

CONSTRUCTION SKILLS NETWORK

The skills construction needs



West Midlands
Five Year Outlook 2023-2027



WEST MIDLANDS

The volume of construction work in West Midlands will grow, slightly lower than the UK forecast of 1.5% by an annual average rate of

↑ **0.8%**

Fastest sector rate of growth expected for

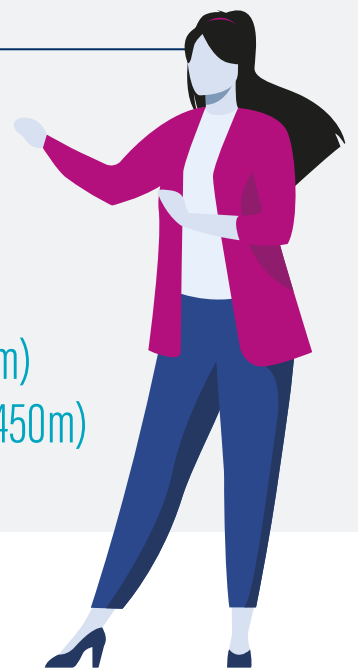
↑ **Private housing
Infrastructure** **Non-housing Repair
and Maintenance**

The occupations with the strongest additional recruitment requirement levels:

↑ **Non-construction professional, technical, IT
and other office-based staff** (1,160 per year)
**Other construction professionals
and technical staff** (990 per year)
Other construction process managers (610 per year)

Major projects in the West Midlands include a number of very large scale/long term developments such as:

+ **Partnership between West Midlands
Combined Authority (WMCA) and
Legal & General** (£4bn)
Birmingham Smithfield project (£500m)
Coventry City Centre Regeneration (£450m)



Key facts and figures

2022

2023

2024

2025

2026

2027

2028

2029

The annual recruitment requirement in the West Midlands of 2.3% per year is slightly higher than the UK average of 1.7% and means an extra 25,350 workers will be needed from 2023 to 2027.



UK Macroeconomic backdrop

Having bounced-back in 2021, with an annual increase in gross domestic product (GDP) of 7.5%, the UK's economic growth in 2022 slowed in the first half of the year, before declining by -0.2% in Q3. November's monthly data release points to the UK entering a recession by the end of 2022, when, as forecast, there will have been two consecutive quarters of declines in GDP.

The economic challenges were highlighted by monthly GDP at the end of September 2022 being 0.2% below its pre-pandemic level (February 2020), and in real terms, the UK is the only G7 economy where a shortfall relative to its pre-pandemic level exists. The S&P Global/CIPS Purchasing Managers Indices (PMI) shows business activity declining for three consecutive months as the UK composite index fell to 47.2 in October from 49.1 in September and 49.6 in August, with a reading of less than 50 indicating a decline.

Inflationary pressure on household budgets continues to drive up Consumer Price Index (CPI) inflation, which hit a 41-year high of 11.1% annually in October 2022. Inflation is expected to remain high well into the first half of 2023 and tackling this, while keeping mortgage rises down, is a priority for Government. However, as set out in the 2022 Autumn Statement, this requires difficult decisions to address Government debt and deficit through a combination of tax rises and controlling public sector spending.

The prevailing view of independent forecasters, the Bank of England (BoE), the Office for Budget Responsibility (OBR) and the UK's Chancellor when delivering his Autumn Statement in parliament, is that the UK is set to face a period of recession with GDP declines

through 2023 and possibly into 2024, before the economy then begins to pick up. However, the suggestion is that it will be a shallower recession when compared to the recent falls seen during 2020 and 2008.

While the UK economic conditions in 2022 were challenging, construction output held up better than expected. When GDP declined by -0.2% in Q3, construction output increased by 0.6% and is on track to show an annual increase of over 4% by the end of 2022, with new housing and repair and maintenance sectors being key contributors. However, growth has increasingly been driven by the backlog of work as new orders have fallen and are now at their weakest since June 2020.

It's unlikely that construction output will continue to outperform the economy, which is why we are expecting a decline in output during 2023 that picks up in 2024. The commercial, infrastructure and industrial sectors look set to weather this slightly better than new housing or housing repair and maintenance. Housing repair and maintenance work is likely to be squeezed as households reprioritise their spending, and there are signs of a slowdown in the housing market with fewer new buyer enquiries and a reduction in mortgage approvals.

