7	2.9	2.7	3.1
Transport and communications	8	-0.2	1.8	2.0	1.9	2.2	2.4
Manufacturing	17	4.3	3.8	1.9	1.6	1.5	1.5
Distribution, hotels and catering	16	2.1	0.7	1.9	2.6	2.6	2.6
Total Gross Value Added (GVA)	108	1.8	1.8	1.8	1.7	1.6	1.8

Source: Experian
ref. CSN Explained, Section 4, Note 3

2.3 Economic overview

The expected performance of a regional or national economy over the forecast period (2011 – 2015) provides an indication of the construction sectors in which demand is likely to be strongest.

2.4 Economic structure

In 2009 the North West economy contracted for the second consecutive year, by 5.4%, and was worth £107.8bn (in 2006 prices). Accounting for 9.3% of UK Gross Value Added (GVA), the share was broadly unchanged when compared with the 2008 figure.

As a proportion of total output in 2009, the manufacturing sector's share fell by 1% year-on-year to 16% – its relative importance has been dwindling over the past couple of decades, having accounted for 24% of GVA in 1990 and 20% in 2000. Meanwhile the public services sector was the only one to have seen any growth in the region last year and thus continued to account for the largest proportion of total output. This took the sector's share from 24% in 2008 to almost 26% in 2009.

Comprising almost 22% of GVA in 2009, the North West's financial and business services sector was smaller when compared with the UK average figure (26%). The loss in share was exacerbated by the sector experiencing a slightly larger decline (7%) than the UK (6%).

2.5 Forward looking economic indicators

Following two years of contraction, GVA in the North West is predicted to have returned to growth in 2010 and broadly maintain that pace of increase to 2015. However with an annual average rate of rise of 1.7% over 2011-2015, the region's economy is projected to be weaker than the UK as a whole (2%). The financial and business services sector is predicted to be the best performing, with the distribution, hotels and catering and transport and communications sectors taking joint second place.

Over the five years to 2015, real household disposable incomes are expected to increase by 4.5% in the North West, slower than the UK average (6.8%). On a more positive note household spending should increase at a stronger rate of 7.7%, despite the outlook for employment continuing to look poor – declines are predicted for this year and next, with no change is expected in 2012. However the labour market should see growth in 2013 and maintain that trend to the end of the forecast period.

Following a marked fall in 2009, house prices in the North West are estimated to rise by 4.2% in 2010. However public sector cuts and labour market weakness should weigh on consumer confidence in 2011, with house price changes predicted to fall back into negative territory, albeit slightly. House price rises should slowly return in 2012, before the rate of increase picks up to an average of 2.7% in the final three years of the forecast.

After climbing to a peak of 1.4 in 2007, the region's debt-to-income ratio has slowly begun to fall back. The expectation is that this profile will continue through to the end of the forecast period, eventually dropping to 1.1 by 2015.

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

	Actual	Forecast					
	2009	Annual % change, real terms					
	2009	2010	2011	2012	2013	2014	2015
Real household disposable income	89	-1.4	-0.7	0.3	1.1	1.8	2.1
Household spending	80	1.0	1.1	1.3	1.8	2.1	2.4
Debt:Income ratio	1.3	1.3	1.2	1.2	1.1	1.1	1.1
House prices (Index 2003 = 100)	142	148	147	148	152	156	160
LFS unemployment (millions)	0.29	0.27	0.27	0.27	0.24	0.22	0.20

Source: ONS, DCLG, Experian

2. The outlook for construction in the North West

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

	Actual	Annual % change				
	2009	2005	2006	2007	2008	2009
Public housing	273	-27.1	149.7	46.1	-42.8	17.8
Private housing	541	32.1	5.5	-11.0	-46.0	-43.3
Infrastructure	1753	25.5	-54.3	80.9	58.5	61.8
Public non-housing	1945	8.9	-19.2	18.2	21.6	31.4
Industrial	342	21.5	1.4	-3.3	0.8	-49.6
Commercial	1400	-9.0	36.6	31.8	-54.0	-29.4
Total new work	6,254	8.7	6.4	18.6	-29.2	-2.4

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

2.6 New construction orders – overview

Following a 29% contraction in total construction orders in 2008, they fell once again in 2009, albeit by just over 2% to £6.3bn (in current prices).

