

CONSTRUCTION SKILLS NETWORK

Labour Market Intelligence Report



East Midlands
5-year outlook 2022-2026

EAST MIDLANDS

The volume of construction work in the East Midlands will grow at the same as the UK forecast of 3.2% by an annual average rate of

↑ **3.2%**

Key sectors for future growth

↑ **Private Housing**
Infrastructure
Industrial

Strongest recruitment requirement levels

↑ **Construction process managers** (1,020 per year)
Wood trades and interior fit-out (530 per year)
Painters and decorators (500 per year)

Major projects in the East Midlands include

+ **Midland Main Line railway upgrade** (£500m)
Medium Schemes Framework 4 (£1bn)
Fairham Pastures (£750m)

The annual recruitment requirement in the East Midlands of 2.3% per year is above the UK average of 2.0% and means an extra 19,350 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 East Midlands has a couple of differences to the UK structure.

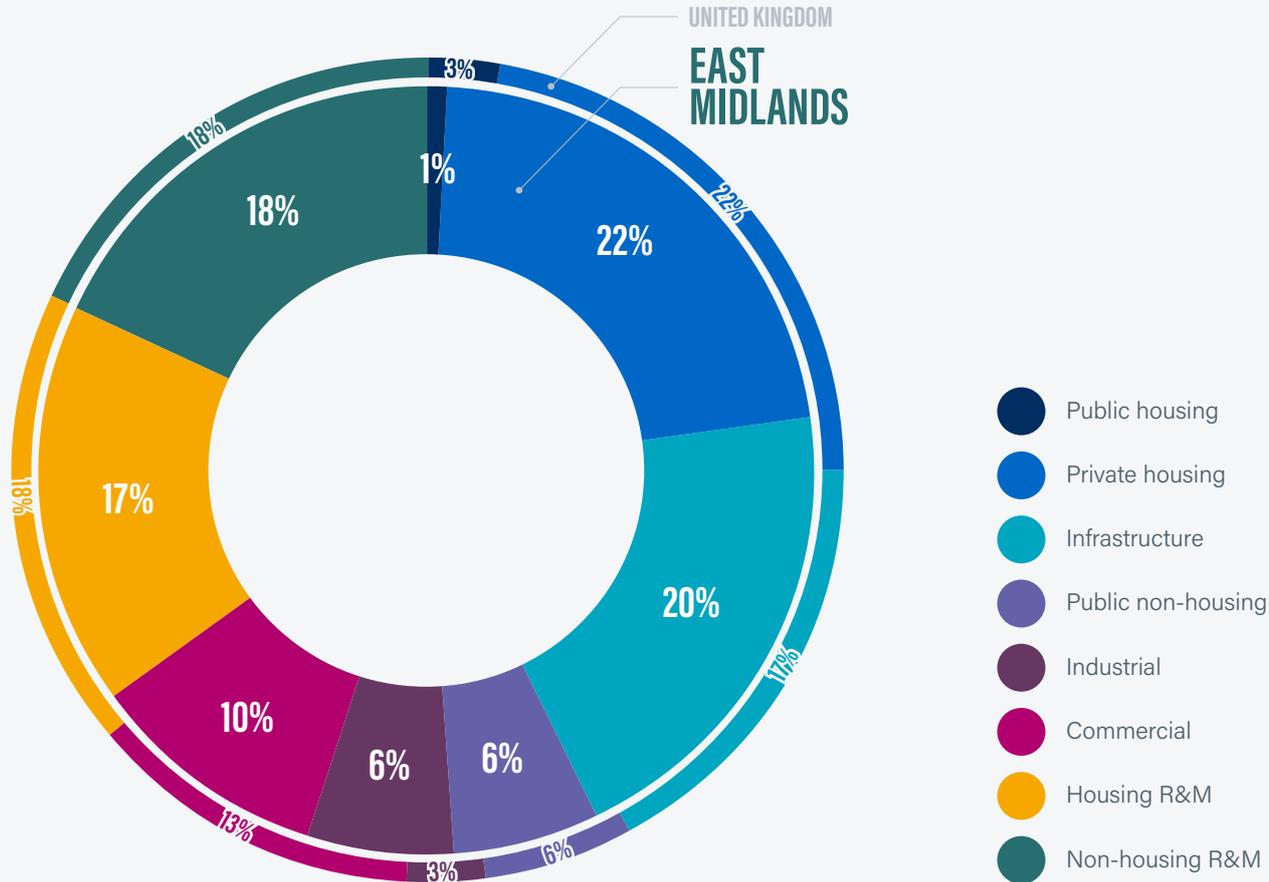
The shares of the infrastructure (20%) and industrial (6%) sectors are both slightly higher than corresponding UK view, whereas, public housing and commercial are both slightly lower.

