

# Skills to build

Creating the houses and jobs  
our communities need

# Introduction

Everyone deserves to gain the skills to earn a living, and to be able to afford a decent home.

Local government is right behind Government's ambition to ramp up housebuilding and to create jobs and apprenticeships, but we are concerned inefficiencies in our skills system will simultaneously scupper both ambitions.

Frankly, our economies do not have the skills to build, and the trends are worrying.

While the construction industry's forecasted annual demand for skills has increased consecutively over the last three years, the total number of construction qualifications has actually fallen.

There are 58 per cent fewer completed construction apprenticeships today than in 2009. Over half of skilled trade construction vacancies are hard-to-fill, almost three times more than the average across the economy.

This is a concern for industry, for government, for communities and for families. Widening skills gaps have big repercussions for growth, and miss crucial opportunities for helping the unemployed gain the vital skills the economy actually needs.

So we want to open a debate, focused on bringing together building and development with skills and apprenticeships in the real life local economies that people live and work.

Rather than separating the housing agenda into one national silo, and the skills agenda into another, we want to explore how devolution can bring them together deliver our ambitions for homes, for jobs and for growth.

This isn't a new idea, but it works. Local government continues to try and broker relationships between developers, communities and the education and skills landscape, but its powers and capacity have been severely eroded in recent years. We must restore it.

We look forward to working with government, industry and councils to explore how local government can be enabled to develop the skills to build, essential for creating the homes and jobs our communities need.

## **Councillor Peter Box, CBE**

Chairman of the  
Environment, Economy, Housing and  
Transport Board

# Summary

This short paper looks at trends in the construction industry's demand for skills, compared with trends in the number of qualifications awarded to take jobs in the construction sector. It finds that:

- Government has set out an ambitious house building and infrastructure programme which will put demands on the construction industry
- employment in the construction sector is growing at a slower rate than in the economy as a whole despite it being a major contributor to growth. Record low numbers of construction workers are unemployed, suggesting little spare labour capacity
- the construction industry's forecasted annual recruitment needs have increased for the last three years consecutively, up from 29,050 a year in 2013, to 44,690 a year from 2015
- more than half (56 per cent) of skilled trade vacancies in the construction sector were hard-to-fill in 2013, up from 46 per cent in 2011. In contrast, just 19 per cent of skilled trade vacancies across the economy were hard-to-fill, down from 21 per cent in 2011
- at the same time the volume of construction related training has declined across all learning, since 2012/13 construction related vocational learning qualifications have dropped by 4 per cent (including apprenticeships by 58 per cent) and higher education by 17 per cent
- trends suggest further widening of the skills gap within the sector, likely to pose a significant risk to government's house building and infrastructure ambitions, and growth more generally.

The paper is designed to open discussion, recommending that:

- Government work with industry, councils and education providers to explore and develop a national 'Skills to build' strategy, but which is delivered locally
- councils who work with developers through the planning process to identify skills gaps are empowered to ensure publicly funded local skills and training providers train unemployed residents to take jobs created
- local partnerships are funded, perhaps using Apprenticeship Grant for Employers funds, to establish local apprenticeship hubs that create opportunities for young people and retraining unemployed adults
- return responsibility and funding for providing high quality impartial careers advice to councils in partnership with schools, colleges, jobcentres and local industry
- transfer the post 16 and adult skills budgets to local areas ready to design, commission and be accountable through the devolution deal processes, it could also be co-designed or co-commissioned in other areas
- in all areas, enable local accountability arrangements that bring together schools, colleges, training providers, jobcentre plus and councils together to offer a coherent skills offer able to respond to the short and medium term needs of employers.

# House building and infrastructure ambition

Councils are right behind Government's ambitions to build more homes and the infrastructure that our communities and economies need.

