

20 January 2017

All Party Parliamentary Group for Excellence in the Built Environment - Call for evidence

Inquiry into the impact of Brexit on future skills needs in the construction industry and the built environment professions

Introduction

RICS – Royal Institution of Chartered Surveyors - is pleased to respond to the above inquiry.

RICS is the leading organisation of its kind in the world for professionals in property, construction, land and related environmental issues. We accredit over 125,000 professionals (FRICS, MRICS, AssocRICS and trainees) and any individual or firm registered with RICS is subject to our quality assurance.

It regulates and promotes the work of these property professionals throughout 146 countries and is governed by a Royal Charter approved by Parliament, and monitored by the Privy Council, which requires it to act in the wider public interest. This is particularly relevant in our advice to government and parliament.

Since 1868, RICS has been committed to setting and upholding the highest standards of excellence and integrity – providing impartial, authoritative advice on key issues affecting businesses and society. RICS is a regulator of both its individual members and firms enabling it to maintain the highest standards and providing the basis for unparalleled client confidence in the sector.

Impact of Brexit on Future Skills

A skills shortage in the construction industry was a concern pre-Brexit with a number of factors contributing to the shortage including cyclical construction industry workload, a risk-averse culture, its demographic makeup and its business model. Brexit presents an additional layer of complexity to this problem.

In the long term, with effective partnership between government and industry we can address these skills challenges. However, in the short to medium term it is vital we have access to skills from outside the UK in order to deliver against the commitments for infrastructure, housebuilding and broader construction.

Losses suffered in the recession, coupled with a lack of diversity and an aging workforce are holding back the sector. We have yet to recover fully the 270,000 construction sector jobs lost in the recession. Moreover 430,000 are set to retire between 2010 and 2020 as the industry faces

an ageing workforce with around 30% being over 50. The sector is at a 'skills cliff edge' with numbers of new entrants failing to offset those retiring. Upskilling the existing workforce to utilise new technologies, to increased productivity and retain expertise will help to soften the impact but this will not resolve the underlying issues.

Brexit exacerbates the issue leading to increased uncertainty not only to existing EU migrants, but also the potential to attract future talent. The ONS figures suggest that in Q1 2016 around 9% (194,000) of the construction workforce in the UK were EU nationals. Regionally the figures are more pronounced with migrants comprising 54% of construction workers in London. This will mean that the impact of Brexit will be felt unevenly between urban and rural communities.

The RICS' Construction market survey data show that skills shortages remained one of the main factors' surveyors felt was impeding growth. The UK's capacity to deliver on housing and major infrastructure projects will be reduced by at least 7% (more in London) if the skills issue is not addressed. This comes at a time where the government aims to double housing delivery and embark on a series of large scale infrastructure projects. Separately, there are indications that construction firms have had to delay starts or turn down work due to a shortage of staff.

Recommendations

- We must **secure the rights of existing EU workforce** in the UK construction sector. This must be done in conjunction with development of a workable skills based migration system that provides access to skills. One of the easiest ways in which this can be done is by offering non-UK construction students opportunities to remain and work in the sector for a set period of time following the completion of studies.
- Skills and practices must evolve alongside cultural and technological change to **attract a diverse workforce, reduce the intensiveness of labour and change industry skills needs**. This involves developing means to upskill an ageing workforce to managerial/consultancy level (or acting in a more formal mentoring capacity) to retain valuable skills and expertise, understanding and supporting (or accelerating) investment in emergence of new technologies and their impact on skill (e.g. potential for cross industry recruitment from manufacturing, IT and design) and redesigning apprenticeship schemes to deliver multiple and transferable skills in response to industry demands.
- A **new pathway for entry into the sector at a post graduate level** for established professionals wanting to transition into the construction sector - with appropriate levels of higher apprenticeship funding.

Attracting new talent

The industry is finding it difficult to attract new talent, particularly women and minority groups which is limiting. CITB estimate that more than 230,000 new recruits will be needed between 2016 - 2020 to meet expected construction demand, that's not factoring losses due to retirement. The long timescales involved in training new construction workers means the short to medium term outlook for the UK in meeting its skills need is bleak.

Moreover, the skills profile varies by trade. For example, anecdotally, the majority of plumbers are EU national whilst a majority of electricians are UK national. This complicates the way in which skills issues should be addressed. General industry figures do not accurately capture the extent of the skills shortage in certain trades. A project with shortfall in just one key skill area will be delayed as a result.

The government ambition for 3 million new apprenticeships in this Parliament, and the introduction of degree equivalent apprenticeships, are laudable. However, although attracting the 865,000 16-24 year olds who are not in education, training or employment can go some way to reaching the target, government and industry must find a way to convince a significant proportion of school leavers to opt for apprenticeships, bringing them into parity with degrees.

The introduction of the apprenticeship levy also presents a challenge to the sector. Apprenticeships on offer do not meet the needs of the industry as a whole as skills are often too specific to firms providing the training. In addition, the costs of training some construction workers are more than the proposed allocated funding cap under the new levy arrangements. For example a steeplejack apprenticeship was allocated £6,000 but industry estimates that it actually costs £20,000. Whilst different apprenticeships attract different funding, it is important to acknowledge that this is governed by the learning. A more professional 'qualification' will attract a higher level of funding; it is about negotiation with SFA or Institute of Apprenticeships (from May 2017). This has led to concerns that our industry might lose out if funds raised through the levy aren't ring fenced, at least by broad sector. Given the uncertainty and tight timescales for implementation, the government should remain as flexible as possible, up to and after the introduction of the levy, so we can develop programmes to deliver the skills that we need.