Although private housing is the biggest sector by value in 2021, infrastructure, and the two R&M sectors aren't far behind, which gives quite a balanced structure in the region.

Infrastructure

20%

CONSTRUCTION INDUSTRY STRUCTURE 2021 EAST MIDLANDS VS UK



2021 view

Total annual output 2021

£10.8bn

Total estimated output 2022

£11.2bn



In 2021 construction output in the East Midlands is estimated to have grown by just over 6%, which is lower than UK growth of over 12%.

2021 view

The region also experienced a sharper drop in output during 2020, down by 22% compared to 15% for the UK. This means 2021 output will still be 17% less than output in 2019, although 2018 and 2019 were strong years for output, particularly infrastructure work. In the forecast, we expect output to return to pre-pandemic levels towards 2025/2026.

CONSTRUCTION OUTPUT 2003 - 2022 EAST MIDLANDS

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



Output forecast 2022 - 2026

In the East Midlands, the volume of work will grow by an annual average rate of 3.2%, which is the same as the UK rate. All sectors will see growth over the forecast, with new work being stronger than R&M, and most follow a pattern of higher growth in the earlier years, which dips to be closer to the longer-term growth trends, towards the latter years.

The industrial sector has the highest annual average growth rate of 6.7%, however, as noted in the Industry Structure chart it has a relatively low share of total output (6%). Although private housing and infrastructure sectors have lower average growth rates, they are forecast to show the largest gains in work. Private housing output has an estimated increase of £453m over the forecast, with infrastructure increasing by £354m, while the industrial sector is just behind with an increase of £262m.

East Midlands average growth rate

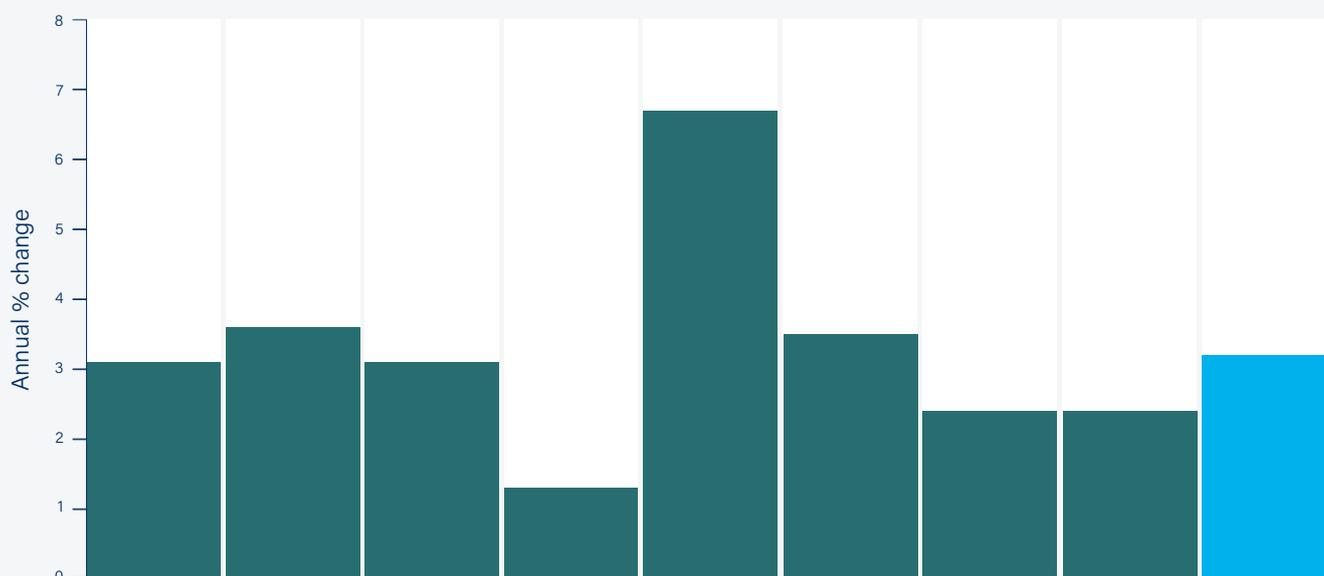
3.2%

Forecast

ANNUAL AVERAGE OUTPUT GROWTH BY SECTOR 2022-2026 EAST MIDLANDS

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

Public housing	Private housing	Infrastructure	Public non-housing	Industrial	Commercial	Housing R&M	Non-housing R&M	Total work
3.1%	3.6%	3.1%	1.3%	6.7%	3.5%	2.4%	2.4%	3.2%