Orders declined across three of the new work sectors last year – private housing, industrial and commercial. The industrial sector experienced the steepest decrease, with orders halving year-on-year to £342m. Meanwhile the private housing and commercial sectors saw their figures contract by 43% to £541m and 29% to £1.4bn, respectively.

In contrast the level of orders for the infrastructure sector rose substantially in 2009, by 62% to £1.8bn – a record high and the third consecutive year of increase. The growth rate of the public non-housing sector was half that of infrastructure, 31%, a healthy increase nonetheless, with new orders reaching another new high of £1.9bn.

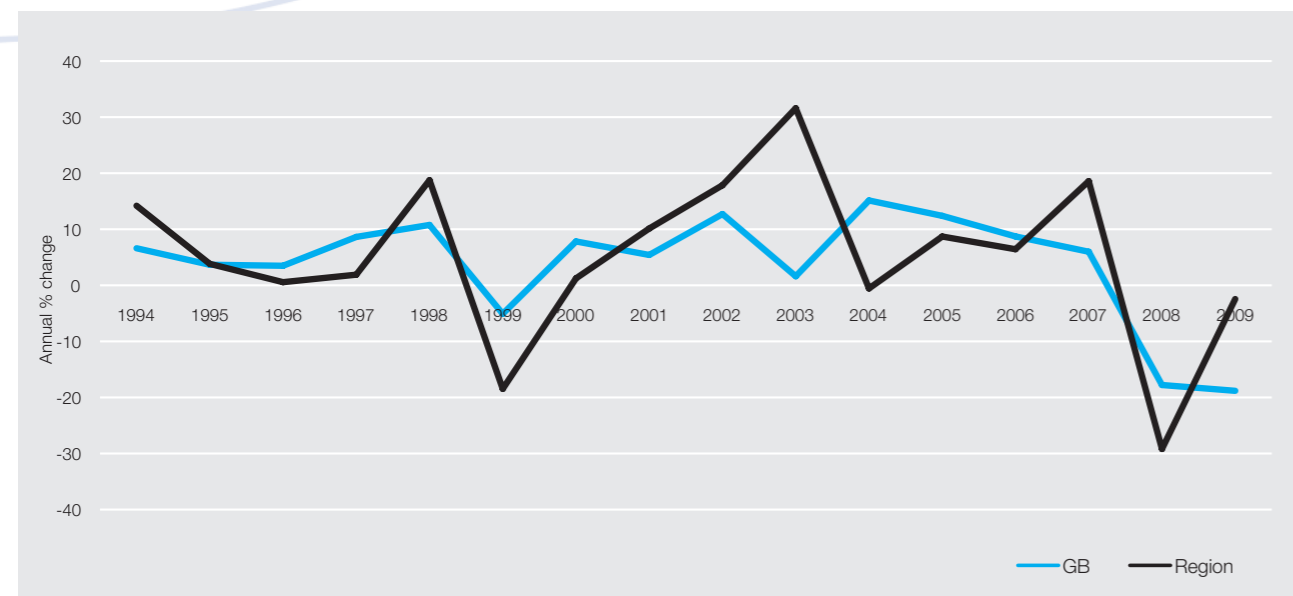
2.7 New construction orders – current situation

In the first half of 2010 the value of new construction orders totalled £2.4bn (in current prices), down 22% both half-on-half and year-on-year.

The indication is that the infrastructure sector's run of annual increases has come to an end, with orders down 51% in the first six months of 2010, when compared with the outturn in the final half of 2009 (the £457m figure was also down 45% on the corresponding part of the preceding year). A similar story was unfolding in the public non-housing sector with orders down 39% year-on-year to £658m in the first six months of 2010.

The industrial sector may soon stage a recovery according to the orders data – with the level up 11% year-on-year to £180m. On the same basis, although public housing new orders increased by 31% to £128m, the figure was still down 31% when compared with the same period of 2009. Finally, after having been on a downward path since the beginning of 2008, the four-quarter moving total for commercial new orders picked up between April and June of this year.

New construction orders growth 1994-2009 - North West vs. GB



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

2.8 Construction output – short-term forecasts (2011–2012)

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 are only available for the first two quarters of 2010.