We still see the construction industry having a long-term challenge when it comes to recruiting workers. Vacancy levels remained high throughout 2022, unemployment rates are low, inactivity due to ill health is rising, and construction will be competing against other industries to attract and retain the workers it needs.

Although the next five years will see a period of recession followed by slow growth, the UK construction industry will still account for at least 6% of UK GDP, have an annual output value of over £170bn and a workforce of over 2.6m. Recruiting and developing the workforce for the future will help to ensure that the industry is able to contribute to growth opportunities such as building the volume of homes the country needs, the infrastructure for energy and transport, and retrofitting the built environment to meet net zero targets.

**THE UK IS THE ONLY
G7 ECONOMY WHERE A
SHORTFALL RELATIVE
TO ITS PRE-PANDEMIC
LEVEL EXISTS.**

Structure

The construction industry in the **West Midlands** has some significant differences to the UK structure.

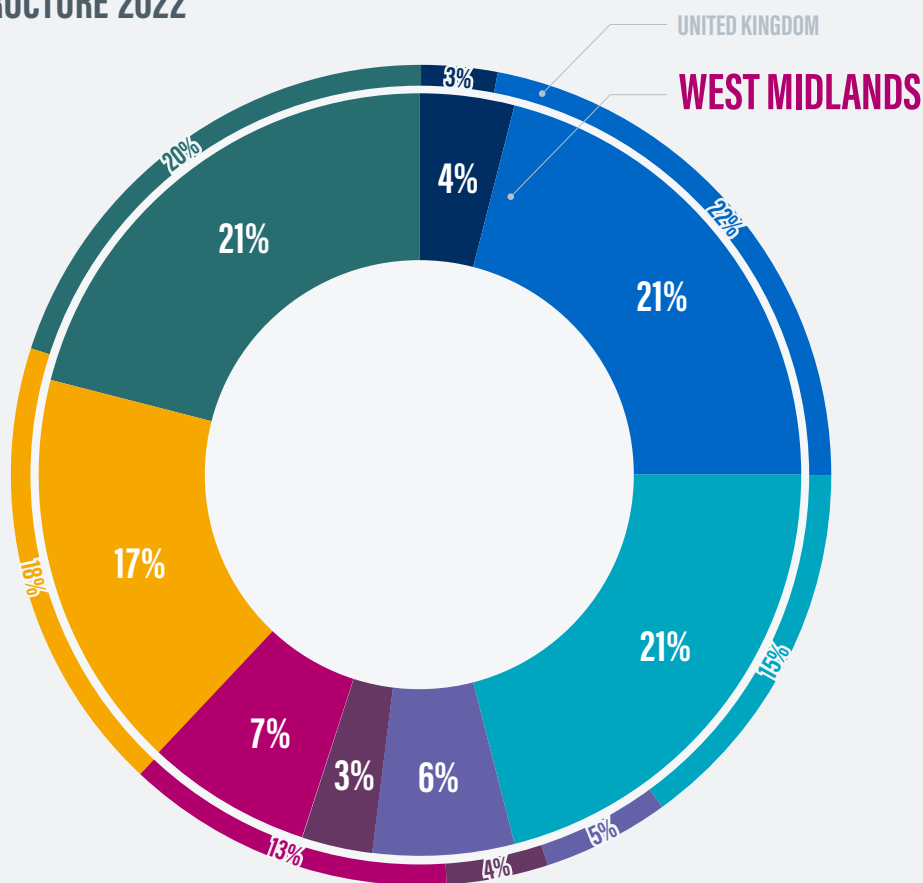
The construction industry in the West Midlands has 14,890 businesses with more than one employee, which is 12% of all employers in the region. In 2022 the industry is estimated to have total output of over £14.7bn which is structured as per the below chart. The West Midlands structure has some differences to the UK, particularly when

looking at the infrastructure sector which makes up 21% of the West Midlands industry and only 15% for the UK, with HS2 work being a significant contributor here. The West Midlands also has a higher proportion of public housing, public non-housing and non-housing R&M work compared to the UK.

In contrast the UK has a higher proportion of commercial work compared to the West Midlands by 6%.