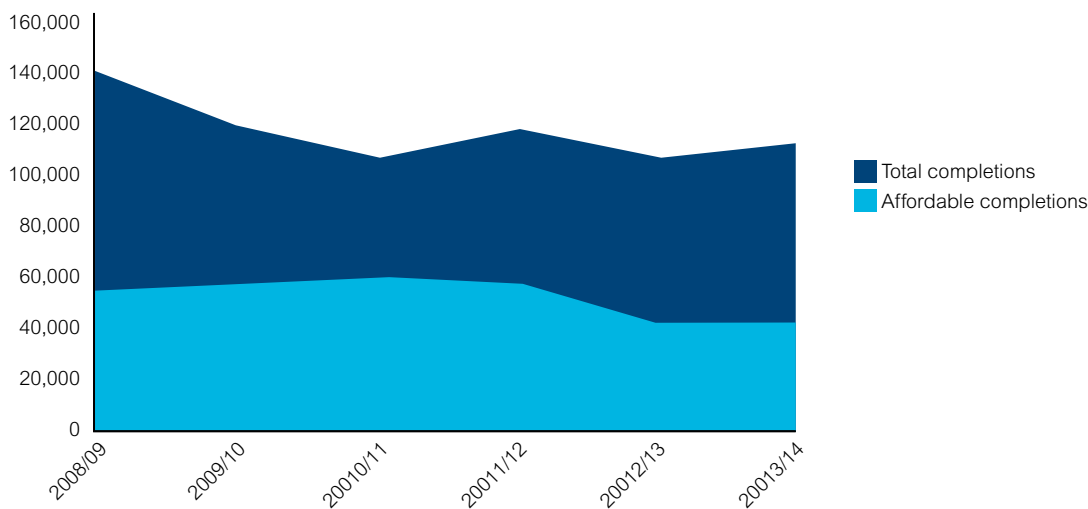
Government has set out the ambition to build 275,000 affordable homes over the parliament. This will be a challenge. Between 2010/11 and 2013/14 a total of 204,000 affordable homes were built in England<sup>1</sup> however a third (29 per cent) fewer affordable homes were built in 2013/14 than in 2010/11<sup>2</sup>.

Should the rate of current building continue, just 215,000 affordable houses would be built over the parliament.

It has also pledged to achieve the fastest rate of home building in 20 years. Total house building completions have increased marginally following a large fall during the recession, but fewer houses are being built than before the recession. In 2014/15 125,000 houses were completed, compared with 170,000 completions in 2007/08.

Unless something changes, government will not meet its target.

**Figure 1: Dwelling completions, England only**



**Sources:** House building: permanent dwellings completed, by tenure and country, DCLG; Additional affordable homes provided by type of scheme, England, DCLG

- 1 House building: permanent dwellings completed, by tenure and country, DCLG.
- 2 Additional affordable homes provided by type of scheme, England, DCLG

# Construction industry growth and employment demand

House building accounts for just 19 per cent of the construction industry's total output, which also includes infrastructure, industrial, commercial, and repair and maintenance.

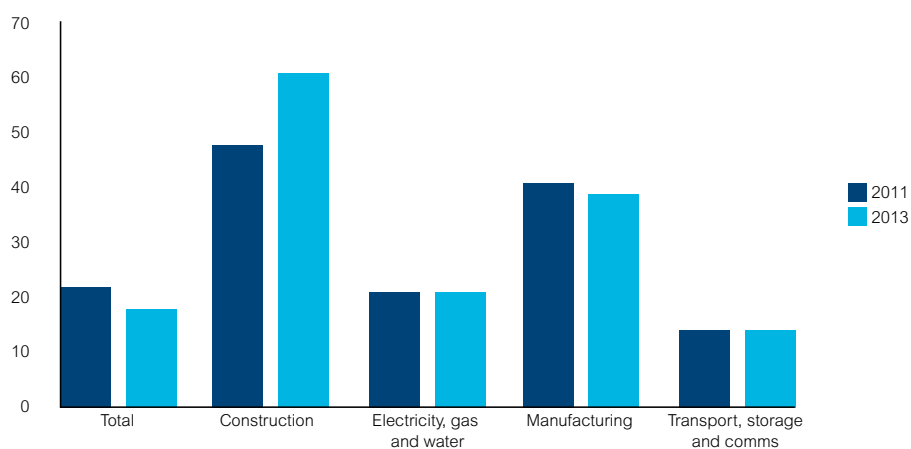
Total construction output fell after the recession but recovered more rapidly than house building and became one of the main engines in growth during 2014. Despite its contribution to growth the number of people employed in the industry is up just 1.5 per cent in the first quarter, below the 1.9 per cent employment growth in the economy as a whole. Furthermore fewer than 100,000 construction workers are unemployed, the lowest number on record.<sup>3</sup>