In current prices, construction output in the first six months of 2010 totalled £5.6bn in the North West – up 1.1% on the corresponding period of the previous year and a 0.2% increase half year on half year. The rises were driven by the new work sector where output was up 3.6% year-on-year, while R&M activity was down 3.3% on the same basis.

The region's construction industry is predicted to decline at an annual average rate of 2% over the next two years. Following an estimated increase of 5% in 2010, output is forecast to slip back into negative territory in 2011 and 2012 as the largest sector in new work – public non-housing – experiences marked declines. Public housing is also predicted to contract over the two years, although the small size of the sector means that it contributes only slightly to the overall fall.

In contrast, the infrastructure sector in the North West is predicted to show healthy growth over the next two years, with an annual average rate of 6.8%. There are a couple of large programmes of work planned to fall into the review period in the region, including the building of various waste management facilities at an estimated cost of £631m – although this output stream will be distributed over the eight years to 2017 – and a three-year framework agreement to undertake construction work at Manchester Airport (at a cost of £448m). There is also a plan to build a £600m combined cycle gas turbine power plant in Thornton where work is due to commence in April 2011. Furthermore, Phase 3A of the £575m Manchester Metrolink project saw construction start onsite in 2009 and it is estimated the new lines will become operational in 2011/12.

Following two years of steep declines, the industrial sector is predicted to bounce back with an increase of 10% in 2010 as the manufacturing recovery stimulates demand for new facilities. However the pace of growth should slow to 6% in 2011, before picking back up to double-digits in 2012, as projects such as the construction of two air freight transit units worth £10.1m in Manchester come on line. The sector has a projected average yearly growth rate of 8% over this year and next.

The public non-housing sector has a projected annual average rate of decline of 26.7% between 2011 and 2012. The expectation is that the output stream being generated from previously started BSF projects will begin to fall off sharply in 2011 and 2012, with little else coming on site to replace the work. Meanwhile in the commercial sector, output is forecast to rise slowly in 2010 and 2011 following two years of decline as the economy recovers, although activity will be coming back up from a low base. As the economy gathers further momentum, consumer spending improves and confidence returns, commercial output growth should accelerate to 8% in 2012.

In the R&M sectors, non-housing activity is expected to grow at an annual average rate of 2.5% between 2011 and 2012 – better than housing R&M's 0.9%. A hike in the VAT to 20% at the beginning of 2011 may be responsible for constraining demand in the latter sector, with some households perhaps choosing to bring forward any necessary work to before the end of 2010.



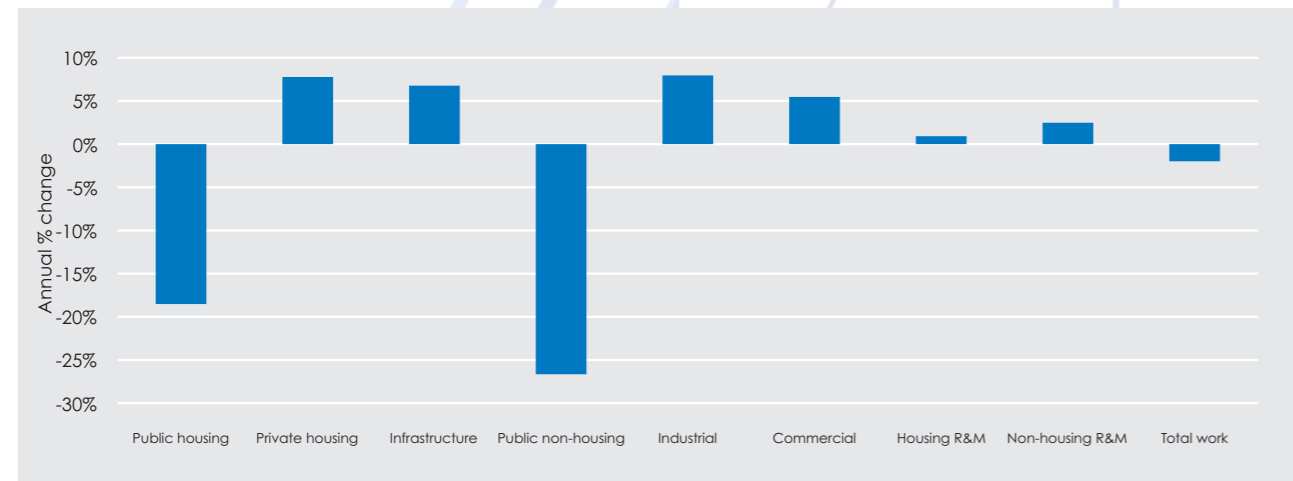
Construction output - North West (£ million, 2005 prices)