CONSTRUCTION INDUSTRY STRUCTURE 2022 WEST MIDLANDS VS UK

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



Non-housing R&M output

21%

2022 view

Total annual output 2022

£14.7bn

Total estimated output 2023

£14.7bn

The West Midlands is anticipated to see construction output growth of 4.8% which is marginally higher than what's expected across the UK in 2022.



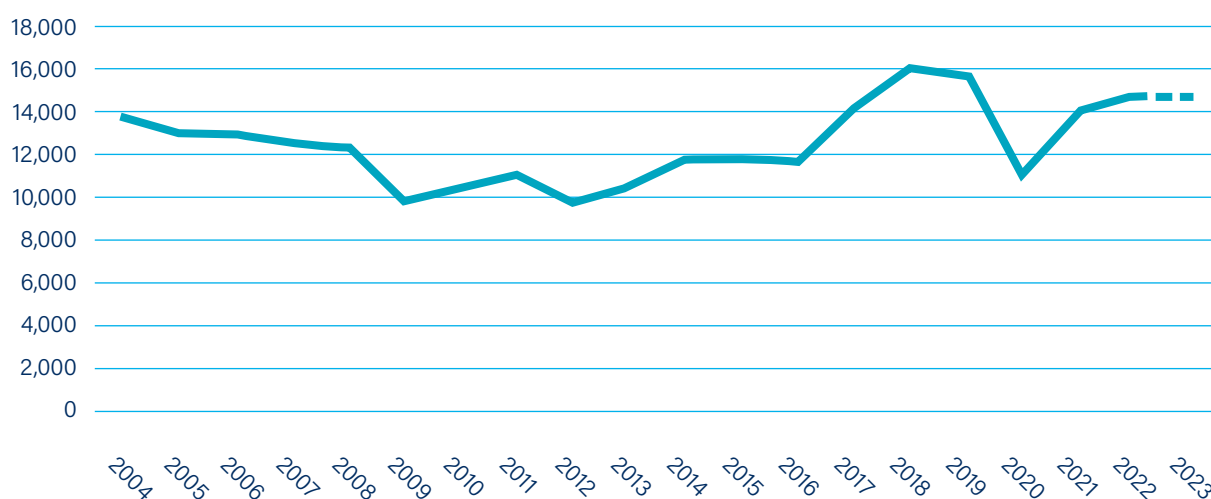
2022 view

In 2022 the West Midlands is anticipated to see construction output growth of 4.8% which is marginally higher than what's expected across the UK in 2022 at 4.1%, however the region did experience a lower drop in output during 2020 when compared to the UK by over half proportionally. Industrial work for the region will be particularly strong at a growth rate of 46.4% in 2022, although this follows a 48.6% dip in 2020.

CONSTRUCTION OUTPUT 2004 - 2023 WEST MIDLANDS

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

£m, constant 2019 prices



OUTPUT FORECAST 2023 - 2027

In the West Midlands, the volume of work will grow by an annual average rate of 0.8%, which is just below the UK rate of 1.5%¹. Not all sectors will see growth over the forecast, with the infrastructure and housing R&M sectors seeing an annual average decrease in construction output. For the West Midlands new work and R&M work will see the same average annual output at 0.8%. For most sectors

higher growth rates will be seen in the latter years of the forecast.

The private housing sector has both the highest average annual growth rate for the West Midlands at 2.6% and the highest gains in output at +£426m. Private housing also makes up 21% of the structure for the West Midlands so makes up quite a high share of total output. Other gains are set to come

from the non-housing R&M sector (+£248), which continues to perform well, and the commercial sector (+£143), where output is increasing from a relatively low level compared to earlier years.

