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Mr Oliver Colville MP
Secretary
APPGEBE
House of Commons
London, SW1A 0AA

Friday, 25 November 2016

Dear Mr Colville,

Re: APPGEBE inquiry on the impact of Brexit on future skills needs in construction

This letter outlines CITB's response to APPGEBE's inquiry into how Brexit could impact on construction skills.

What's changed for construction since Brexit?
The construction industry is facing a slowdown in growth in the aftermath of the EU referendum. However, this cannot be solely attributed to the result of the referendum.

For infrastructure, while major projects are not expected to be cancelled, slippage will affect the five year forecast. New house building and public housing is faring worse than expected, while private housing is holding up. The housing repair and maintenance sector is likely to be adversely affected as a result of limited disposable income within households.

While there is likely to be less investment in the industrial and commercial sectors in the medium term, we expect the referendum vote to have the greatest impact on the private and commercial sectors, which rely on overseas investors in the London market.

Attached is CITB's recent Construction Skills Network (CSN) report on the impact of Brexit on construction growth and skills.

What does Brexit mean for construction recruitment?
Reduced construction growth means the number of construction workers required over the next five years is expected to fall by over a third, from 232,000 to 157,000. However, the industry still needs to recruit 31,350 people a year to 2021 to meet its workforce needs.

A reduction in the number of foreign nationals brought into construction to meet this skills demand will need to be met from the existing UK workforce. Of a total construction workforce of 2.6 million, 6.7% (140k) are from other EU member nations. The most common nationalities of people resident in the UK working in construction in 2014 were: Polish (30,312), Romanian (13,771), Lithuanian (7,368), Indian (6,268), Bulgarian (5,212), South African (3,165), Australian

(1,884), Latvian (1,850), Hungarian (1,529), and other (1,482).[1] The migrant workforce in construction tends to be higher in London and the South East, and lower elsewhere across the UK. Annex A provides details of available research on the impact of migration on the industry.

Many employers have told CITB that they take on migrant workers to fill an immediate skills need, rather than to save money or seek out workers of a particular background. We are developing more granular data on migrant labour by region and occupation to help industry better understand the makeup of the workforce.

How CITB is supporting employers to meet the recruitment challenge

Our new business plan is focused on supporting our industry in three key areas – careers (attracting its future workforce and delivering career progression); helping industry to develop the right Standards and qualifications, and ensuring that industry can access the training it needs.

We are improving our forecasting of skills needs, enabling industry to train UK workers in good time, to prevent skills shortages. Our CSN forecasts map the industry's skills demands and we are developing data on the supply of skills from FE, apprenticeships and other routes.

In 2015 alone, CITB funded 9,851 employers to support 23,238 apprenticeships. Last month we agreed a way ahead with DfE on accelerating apprenticeship Standards in construction to ensure construction employers have access to high-quality apprenticeship training funded at a higher rate. In September 2015 we launched Go Construct, the first industry-wide careers website for construction, which has already received 125,000 visits from 18-24 year olds.

We are also providing strategic funding to employers to help recruit and train the people they need. One example is the £3.8m Home Building Skills Partnership, bringing together over 40 leading home builders to address the home building skills challenge.

What needs to happen next?

The Government has committed in the Autumn Statement to a new £23bn National Productivity Investment Fund, including £3.7bn for new homes and £1.8bn to support local growth. This will help to bolster confidence amongst construction employers to invest in skills and training.

However, these are challenging and turbulent times for the construction industry, with a number of government-sponsored reviews either recently completed or in progress, taking place within the context of steps being taken to leave the European Union.

In response to this, and to best support the skills needs of construction employers, it is vital that industry works with the Government to implement the recommendation of the Farmer Review.

The Government's Skills Plan provides an exciting opportunity to promote technical and professional education, and provides a clearer pathway for young people into construction. However, the forthcoming Careers Strategy must break down barriers to vocational education in schools. Some 92% of parents think apprenticeships are a good idea, but only 32% want their

[1] Source ONS Labour Market Survey

child to take one.[2] Furthermore, 35% of careers advisers see a career in construction negatively.[3]

At a local level, Area Based Reviews need to provide the FE infrastructure that construction needs to effectively train the workforce. With increasing devolution of skills funding, it is essential that Local Enterprise Partnerships and the training provider network use CITB data on the demand and supply of skills in construction to effectively target skills needs in their area.

Annex B provides our analysis of construction skills needs by occupation across different areas of Great Britain.

Please do not hesitate to contact me should you require any further information.