	Actual 2009	Forecast annual % change			Annual average 2011-2012
		2010	2011	2012	
Public housing	264	40%	-23%	-14%	-18.5%
Private housing	1,025	-18%	8%	8%	7.8%
Infrastructure	829	23%	8%	5%	6.8%
Public non-housing	1,549	28%	-16%	-36%	-26.7%
Industrial	385	10%	6%	10%	8.0%
Commercial	1,540	4%	3%	8%	5.5%
New work	5,592	12%	-3%	-5%	-4.2%
Housing R&M	1,858	6%	0%	2%	0.9%
Non-housing R&M	2,018	-14%	1%	4%	2.5%
Total R&M	3,876	-5%	0%	3%	1.7%
Total work	9,468	5%	-2%	-2%	-2.0%

Source: Experian
ref. CSN Explained, Section 4, Notes 1 and 2

2. The outlook for construction in the North West

Annual average construction output growth 2011-2012 - North West



Source: Experian
ref. CSN Explained, Section 4, Note 2

2.9 Construction output – long-term forecasts (2011–2015)

Over the long-term, the North West's construction industry is predicted to decline at an annual average rate of 0.6%, well below the UK average growth rate of +1.0%. The new work sector is predicted to be entirely responsible for the contraction, with a forecast average yearly rate fall of 1.8% predicted between 2011 and 2015. Conversely, the R&M sector is projected to grow by around 1.4% on the same basis.

With an average rate of decline of 22.8% per annum, the public non-housing sector in the region is projected to be the worst performing in the UK. The North West was amongst the largest beneficiaries of BSF funding and has seen total output growth of 54% in real terms over the four years to 2009. However the coalition government's decision to cut the programme has led to the cancellation of over 80% of post-Wave 4 schools in the region. Once current schemes are completed there will be few new ones to replace them.

In contrast the infrastructure and industrial sectors are likely to be the most buoyant over the long-term, with forecast annual average rates of growth of 6.4% and 6.3%, respectively. The former has several large projects in the pipeline including the three-year Phase 3B Manchester Metrolink scheme, which is due to see work start onsite in April 2012. The £430m Mersey Crossing bridge project is estimated to take around the same time to complete and will go-ahead after having been given the green light in the Comprehensive Spending Review. In the case of the industrial sector, output is predicted to grow by double-digits in 2012, before seeing a slowdown in the pace of increase in each of the following three years to 2015 as demand for new facilities is driven by movements in the manufacturing market.

In the housing market, the private housing sector is predicted to grow an annual average rate of 5.6%, while public housing is projected to decline by the same magnitude. The former is likely to benefit from healthy increases in 2011 and 2012 as mortgage lending constraints ease a little for consumers, while finance becomes easier to access for house builders. However, relatively weak demographic trends in the region should mean below UK average growth for the sector. The performance of the public housing sector in the North West is projected to be in sync

with that of the national picture – with an average contraction rate of 5.6% per annum. While the Kickstart programme is currently providing a temporary boost to both public and private housing, the much lower level of public funding available to the HCA, as announced in the CSR, will affect public housing in all English regions.

With the exception of the West Midlands, the commercial sector in the North West is predicted to be the weakest performing in the UK over the long-term. With an annual average growth rate of 2.4% between 2011 and 2015, output is predicted to rise sluggishly in 2011, before seeing a stronger increase of 8% in 2012 as the recently approved Tithebarn scheme - a £700m project to transform Preston's city centre, gives the sector a boost. Thereafter, the sector is likely to see weak increases on the back of subdued demand for new office and retail facilities.