Average growth rate
for the West Midlands

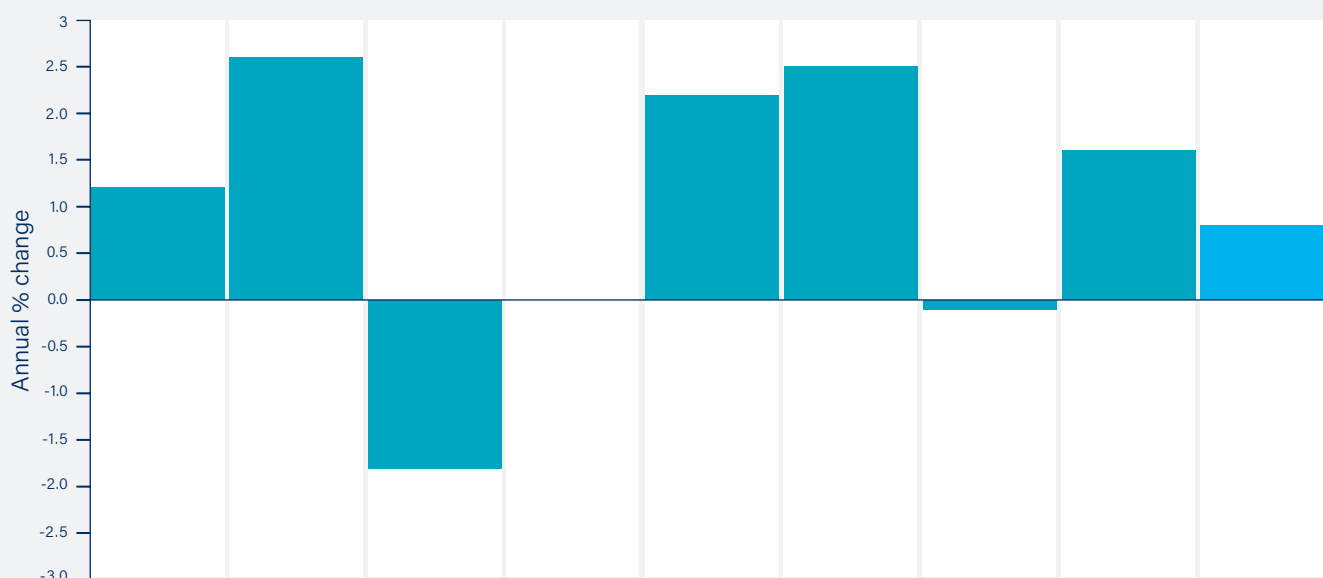
0.8%

Forecast

ANNUAL AVERAGE OUTPUT GROWTH BY SECTOR 2023-2027 WEST 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
1.2%	2.6%	-1.8%	0.0%	2.2%	2.5%	-0.1%	1.6%	0.8%



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

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

	Estimate	Forecast (Annual % change, real terms)					Annual average
	2022	2023	2024	2025	2026	2027	2023-2027
Public housing	562	-3.7%	1.1%	2.7%	3.0%	3.1%	1.2%
Private housing	3,052	0.1%	2.7%	3.3%	3.5%	3.6%	2.6%
Infrastructure	3,185	2.8%	-7.4%	-2.2%	-0.9%	-1.0%	-1.8%
Public non-housing	842	-4.6%	0.3%	1.0%	1.7%	1.9%	0.0%
Industrial	463	5.3%	2.8%	0.5%	1.2%	1.2%	2.2%
Commercial	1,108	0.7%	1.6%	3.4%	3.4%	3.3%	2.5%
New work	9,211	0.7%	-1.3%	1.1%	1.8%	1.8%	0.8%
Housing R&M	2,507	-3.4%	-0.3%	0.5%	1.3%	1.5%	-0.1%
Non-housing R&M	3,064	0.0%	1.4%	2.5%	1.9%	2.0%	1.6%
Total R&M	5,570	-1.5%	0.7%	1.6%	1.6%	1.8%	0.8%
Total work	14,782	-0.1%	-0.6%	1.3%	1.7%	1.8%	0.8%

The annual average growth rate is the rate of growth between the end of 2022 and the end of 2027, i.e., a five-year period.

In the West Midlands there are a number of **very large scale/long term developments** that will deliver output for a number of sectors.

The recently announced £4bn partnership agreement between West Midlands Combined Authority WMCA and Legal & General is a seven-year investment commitment to help the West Midlands level up. It includes support for the provision of all housing tenures, including social and modular; commercial property and urban regeneration across multiple sites.


The first scheme for the partnership will be The Junction, a brownfield site in Oldbury which has lain empty for over 20 years. The site will be brought back into economic use through the investment of L&G. The development will deliver 234 energy efficient new homes of which nearly 50% will be for affordable housing under the WMCA's local definition.