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

	Actual	Forecast (Annual % change, real terms)					Annual average
	2021	2022	2023	2024	2025	2026	2022-2026
Public housing	141	2.6%	2.1%	4.6%	3.2%	3.2%	3.1%
Private housing	2,320	4.3%	4.4%	4.1%	2.7%	2.6%	3.6%
Infrastructure	2,115	6.7%	2.3%	2.1%	2.7%	1.9%	3.1%
Public non-housing	652	-3.9%	3.3%	4.5%	1.0%	2.0%	1.3%
Industrial	688	17.5%	5.4%	6.9%	2.2%	2.2%	6.7%
Commercial	1,044	0.8%	5.0%	3.9%	4.2%	3.8%	3.5%
New work	6,960	5.0%	3.8%	3.8%	2.7%	2.5%	3.6%
Housing R&M	1,871	3.9%	3.6%	2.2%	0.8%	1.8%	2.4%
Non-housing R&M	1,929	2.6%	3.6%	1.1%	2.9%	1.9%	2.4%
Total R&M	3,800	3.2%	3.6%	1.6%	1.8%	1.8%	2.4%
Total work	10,760	4.4%	3.7%	3.1%	2.4%	2.3%	3.2%

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

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

Infrastructure output will benefit from programmes like Network Rail's Midland Main Line **£500m railway upgrade** and the estimated **£1bn Medium Schemes Framework 4** being tendered by Midlands Highway Alliance Plus.

While the East Midlands may not have high profile major projects that are driving growth in other areas of the UK, there are still significant programmes of work.

The bidding process for upgrade works on Network Rail's Midland Main Line railway upgrade has begun with the project due out to tender in September 2022. The £500m project will upgrade a 155km stretch of track from Market Harborough to Sheffield. This section is scheduled to be completed by 2023 and could boost infrastructure output along with the estimated £1bn Medium Schemes Framework 4 being tendered by Midlands Highway Alliance Plus.

The industrial sector should benefit from a few logistics and warehouse projects in the pipeline. Brick producer Forterra is moving ahead with its £95m project to double production capacity at its Desford

plant in Leicestershire. The first bricks are expected to be produced from 2022, with the producer aiming to generate 700 million bricks per annum.

Thousands of homes are being built across Nottinghamshire and plans are in place for a number of new estates. More than 65,000 homes need to be built in the next few years and strict targets have been set for each local council. In Fairham Pastures, near East Leake, outline approval has been granted for the construction of around 3,000 new homes as part of a £750m project covering 606 acres.

Work has started on the £200m Aston Martin Cognizant Formula One Team's new headquarters next to the Silverstone Grand Prix Circuit. The project will see construction of a new factory and testing wind tunnel.

Midland Main Line railway upgrade

+ **£500m**

Medium Schemes Framework 4

+ **£1bn**

Aston Martin Cognizant F1 Team headquarters

+ **£200m**

Workforce forecast

The level of output growth in the East Midlands gives an annual average increase of 0.8% in the construction workforce, again the same as the UK. With more of a drop in output during 2020 compared to the UK, the construction workforce in the region also saw more of a drop, down by just over 5% to 168,700. The workforce has also seen a very marginal dip in 2021, to 168,000, however, we expect it to pick up in 2022 to 169,700. Over the course of the forecast, we estimate that the workforce will continue to grow and reach 174,600 by 2026.

TOTAL WORKFORCE BY OCCUPATION - EAST MIDLANDS

	Actual	Estimate	Forecast	
	2020	2021	2022	2026
Senior, executive and business process managers	11,200	10,700	10,600	10,900
Construction project managers	2,900	2,700	2,700	2,600
Other construction process managers	16,000	14,800	14,700	16,100
Non-construction professional, technical, IT and other office-based staff	21,000	22,400	22,100	22,400
Construction trades supervisors	1,700	1,600	1,500	1,700
Wood trades and interior fit-out	14,200	15,100	14,800	15,100
Bricklayers	5,600	5,200	5,300	5,300
Building envelope specialists	6,100	5,700	6,000	6,400
Painters and decorators	6,400	5,900	6,100	6,300
Plasterers	5,600	5,600	5,500	5,100
Roofers	1,600	1,500	1,500	1,500
Floorers	1,200	1,300	1,300	1,300
Glaziers	3,300	3,500	3,600	3,500
Specialist building operatives nec*	5,500	5,900	5,900	5,600
Scaffolders	500	600	500	500
Plant operatives	4,300	4,000	4,400	4,600
Plant mechanics/fitters	3,600	3,800	3,900	4,000
Steel erectors/structural fabrication	1,600	1,700	1,800	1,900
Labourers nec*	6,400	5,900	6,200	6,700
Electrical trades and installation	12,900	13,100	13,600	14,800
Plumbing and HVAC Trades	10,800	11,500	11,600	11,200
Logistics	2,000	2,100	2,100	2,100
Civil engineering operatives nec*	1,300	1,400	1,500	1,500
Non-construction operatives	3,100	2,900	3,000	3,200
Total (SIC 41-43)	149,000	148,800	149,900	154,200
Civil engineers	3,600	3,800	4,100	4,300
Other construction professionals and technical staff	10,200	9,500	9,700	10,000
Architects	1,000	900	1,000	1,000
Surveyors	4,800	5,000	5,000	5,000
Total (SIC 41-43, 71.1, 74.9)	168,700	168,000	169,700	174,600