Yours sincerely,

Stephen Radley

Stephen Radley
Director of Policy and Partnerships

[2] O'Leary, D. and Wybron, I. (2015) Demos Commission on Apprenticeships. Available at: http://www.demos.co.uk/files/476_1504_CoA_WEB_2_.pdf?1425489134. (Accessed: 4 April 2016).
[3] Ibid

Annex A – Impact of migration

Impact on Wages	• "Studies estimating the impact of migrants on UK wages have generally found little or no impact on average wages. However, in some studies migrants were found to increase wages at the top of the UK wage distribution and to lower wages at the bottom."[4]
Impact on Unemployment	• There is no clear evidence that immigration leads to unemployment of UK citizens. "It is possible, although not yet proven, that immigration adversely affects the employment opportunities of young people who are competing with young migrants from the A8* countries"[5]
Recruitment and migrants	• NIERS research from 2016 found that there's little evidence that employers look specifically to recruit EU migrants and they didn't tailor their recruitment practices to target migrants. Employers' recruitment methods were aimed at achieving the highest possible number of applicants.[6]
Impact on Competitiveness	• When asked what alternatives employers might put in place to recruiting EU migrants, employers said that they were continuously seeking other sources of labour to increase their confidence in a continued supply. Employers recognised that attracting British workers might mean having to improve their offer by increasing pay, or improving contracts, this they argue would make them less competitive.[7]
Impact on Work Ethic	• NIESR research found that employers, when asked about the difference in performance between EU migrants and British workers, said that there is no difference on measures such as productivity, work ethic and commitment. Some employers did say that migrants have a superior skills or a better approach to work either because they are motivated to improve their lives or because of their higher levels of education. Differences in attitude and effort were also noticed where hard physical work was involved. Any difference with UK workers tends to be among recent arrivals and differences fade when migrants become more settled.[8]

[4] Migration Advisory Committee – Analysis of the Impact of Migration, Jan 2012.
[5] House of Lords Economic Affairs Committee Report, 2008.
[6] National Institute of Economic and Social Research – The impact of free movement on the labour market: case studies of hospitality, food processing and construction, 2016.
[7] Ibid
[8] Ibid

Annex B – Skills Demand vs. Supply Gaps: an evolving view

(As a % of regional skilled trade workforce: RAG status: Green = meeting / exceeding, Amber = minor shortfall, Red = major shortfall)

Occupation	East Midlands	East of England	London	North East	North West	Scotland	South East	South West	Wales	West Midlands	Yorkshire & Humber
Construction Trades Supervisors	15.7%	2.0%	-0.3%	-6.2%	-3.9%	-2.2%	-0.5%	-4.4%	-6.6%	2.6%	10.5%
Wood trades and interior fit-out	-1.3%	-1.0%	-2.6%	-5.0%	-4.1%	-1.0%	-0.7%	-0.4%	-4.4%	-7.3%	-0.3%
Bricklayers	2.0%	-4.2%	-0.5%	-1.7%	-8.8%	-1.7%	1.2%	-4.7%	-9.7%	-4.3%	1.4%
Building envelope specialists	-0.5%	-2.8%	-7.1%	-0.8%	-6.9%	-3.1%	-2.9%	-3.7%	-6.6%	-5.8%	-1.7%
Painters and decorators	-1.4%	-6.9%	-1.0%	2.3%	-6.3%	-5.4%	-2.2%	-4.0%	-8.1%	-1.3%	0.0%
Plasterers	-6.2%	-2.3%	-4.1%	-1.1%	-8.8%	-2.3%	-2.1%	-9.4%	-3.0%	-0.6%	0.0%
Roofers	-0.8%	-4.4%	-0.5%	-7.2%	-6.7%	-1.5%	-3.8%	-7.2%	-10.3%	-1.4%	-5.5%
Floorers	3.6%	1.2%	-4.7%	-8.6%	-6.0%	-2.7%	-5.5%	-0.1%	30.1%	-5.2%	-3.9%
Glaziers	-6.7%	2.4%	-9.2%	10.4%	-3.4%	-3.1%	-3.6%	-0.4%	-3.1%	2.9%	1.4%
Specialist building operatives nec*	-3.7%	-2.1%	6.3%	-3.4%	3.0%	-1.5%	-1.0%	-1.9%	1.8%	2.3%	3.3%
Plant mechanics/fitters	-0.8%	-9.8%	-2.6%	-2.5%	-5.3%	-4.5%	-10.0%	-0.8%	-11.5%	-1.7%	-1.5%
Steel erectors/structural fabrication	-1.0%	-1.6%	0.2%	-14.5%	-6.8%	-5.8%	-8.5%	-2.0%	-2.0%	-9.3%	-1.3%
Labourers nec*	-10.2%	-7.7%	-3.1%	-6.4%	-6.0%	-7.7%	-3.1%	-5.1%	-13.2%	-3.1%	-3.7%
Plumbing and HVAC Trades	3.1%	1.2%	1.1%	-1.2%	2.6%	-0.7%	1.6%	0.7%	1.1%	2.3%	3.5%
Logistics	-2.9%	-12.9%	-8.1%	-3.1%	-12.7%	-11.4%	-5.6%	-12.9%	-1.2%	-3.1%	-13.0%

Electricians	TBC
Civil engineering operatives	TBC
Scaffolders	TBC
Plant operatives	TBC