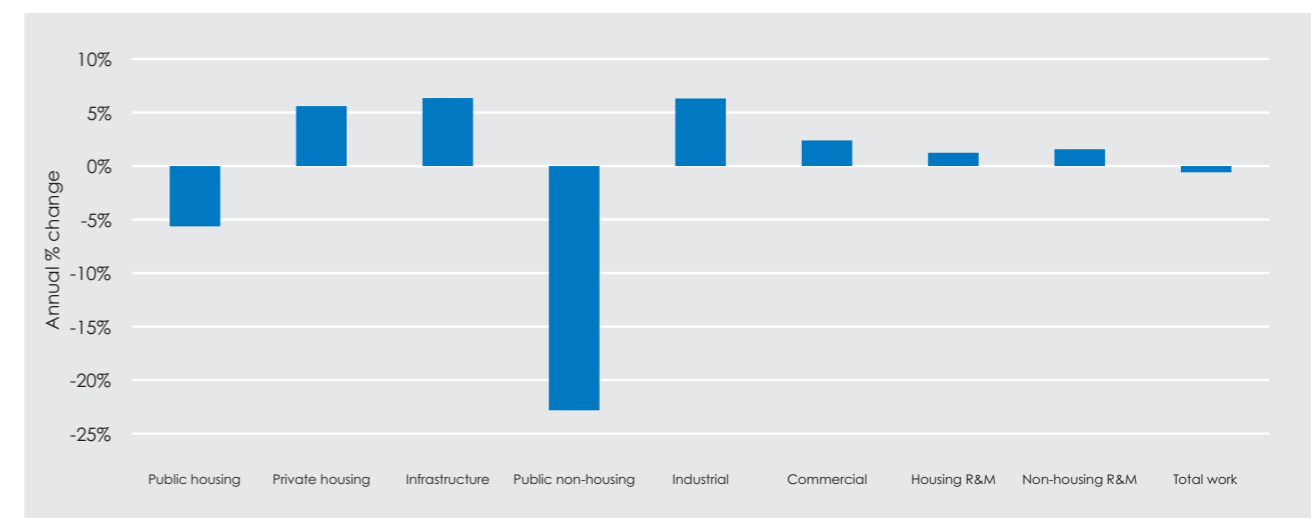


Construction output - North West (£ million, 2005 prices)

	Estimate 2010	Forecast annual % change					Annual average 2011-2015
		2011	2012	2013	2014	2015	
Public housing	369	-23%	-14%	7%	0%	6%	-5.6%
Private housing	842	8%	8%	5%	5%	3%	5.6%
Infrastructure	1,018	8%	5%	19%	6%	-6%	6.4%
Public non-housing	1,989	-16%	-36%	-26%	-25%	-9%	-22.8%
Industrial	424	6%	10%	6%	5%	4%	6.3%
Commercial	1,606	3%	8%	0%	1%	1%	2.4%
New work	6,248	-3%	-5%	1%	0%	-1%	-1.8%
Housing R&M	1,962	0%	2%	1%	2%	2%	1.2%
Non-housing R&M	1,730	1%	4%	1%	1%	1%	1.6%
R&M	3,692	0%	3%	1%	1%	1%	1.4%
Total work	9,941	-2%	-2%	1%	0%	0%	-0.6%

Source: CSN, Experian
ref. CSN Explained, Section 4, Note 2

Annual average construction output growth 2011-2015 - North West



Source: CSN, Experian
ref. CSN Explained, Section 4, Note 2

2.10 Beyond 2015

The expectation is that energy and retrofitting will be the main drivers of activity in the North West's construction industry beyond 2015. There are already a couple of large nuclear power station projects in the pipeline, each worth around £2bn. The schemes in Morecambe and Seascale have estimated construction start dates of 2017 and finish dates of 2025.

Meanwhile according to the Low Carbon Housing and Fuel Poverty Activity Plan 2010–2012 report by the Domestic Energy Alliance, the North West's emissions from its housing sector accounts for around 27% of the region's carbon footprint. The aim is to make all homes zero carbon by 2050 by increasing the uptake of energy efficiency

and microgeneration measures, although the expectation is that a majority of work in the early period will comprise the installation of low-cost insulation measures. The higher cost of installing microgeneration measures may mean that it becomes more important as energy inefficiency becomes less of a problem.

Finally, one of the largest projects in the region is the £4.5bn redevelopment of the Wallasey and Birkenhead docklands to form a mixed-use development, known as Wirral Waters. The work comprises the construction of over 1,000,000m² of retail, leisure, live work units, community and cultural elements, as well as 13,000 homes. The eight-year project was given the go-ahead in August 2010 and is estimated to reach completion in the early part of the next decade.