Plans are underway for a £450m regeneration of Coventry's city centre by the developer Housebuilder Hill Group. 1,300 new homes, 50 retail units and various commercial ventures will be built as part of the project. Planning permission was granted by Coventry City Council in January 2022 whilst the construction work is set to start in the summer of 2023. Another notable housing project is the new mixed-use development in Birmingham's Eastside

which was launched by Berkeley St Joseph. The development will feature 716 one-, two- and three- bedroom apartments and duplexes across seven blocks, alongside 20,000 square feet of commercial space for local businesses and amenities.

The Birmingham Smithfield Development with an investment value of over £500m will be a big project for the region, with the masterplan having launched in 2016. It will include new vibrant retail markets, exciting family leisure, cultural buildings, homes, public squares and transport facilities.


The region's infrastructure sector will also benefit from a number of projects that are part of the £96bn investment in the Integrated Rail Plan (IRP) that will go towards new build and upgrading existing rail infrastructure in the Midlands and North of England. The IRP includes a high-speed line from the West Midlands to the East Midlands, and electrification and upgrading of the midland main line between London St Pancras, the East Midlands and Sheffield. Government have also announced they are planning to create investment zones in the region with potential places including the HS2 Interchange site.

 WMCA and Legal & General partnership

£4bn

 Birmingham Smithfield Development

£500m

 Coventry city centre regeneration

£450m

Workforce² forecast

For 2022 we are expecting a slight increase in the construction workforce by 700 workers.

With output growth set to dip in 2023 this will also be the case for workforce numbers where we will see a slight fall in workforce numbers to 223,700 which is due to remain static until 2027. Overall, we are forecast to see a 0.1% decrease in workforce numbers for the West Midlands, for the UK we expect to see a 0.1% increase.

We are anticipating larger decreases in some occupations compared to others, for instance we are expecting the largest % decrease to come from logistics roles and specialist building operatives nec* roles however we are also forecast to see an increase in the number of building envelope specialists and architects.

TOTAL WORKFORCE BY OCCUPATION - WEST MIDLANDS

	Actual	Estimate	Forecast	
	2021	2022	2023	2027
Senior, executive, and business process managers	21,500	21,600	21,200	20,300
Construction project managers	2,400	2,400	2,300	2,500
Other construction process managers	17,400	17,500	17,200	17,300
Non-construction professional, technical, IT, and other office-based staff	34,600	34,700	34,300	34,600
Construction trades supervisors	4,200	4,300	4,400	4,300
Wood trades and interior fit-out	18,700	18,500	18,300	19,300
Bricklayers	5,000	5,000	5,000	5,100
Building envelope specialists	6,100	5,800	6,000	6,500
Painters and decorators	6,000	5,900	5,900	5,800
Plasterers	2,800	2,800	2,800	2,800
Roofers	4,100	4,000	4,000	4,000
Floorers	1,600	1,600	1,600	1,500
Glaziers	3,200	3,200	3,200	3,100
Specialist building operatives nec*	4,000	3,900	3,800	3,600
Scaffolders	1,900	1,700	1,500	1,600
Plant operatives	2,200	2,300	2,500	2,500
Plant mechanics/fitters	5,900	5,900	6,100	6,100
Steel erectors/structural fabrication	2,500	2,600	2,700	2,700
Labourers nec*	12,300	12,600	12,700	12,200
Electrical trades and installation	15,700	15,700	15,600	15,600
Plumbing and HVAC Trades	12,100	12,100	11,700	11,500
Logistics	4,100	4,000	4,000	3,700
Civil engineering operatives nec*	2,600	2,800	3,000	2,800
Non-construction operatives	2,600	2,700	2,700	2,700
Total (SIC 41-43)	193,200	193,600	192,400	192,000
Civil engineers	2,900	3,200	3,300	3,200
Other construction professionals and technical staff	18,900	18,800	18,900	19,100
Architects	1,400	1,400	1,400	1,500
Surveyors	7,900	7,900	7,700	7,800
Total (SIC 41-43, 71.1, 74.9)	224,200	224,900	223,700	223,700

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

Annual Recruitment Requirement (ARR)

While the overall workforce levels are remaining static, there is still a need for the construction industry in the West Midlands to increase the recruitment of new workers. In a typical year, the region's construction industry would recruit between 13,500 – 18,000 workers, the usual the movement of people into and out of the industry or workforce churn. When looking at the future recruitment demand, we recognise that a level of churn will always take place and take this into account to producing the ARR figure.