Looking ahead, the construction industry is forecasting an annual average growth rate of 2.9 per cent from 2015 to 2019. All elements are expected to see some rise in activity, including 2.4 per cent growth for public housing, 4.6 per cent for private housing, and 2 per cent for housing repair and maintenance from 2015 to 2019.<sup>4</sup> These forecasts were made before the general election.

To deliver growth the industry projects the total construction employment will reach 2.74 million by 2019. It projects an annual recruitment requirement for 2015 to 2019 of 44,690, or 223,450 over the five years across the UK. This is an increase from an 36,400 annual recruitment requirement projected from 2014, and much greater than the 29,050 annual recruitment requirement predicted from 2013.<sup>5</sup>

The latest UKCES Employer Perspective Survey found that the construction sector had the highest incidence of skills shortages in skilled trade vacancies, and the highest proportion of hard-to-fill skilled trade vacancies, both of which increased between 2011 and 2013 while both fell across the economy as a whole. In 2013, 56 per cent of skill trade vacancies in the construction sector were hard-to-fill, up from 46 per cent two years earlier. In contrast 19 per cent of skilled trade vacancies were hard to fill across the economy as a whole, a decrease of 2 per cent on two years earlier<sup>6</sup>

**Figure 2: Proportion of skilled trade occupation vacancies that are 'hard-to-fill' (%)**



**Sources:** UKCES Employer Perspective Survey 2011, and UKCES Employer Perspective Survey 2013

3 Employment in the construction industry, ONS

4 Industry Insights, Construction Skills Network 2015-19, Construction Industry Training Board

5 Construction Skills Network, Research archive, Construction Industry Training Board

6 UKCES Employer Perspectives Survey, 2013

Furthermore, there are significant variations between places which require different construction skills to various degrees. For instance the North West has an annual recruitment requirement of 23,950 and is in particular need of brick layers, the West Midlands have an annual recruitment requirement of 11,600 and a particular need for wood trades and interior fitters. Different places will need different solutions.

**Figure 3: Construction industry employment demand across English regions**

	North East	North West	Yorkshire and Humber	East Midlands	West Midlands	East of England	Greater London	South East	South West
Projected construction employment growth to 2019	1.50%	1.20%	1.50%	1.50%	1.20%	1.10%	2.40%	1.60%	1.90%
Annual recruitment requirement to 2019	3,510	4,790	3,220	3,120	2,320	4,250	2,050	2,590	6,320
Total five year recruitment requirement	17,550	23,950	16,100	15,600	11,600	21,250	10,250	12,950	31,600
Key need	Steel erectors / structural fabrication	Brick-layers / logistics	Wood trade / plant operatives	Labourers	Wood trade / interior fit	Electrical trade / installation	Floorers / glaziers	Painters / decorators	Office / IT / non-construction professional