3. Construction employment forecasts for the North West

3.1 Total construction employment forecasts by occupation

The table presents actual construction employment (SIC 45 and 74.2) in the North West for 2009, the forecast total employment in 26 occupations and in the industry as a whole between 2011 and 2015. A full breakdown of occupations is provided in the accompanying document, CSN Explained.

Construction employment, including SIC 45 and 74.2, in the North West is forecast to reach 268,770 in 2015 – up 3.7% on the 2011 projected outturn but 1.4% down on the 2009 figure. The expectation is that employment in the region will continue to fall until 2011, before improving prospects in the R&M market, which is more labour intensive and thus generates more employment per unit of investment, gives a rising profile.

At 26,850, wood trades and interior fit-out accounted for 9.9% of total construction employment in 2009, making it the largest trade occupation in the region. Although it is predicted to increase by 4.2% to 26,740 between 2011 and 2015, its share of total employment should remain unchanged since 2009.

Total employment by occupation - North West

	Actual 2009	Forecast	
		2011	2015
Senior, executive, and business process managers	13,360	12,140	12,520
Construction managers	26,430	24,590	25,170
Non-construction professional, technical, IT, and other office-based staff	37,140	36,710	38,040
Wood trades and interior fit-out	26,850	25,650	26,740
Bricklayers	6,240	6,450	6,650
Building envelope specialists	8,450	7,970	8,360
Painters and decorators	12,180	11,980	12,190
Plasterers and dry liners	8,380	7,680	7,800
Roofers	5,780	5,470	5,760
Floorers	3,650	3,630	3,700
Glaziers	2,580	2,410	2,600
Specialist building operatives nec*	3,740	3,330	3,630
Scaffolders	1,470	1,200	1,260
Plant operatives	5,150	4,930	5,160
Plant mechanics/fitters	4,830	5,150	5,400
Steel erectors/structural	3,780	3,610	3,650
Labourers nec*	11,930	9,680	10,440
Electrical trades and installation	20,850	21,890	22,360
Plumbing and HVAC Trades	20,230	18,630	19,670
Logistics	4,050	3,660	3,800
Civil engineering operatives nec*	3,640	2,760	2,820
Non-construction operatives	4,410	3,880	4,090
Civil engineers	5,880	4,940	5,380
Other construction professionals and technical staff	22,090	21,330	21,840
Architects	1,790	1,520	1,610
Surveyors	7,610	8,020	8,130
Total (SIC 45)	235,120	223,400	231,810
Total (SIC 45 and 74.2)	272,490	259,210	268,770

Source: ONS, CSN, Experian ref. CSN Explained, Section 4, 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 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.

The ARR 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.

Between 2011 and 2015 for the 26 occupational groups within the North West's construction industry, the ARR is illustrated in the table. The ARR of 4,090 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' – flows into and out of the industry, excluding training flows.

At 660 and constituting 16.1% of the total figure, the painters and decorators occupation is predicted to have the highest ARR in the region. Barriers to entry into this career are low and it is an occupation with a large presence in the R&M sector, which is

projected to be more buoyant than new work. However, to put it into context, the ARR for painters and decorators represents 5.5% of base 2011 employment, which is not especially high. The wood trades and interior fit-out occupation also has a high requirement in absolute terms, of 540, although if taken as a proportion of 2011 employment (2.2%), it is amongst the lowest in the region.

Please note that all of the ARR's 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 SIC 45 and SIC 74.2 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 - North West

	2011-2015
Senior, executive, and business process managers	<50
Construction managers	-
Non-construction professional, technical, IT, and other office-based staff	-
Wood trades and interior fit-out	540
Bricklayers	260
Building envelope specialists	140
Painters and decorators	660
Plasterers and dry liners	370
Roofers	250
Floorers	390
Glaziers	200
Specialist building operatives nec*	<50
Scaffolders	-
Plant operatives	<50
Plant mechanics/fitters	240
Steel erectors/structural	-
Labourers nec*	-
Electrical trades and installation	470
Plumbing and HVAC Trades	-
Logistics	290
Civil engineering operatives nec*	130
Non-construction operatives	-
Civil engineers	<50
Other construction professionals and technical staff	-
Architects	50
Surveyors	-
Total (SIC 45)	4,010
Total (SIC 45 and 74.2)	4,090

Source: CSN, Experian ref. CSN Explained, Section 4, Notes 5 and 6

*nec - not elsewhere classified

4. Comparisons across the UK

With an annual average rate of decline of 0.6% between 2011 and 2015, the North West is forecast to be amongst four regions in the UK with a negative projected outturn.