The average annual recruitment requirement in the West Midlands is set to average 2.3% per year, based on 2022 workforce levels, which is slightly higher than the UK figure of 1.7%. This means the construction industry would have to increase current recruitment by 5,070 new workers each year to deliver the expected work between the start of 2023 and end of 2027.

The following occupations have some of the strongest recruitment requirements values:

- Non-construction professional, technical, IT, and other office-based staff (1,160 per year)
- Other construction professionals and technical staff (990 per year)
- Other construction process managers (610 per year).

ARR BY OCCUPATION - WEST MIDLANDS

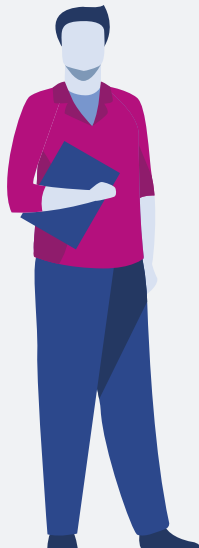
	ARR as % of 2022 workforce	ARR value per year
Senior, executive, and business process managers	0.5%	100
Construction Project Managers	5.4%	130
Other construction process managers	3.5%	610
Non-construction professional, technical, IT, and other office-based staff	3.3%	1,160
Construction Trades Supervisors	2.3%	100
Wood trades and interior fit-out	-	<50
Bricklayers	-	-
Building envelope specialists	1.2%	70
Painters and decorators	1.0%	60
Plasterers	2.5%	70
Roofers	-	-
Floorers	-	-
Glaziers	-	-
Specialist building operatives nec*	1.5%	60
Scaffolders	-	<50
Plant operatives	-	<50
Plant mechanics/fitters	3.2%	190
Steel erectors/structural fabrication	-	-
Labourers nec*	3.2%	400
Electrical trades and installation	3.8%	600
Plumbing and HVAC Trades	2.3%	280
Logistics	-	-
Civil engineering operatives nec*	-	<50
Total (SIC 41-43)		3,830
Civil engineers	-	-
Other construction professionals and technical staff	5.3%	990
Architects	-	<50
Surveyors	3.2%	250
Total (SIC 41-43, 71.1, 74.9)	2.3%	5,070

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

However, there would also be pressure on occupations, such as construction project managers, electrical trades and installation, surveyors, labourers nec* and plant mechanics/fitters 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.

It is important to note that for 2023 and 2024 particularly, the economy and growth forecasts will be significantly affected by the cost-of-living crisis putting pressure on businesses and households. This is also reflected in the workforce and ARR figures which are slightly lower than in the 2022-2026 view.

There has been a slight dip in vacancy numbers during 2022, however despite the lower output growth anticipated for 2023 we still have a large number of vacancies that need filling going forwards with vacancy numbers still higher than before the pandemic.



To fill vacancies and recruit new staff, construction companies can look at several routes such as:

Attracting skilled workers who are already working elsewhere in the construction industry, although this obviously moves existing workers around rather than meet overall industry need