**Source:** Construction Skills Network Inside Insights, Construction Industry Training Board

# Construction skills supply

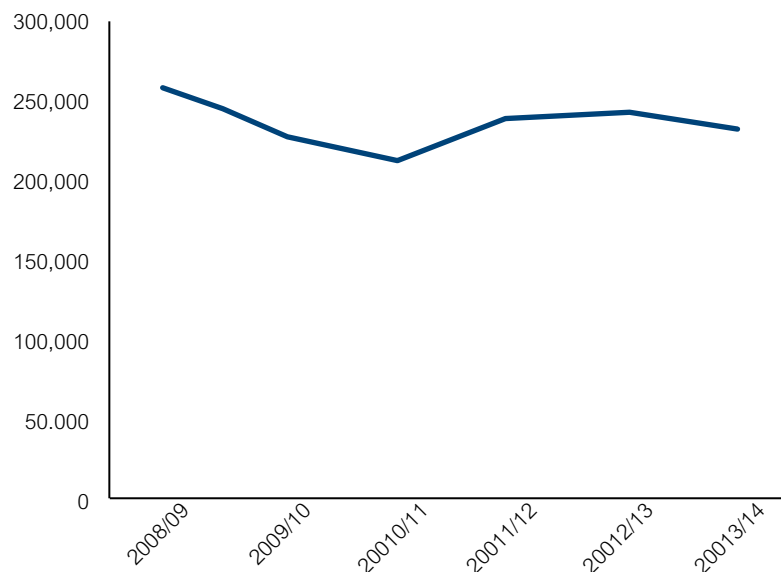
Overall, there has been a significant drop in the number of construction qualifications awarded across all formal learning routes. Total construction qualifications, from vocational education, apprenticeships and higher education, have fallen by 4 per cent to 259,165 in 2013/14.

This trend will add further risk to government's house building ambitions, as developers struggle to recruit the skill labour they need to deliver.

## Vocational education

In 2013/14 there were a total of 232,500 vocational qualifications in construction, planning and the built environment, representing just 2.7 per cent of all vocational qualifications. This includes apprenticeship qualifications. The number of construction qualifications has dropped by over 8,000 on the previous year and remain 25,000 fewer than in 2008/09.<sup>7</sup>

**Figure 4: Construction, planning and built environment vocational qualifications (UK)**<sup>9</sup>



**Source:** Vocational and other qualifications, Ofqual

## Apprenticeships

In 2013/14 there were a total of 7,930 construction, planning and built environment apprenticeship achievements in England. The number of apprenticeship achievements in the sector has steadily declined since 2008/09 when there were 18,850, a drop of 58 per cent.<sup>8</sup>

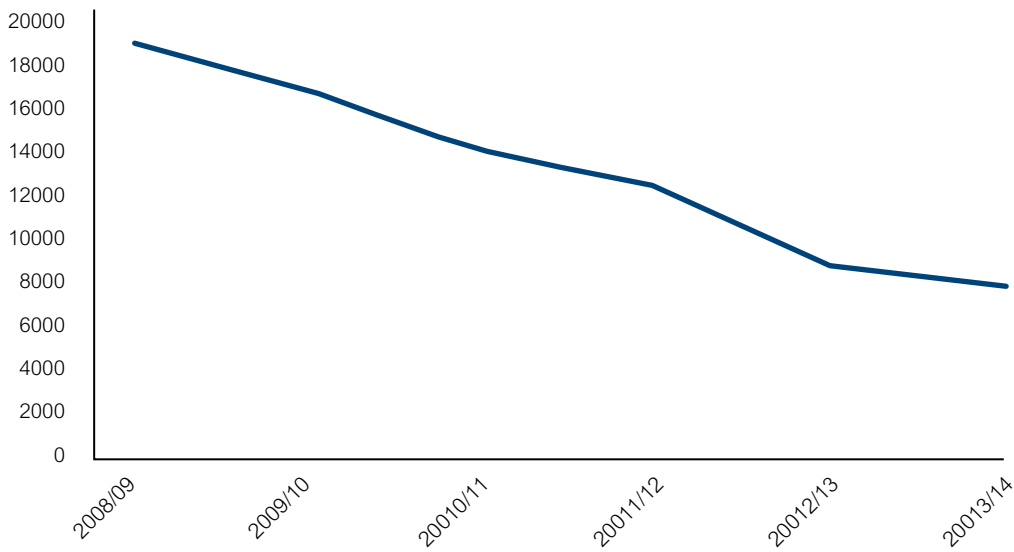
Furthermore in 2014 it was estimated that 52 per cent of the Level 2 and 3 construction apprenticeships were already working with their employer, meaning just 48 per cent of construction apprentices were new starters.<sup>9</sup>