The government should also include the cost of employees retraining to join the trades and professions under the apprenticeship levy. Currently the levy does not recognise the Level 7 conversion degrees which are undertaken to the join the construction industry. This will discourage firms already contributing to the levy to employ those wishing to rejoin the profession, and will ultimately block growth of the market.

Finally the government intends to provide a long term forward view of projects and programmes through the National Infrastructure Delivery Plan, the National Infrastructure Commission and in the National Infrastructure Plan for Skills. Delivery of these projects, some identified as nationally significant, will be severely constrained due to a lack of skills. This emphasizes the need for the government to focus on the 'educational supply chain' which stretches back from employers via training bodies and schools, into secondary education. Without the alignment of these to

increase and upskill the workforce, infrastructure and housing ambitions will be frustrated. The forthcoming industrial strategy is an obvious vehicle for this.

RICS Inclusion and Diversity

Last year, RICS research identified 2019 as 'the year Britain stops building' if current trends in the construction workforce were to continue. It is essential that we tackle the construction skills shortage to encourage investment in the UK and provide reassurance that the capabilities are in place to deliver projects to their completion.

'Winning the war for talent' is something we must do across all the built environment trades and professions. We need to continue supporting employers in attracting and retaining a more diverse talent pool to run the businesses of the future.

Doing this involves establishing partnerships that link employers, professional bodies and educators, to better understand supply and demand for talent in our sector and the type of skills that firms are seeking.

New education options are also required to encourage and verify expertise in emerging areas of practice. All professions will need to be open to a highly varied source of future talent – to people from diverse educational and career backgrounds. Most of the chartered institutions in the built environment are driving forward campaigns in this area but the link of these initiatives, and indeed how they connect to organisations like (but by no means limited to) CITB is crucial.

Surveying The Future

As part of those initiatives we are running the 'Surveying The Future' campaign. It aims to demonstrate the breadth and range of careers within property, land and construction and attract more talent to the industry from people with diverse backgrounds.

The campaign was launched in 2015 because the industry continues to be white, middle class and male dominated. Currently only 13% of chartered surveyors and 28% of trainees are women and across the whole of the construction sector, employing over 2.5 million people, women comprise just 11%."

Surveying the Future adds the RICS' voice to the meaningful debate on social mobility, the trajectory of female career paths from classroom to boardroom, looking at what impact careers information and advice has in the classroom and exploring how industry careers are portrayed in the media, this last through its 'Visible Women' campaign.

Inclusive Employer Quality Mark

As a result of these findings, in 2015, RICS launched a voluntary standard known as the Inclusive Employer Quality Mark (IEQM), designed to help firms in the profession gain competitive advantage and a diverse workforce.

The [RICS Inclusive Employer Quality Mark](#) is the diversity and inclusion benchmark in the land, property and construction sector. It has grown exponentially since its launch with over 125 signatories reaching out to more than 150,000 employees in the private and public sectors. The IEQM drives behavior changes by encouraging all firms, large and small, to look carefully at their employment practices and have inclusivity at the heart of what they do according to the six key principles of leadership and vision, recruitment, staff development, staff retention, staff engagement and continuous improvement.

RICS provides support to our members and member firms through our Diversity Hub, an online platform promoting best practice and case studies from the industry including how to attract and retain a diverse workforce. We also offer support through regional events and roundtables throughout the UK based on the six principles of the IEQM. Finally we work collaboratively with other professional bodies in the built environment to tackle this issue.

The Inclusive Employer Quality Mark is part of RICS' commitment to support our members and member firms in implementing diversity and inclusion, and attracting new talent to the sector through guidance and practical support and advice in the built environment. We welcome the opportunity to discuss this with the committee and further consider what needs to be done to tackle the ongoing skills shortage.

Summary

A skills shortage in the construction industry was a concern pre-referendum. This has been further exacerbated by Brexit and the highly likely loss of free movement within the EU, given the prime ministers focus on immigration control.

Upskilling existing workforce to utilise new technologies and attracting new talent to the industry will help soften the impact, and government can help further by reviewing the apprenticeship levy to meet the needs of the industry, and attract the 865,000 16-24 year olds who are not in education, training or employment to skilled apprenticeships.

With an increase in major programme delivery including the '6 H's' - HS2, Hinkley, Highways England, Heathrow, Housing and Heritage, labour and costs are now under much greater pressure and the need for skilled workers in the Built Environment is continuing to increase.

We can characterize the emerging situation as follows:

- The market was experiencing an existing skills crisis, which has been mitigated by access to labour from across the EU and the globe. If there is not freedom of movement

for this labour, then the construction sector will need to be a priority in the new immigration system we create.

- The skills gap has a number of solutions - increasing the attractiveness of the sector, recruiting more effectively, aligning education, training and employer work paths, new cross professional and multi-skilled qualifications and finally wider take up of modern methods of construction. Anecdotally this will still leave us with a workforce gap.
- Government as a client has initiated a number of major programmes, the so called '6 H's'. These will make significant demands on our labour and materials, and it needs to be understood that they will have a cumulative demand on our insufficient supply of labour. This can be offset through their own training schools and academies, but we must be realistic that we will still need to attract a much wider range of talent, and have access to professionals and skilled trades from across the globe, in order to achieve this almost Victorian level of ambition for the built environment.

Concluding remarks

We look forward to discussing this with MPs and Lords as part of the APPG's oral evidence sessions, in due course.

In the meantime, if we can provide any further clarification, would be happy to discuss with the APPG secretariat,

Yours sincerely



Jeremy Blackburn
Head of Policy and Parliamentary Affairs
e. jblackburn@rics.org
t. 0207 334 3791