Attracting 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

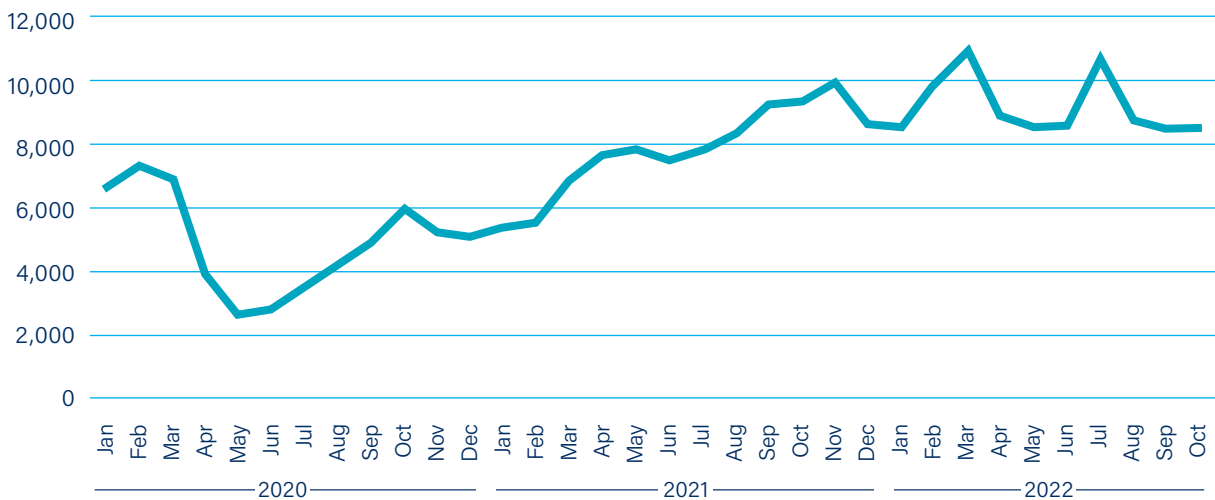
Recruiting and training new entrants into construction from those leaving school, further education, higher education or migration

Improving the retention of workers within the industry

Looking at **how productivity can be improved.**

MONTHLY UNIQUE ONLINE JOB POSTINGS - WEST MIDLANDS

Source: Lightcast, selected construction occupations, West Midlands



Responding to a skills shortage is likely to be a mix of these options, as the continued strength of the jobs market, and relatively low levels of unemployment means 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, flexible working to have a positive work/life balance and creating a culture of fairness, inclusion and respect.

There are also recent trends in training to consider as the GB wide drop in employer training, which was expected with the impact of Covid-19, had started to pick-up in 2021, although there is a slightly mixed picture.

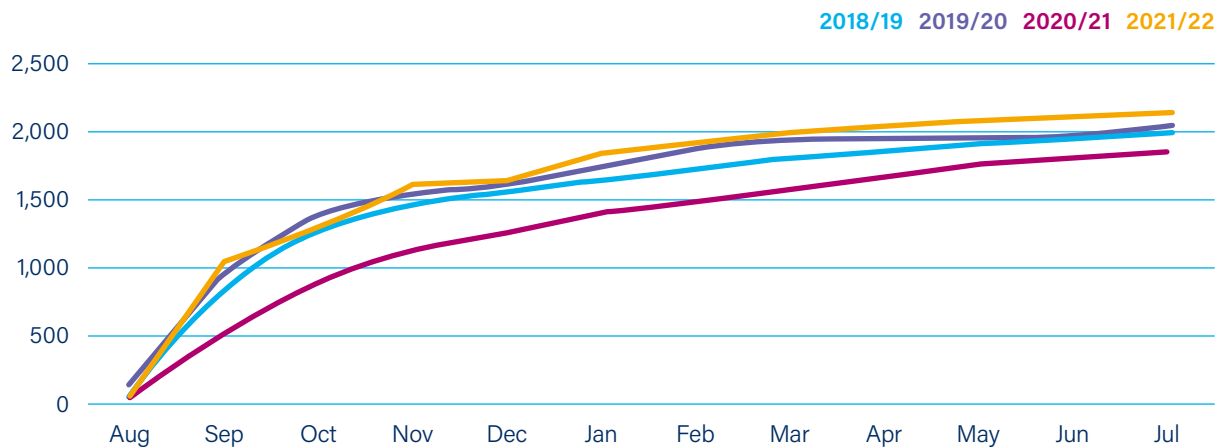
Construction apprenticeship starts in England have increased in 2021/22, and this is reflected in the West Midlands starts ending the 2021/22 academic year 15% up on 2020/21, and above figures from earlier years.

However, looking over the wider range of construction training delivered across England there isn't the same level of qualification achievements, with numbers in 2022 down compared to 2021 and 2019.

This points to a slightly different position between apprenticeships and other training, indicating that the construction industry has work to do to get overall training numbers back to pre-covid levels and then increase to meet current and future demand.