<sup>7</sup> Vocational and other qualifications, Ofqual

<sup>8</sup> Apprenticeship achievements by geography and sector subject, Skills Funding Agency/Business, Innovation and Skills

<sup>9</sup> Learner drivers, local authorities and apprenticeships, IPPR, 2015

**Figure 5: Construction, planning and built environment apprenticeship achievements (England)**



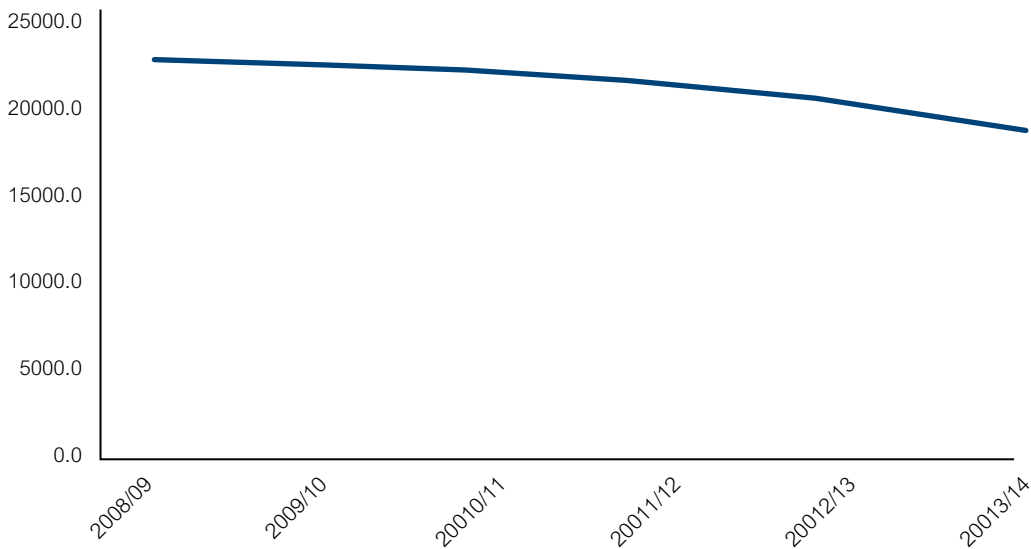
Source: Apprenticeship achievements by geography and sector subject, SFA/BIS

## Higher education

In 2013/14 there were 18,735 undergraduate and post graduate qualifications in architecture, building and planning.

Once again this has steadily fallen, though not at the same rate as apprenticeships, falling from 22,700 in 2009/10, a drop of around 17 per cent.<sup>10</sup>

**Figure 6: Architecture, building and planning, higher education qualifications**



Source: Higher Education qualifications obtained by subject area, Higher Education Statistics Authority

<sup>10</sup> Higher education qualifications obtained by sex, subject area, level of qualification obtained and class of degree from 2009/10 to 2013/14, Higher Education Statistics Authority



# Risks to growth

There is a risk that the construction industry will not have the skilled employees in order to deliver on government's ambitions for housing and infrastructure growth. The industry has repeatedly raised this concern in recent years.

There is a broader skills gap emerging between skills levels across all sectors in the economy. The labour market must dramatically upskill to meet the demands of employers up to 2022, equivalent to increasing everyone from an average of five GCSEs to an average of three A Levels.<sup>11</sup>

The consequence of not meeting this challenge by 2022 will be 9.2 million low skilled people chasing 3.7 million jobs, and 12.6 million people with intermediate skills chasing 10.2 million jobs. Across the economy employers will struggle to recruit to the estimated 14.8 million high skilled jobs, with only 11.9 million high skilled workers.<sup>12</sup>

If employers cannot recruit the skills and capabilities that they need up to 2022, between 16 and 25 per cent of potential growth – up to £375 billion of output – could be lost,<sup>13</sup> including up to £24 billion from the construction sector.<sup>14</sup>

‘The industry is failing to hire sufficiently fast, and is failing to train in sufficient volume, the workforce it needs. Very simply our country cannot afford to fail to bring more talent into our construction and engineering industries.’