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 East Midlands is set to average 2.3% per year, based on 2021 workforce levels, which is above the UK figure of 2.0%. This means the construction industry would have to increase current recruitment by 3,870 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:

- **Construction process managers** (1,020 per year)
- **Wood trades and interior fit-out** (530 per year)
- **Painters and decorators** (500 per year).

Painters and decorators have a high ARR value relative to the workforce (8.5%) which indicates demand pressure. There will also be pressure on architects (9.5%), plant operatives (8.7%) and plant mechanics (7.3%) 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 - EAST MIDLANDS

	ARR as % of 2021 workforce	ARR value per year
Senior, executive and business process managers	-	-
Construction project managers	-	-
Other construction process managers	6.9%	1,020
Non-construction professional, technical, IT, and other office-based staff	0.6%	140
Construction trades supervisors	5.0%	80
Wood trades and interior fit-out	3.5%	530
Bricklayers	4.5%	230
Building envelope specialists	3.0%	170
Painters and decorators	8.5%	500
Plasterers	-	-
Roofers	3.4%	50
Floorers	-	-
Glaziers	-	-
Specialist building operatives nec*	-	-
Scaffolders	-	-
Plant operatives	8.7%	350
Plant mechanics/fitters	7.3%	280
Steel erectors/structural fabrication	-	-
Labourers nec*	3.1%	180
Electrical trades and installation	-	-
Plumbing and HVAC Trades	0.4%	50
Logistics	3.8%	80
Civil engineering operatives nec*	-	-
Non-construction operatives	-	-
Total (SIC 41-43)		3,660
Civil engineers	-	-
Other construction professionals and technical staff	-	-
Architects	9.5%	90
Surveyors	2.4%	120
Total (SIC 41-43, 71.1, 74.9)	2.3%	3,870

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Note: figures may not sum to totals due to rounding

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

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

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, EAST MIDLANDS

Source: EMSI Burning Glass, selected construction occupations, East Midlands



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 East Midlands will be facing the issues identified in CITB's recently published Rethinking Recruitment, which highlights some of the challenges and how to support construction companies in overcoming them.

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

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

Apprenticeship starts in the East Midlands followed a slightly different pattern, with an increase in 2019/20, then more of a drop in 2020/21. When compared to 2018/19 starts, 2020/21 apprenticeship starts were nearly 26% lower, which is more of a drop than seen across England.

For learners achieving construction qualifications in England, there was a 30% drop in qualification certificates issued in 2019/20, which picked back up in 2020/21, although not to the level seen in 2018/19. Again the East Midlands has seen a slightly different profile with drops in achievement numbers for both 2019/20 and 2020/21.

Both charts indicate that there is some work to do to get construction training in the East Midlands back to previous levels and then increase to meet current and future demand.

EAST MIDLANDS, CUMULATIVE MONTHLY CONSTRUCTION APPRENTICESHIP STARTS, 2019 - 2021

Source: Department for Education



FURTHER EDUCATION, CONSTRUCTION SECTOR QUALIFICATION ACHIEVEMENTS, LEVEL 2+, EAST MIDLANDS 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

East Midlands

Amber Valley

Ashfield

Bassetlaw

Blaby

Bolsover

Boston

Broxtowe

Charnwood

Chesterfield

Derby

Derbyshire Dales

East Lindsey

Erewash

Gedling

Harborough

High Peak

Hinckley and Bosworth

Leicester

Lincoln

Mansfield

Melton

Newark and Sherwood

North East Derbyshire

North Kesteven

North Northamptonshire

North West Leicestershire

Nottingham

Oadby and Wigston

Rushcliffe

Rutland

South Derbyshire

South Holland

South Kesteven

West Lindsey

West Northamptonshire

For more information about the Construction Skills Network, contact:

Ian Hill

Industry Insight Manager

Ian.Hill@citb.co.uk