Public expenditure cuts announced in the 2010 Emergency Budget and the subsequent Spending Review in October will inevitably have a negative effect on public non-housing output across the UK. However, by how much the different regions will be affected will largely depend on their level of exposure to the BSF programme. Those regions with a larger number of BSF schemes in the early part of the programme (Waves 1-4), which have mostly escaped cancellation, will see a much higher fall off in activity once those projects are completed than those with relatively few schemes. Thus the North West, with a significant number of early schemes, is projected to see a much higher annual average decline in public non-housing output (22.8%) than the UK average (12.4%).

The public housing sector has been hit hard by the cuts in government expenditure going forward, with only £4.4bn available for the English regions between 2011 and 2015, compared with £8.4bn in the Affordable Housing Programme for 2008-2011. Our forecasts suggest that the UK as a whole will decline at an annual average rate of 5.6% over 2011-2015, although the North East and the East Midlands are expected to significantly underperform with double-digit contractions. The former has a relatively small public housing sector and has done well out of allocations in the recent past, although this means that it has a larger distance to fall upon fiscal retrenchment. In the case of the latter, output is predicted to contract over each of the forecast years, making the East Midlands region the weakest in the UK.

On a more positive note, the private housing sector should be the strongest performer in UK construction, with an annual average rate of

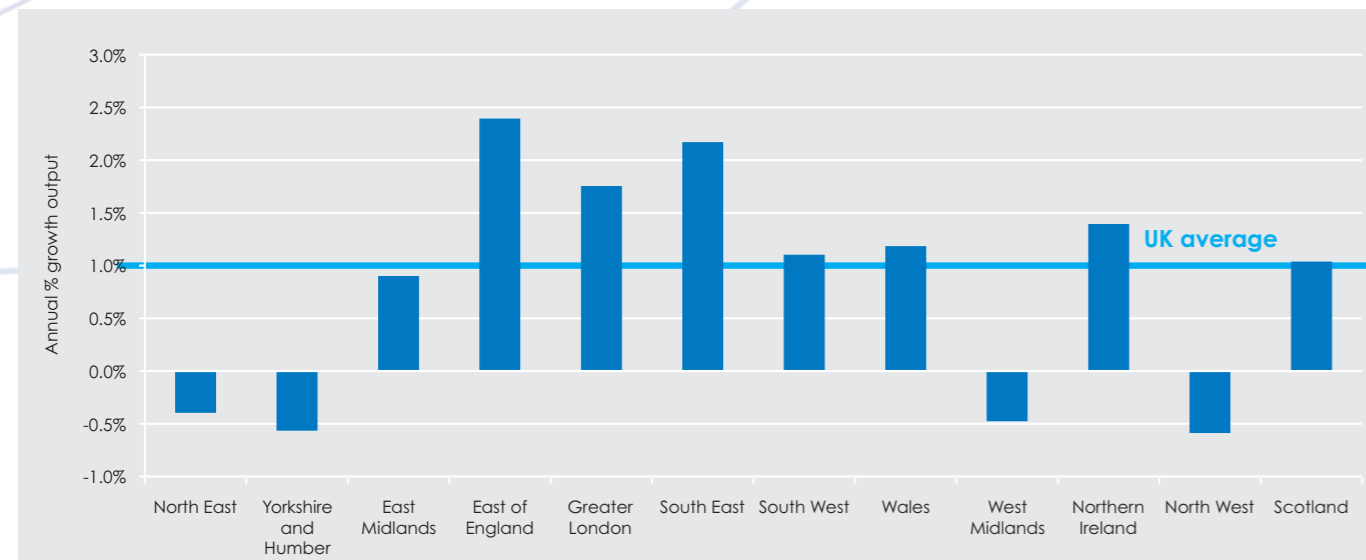
increase of 6% between 2011 and 2015, well above the industry average of 1%. Yorkshire and Humber's sector is likely to be especially buoyant, with a growth rate of 9.7%. Greater affordability in the region as the house price to earnings ratio is expected to remain below the national average, and easier access to mortgage finance should be vital in driving growth. In comparison, the North West's private housing sector is likely to slightly underperform when compared with the national picture, partly dragged down by the region's working-age population expanding at a weaker rate.