## **KPMG Construction**

‘We’re facing a critical lack of skills in some key industries, just as the economy starts to pick up.’

## **Confederation of Business and Industry**

‘Our latest survey reveals RICS members are finding the growing shortage of construction skills a significant barrier to growth, with 59 per cent indicating it is impacting their businesses.’

## **Royal Institution of Chartered Surveyors**

11 Realising Talent, Centre for Economic and Social Inclusion / Local Government Association, 2015

12 Realising Talent, Centre for Economic and Social Inclusion / Local Government Association, 2015

13 Realising Talent, Centre for Economic and Social Inclusion / Local Government Association, 2015

14 In 2014 the construction sector contributed £92 billion in economic output, 6.4% of the total

# Unique role of local government

Councils are uniquely well placed to connect developers with the education and skills system, matching supply and demand and help resolve the widening construction skills gap.<sup>15</sup>

Councils have a unique understanding of likely skills demands created by new housing and infrastructure developments, and they have the local knowledge and partnerships to encourage the local education, skills and employment services to train specific residents to take jobs that are created.

The majority of councils are working at a strategic level in partnerships, such as Combined Authorities, to resolve skills challenges.

Local government has long sought to offer this brokerage role. Councils, however, have no formal influence over skills training and

employment support, which is funded via a national per pupil funding model that stifles responsiveness, long-term planning and collaboration in order to meet employer needs.

## Southampton

Southampton City Council have implemented Section 106 Employment and Skills Plans for major developments, whereby the council provides a single point of contact for each new development, working with local training providers to upskill local residents to take hard-to-fill vacancies to be created by new developments. The council has helped both large new employers, like IKEA and Lloyds Register, as well a range of smaller developments, to fill over 500 jobs.

## Nottingham

Nottingham City Council's Employer Hub identifies employers involved in major developments through the planning process, gives them a single point of contact to match recruitment needs, and builds a local recruitment plan focused on upskilling local unemployed residents to take opportunities. For longer term projects the council plans, and in some cases funds, pre-employment activity in line with projected recruitment need. Since its inception almost 1,500 unemployed residents have been placed in work.

## Wandsworth and Lambeth

Wandsworth and Lambeth councils have built relationships with land owners, developers and supply chain employers to provide a job and training brokerage to the Nine Elms Vauxhall regeneration project, which is expected to create 20,000 jobs over 25 years. The councils are working with schools, colleges and training providers to broker a coherent package of support to give residents skills to take employment opportunities, and have established 'work match' scheme, and run regular jobs fairs. The programme is even working with primary schools, ensuring children and their families are aware of the unique local opportunities.

<sup>15</sup> Examples available in LGA Hidden Talents and LGA Realising Talent campaigns

# A Skills to Build strategy: nationally promoted, locally delivered

The paper is designed to open discussion, recommending that:

- Government work with industry, councils and education providers to explore and develop a national 'Skills to build' strategy
- councils who work with developers through the planning process to identify skills gaps are empowered to ensure publicly funded local skills and training providers train unemployed residents to take jobs created
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- in all areas, enable local accountability arrangements that bring together schools, colleges, training providers, jobcentre plus and councils together to offer a coherent skills offer able to respond to the short and medium term needs of employers.

We are keen to take forward this discussion with all partners, and would encourage Government to open discussions with industry, councils and education and training providers with the aim of enabling them to deliver solutions that can only be achieved locally.



**Local Government Association**

Local Government House  
Smith Square  
London SW1P 3HZ

Telephone 020 7664 3000  
Fax 020 7664 3030  
Email [info@local.gov.uk](mailto:info@local.gov.uk)  
[www.local.gov.uk](http://www.local.gov.uk)

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