In the UK, both the infrastructure and industrial sectors are predicted to grow at an annual average rate of 4.4% over the four years to 2015. Greater London has a number of large transport projects, the biggest of which are Crossrail (worth £16bn) and the £5.5bn Thameslink scheme (although there are other sizeable infrastructure schemes such as Thames Tideway, Heathrow Terminal East and various Underground station upgrades). Large transport schemes can dictate demand for distribution facilities, such as warehouses, hence the strength of industrial construction growth in the East of England at 9% a year to 2015 on the back of the construction of the new London Gateway port.

With a yearly average rate of increase of 2.4%, the North West's commercial sector is likely to fare poorly over the forecast period. With the exception of the Tithebarn scheme and the Sportscity project, there is little else in the pipeline to sustain the sector over the review period.

Employment growth in the region between 2011 and 2015 is predicted to be muted, increasing by just 3.7%, which is well below the UK average of 7.8%. With R&M expected to be the stronger sector, those occupations with a significant presence in the sector are likely to do best. At 4,090, the annual recruitment requirement over the forecast period is equivalent to 1.6% of base 2011 employment, a relatively low rate.

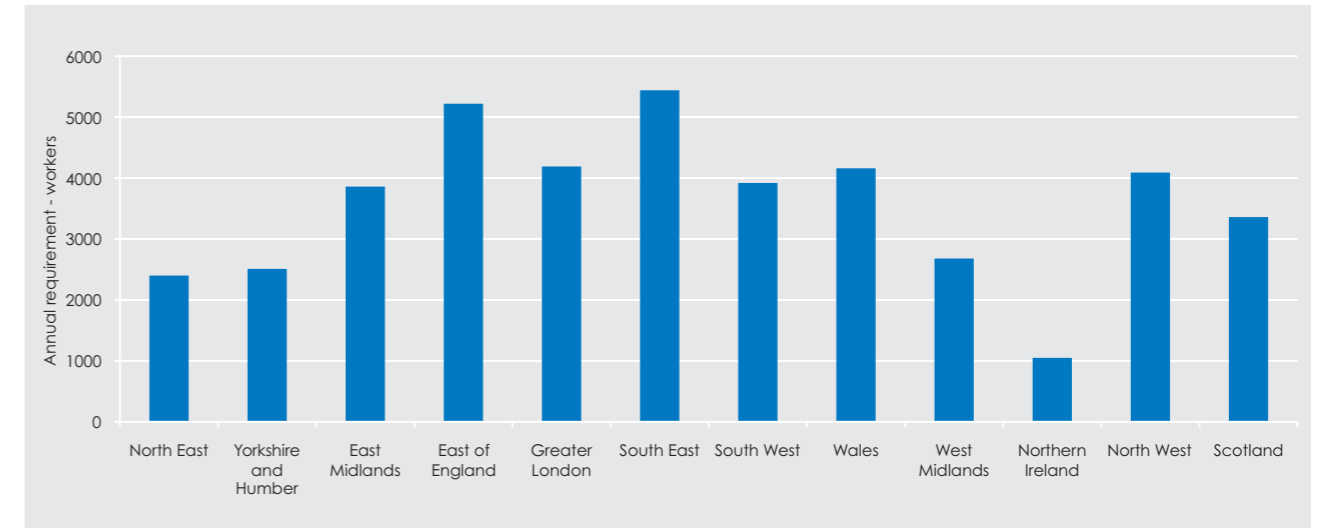
Annual average output growth by region 2011-2015



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

The North West's construction industry is predicted to under-perform the UK average with a rate of decline of **-0.6%** between **2011 and 2015.**

Annual recruitment requirement (ARR) by region 2011-2015



Source: CSN, Experian



At **4,090**,
the ARR over the forecast period is
1.6% of base
2011 employment.

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CSN Webpage

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