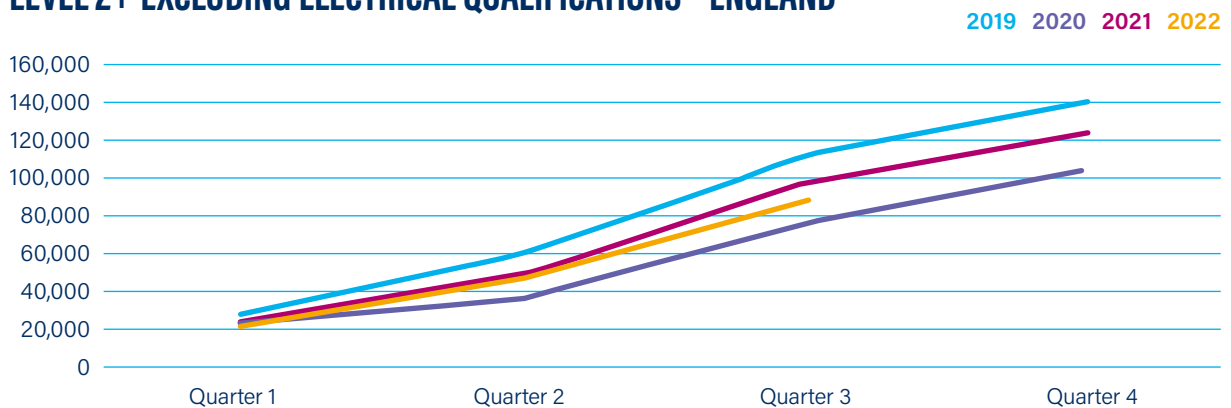
WEST MIDLANDS CUMULATIVE APPRENTICESHIP STARTS FOR CONSTRUCTION, PLANNING AND THE BUILT ENVIRONMENT SECTOR

Source: Department for Education



CONSTRUCTION SECTOR QUALIFICATION CERTIFICATES ISSUED LEVEL 2+ EXCLUDING ELECTRICAL QUALIFICATIONS - ENGLAND

Source: Ofqual



CITB support to the construction industry in the West Midlands

CITB England **will continue to support industry** through various ongoing initiatives.

CITB is looking at a range of actions that will help to support construction companies to invest in training such as 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. In 2022 CITB launched the [Apprenticeship Toolkit](#) to provide 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. There are now nine hubs across England creating a talent pipeline to meet the needs of local construction employers and to support construction career opportunities for people from local communities. The programme will result in 7,780 people becoming employment and site-ready with 3,350 people securing sustained employment within the next three years.

CITB are working with the WMCA and Colleges West Midlands on a number of initiatives including embedding GoConstruct and Talentview

Construction across 18 colleges across the West Midlands. The aim is to get all students using Talentview to search for employment and apprenticeship opportunities with employers working on projects across the West Midlands.

Recognising the need for localised solutions, more than £800,000 has been invested to launch a new employer network pilot project, which could revolutionise the way the construction sector access and receive funding for training in the future. Over 3,800 levy-registered construction businesses are eligible to benefit from the pilot, offered across five locations in England, Scotland and Wales.

CITB continues to develop its leadership and management strategy and is offering a range of support to help develop and retain existing talent. Our £10.5m Leadership and Management commission will provide funding for businesses of all sizes to claim money to invest in the development of their employees. Payments of between £2,500 and £50,000 are available.

Overcoming skills shortages by supporting training and recruitment in a more competitive labour market at a time when the economy will be in a recession requires combined action from CITB, construction companies and government. Having a workforce that is competent and trained to make the most of the future opportunities is vital to ensuring the West Midlands has the volume of energy efficient homes it needs, the infrastructure to ensure the economy thrives, and to tackle the retrofit of the built environment to meet net zero targets. As the report sets out, over the next five years the construction industry will continue to support 224,000 workers and contribute around £15bn worth of output each year from an industry that accounts for 12% of all business that employ people in the West Midlands.

The construction industry will continue to contribute around

£15bn

Regional breakdown within England

North East

North West

Yorkshire & the Humber

East Midlands

West Midlands

East of England

Greater London

South West

South East

West Midlands

Birmingham
Bromsgrove
Cannock Chase
Coventry
Dudley
East Staffordshire
Herefordshire, County of
Lichfield
Malvern Hills
Newcastle-under-Lyme
North Warwickshire
Nuneaton and Bedworth

Redditch
Rugby
Sandwell
Shropshire
Solihull
South Staffordshire
Stafford
Staffordshire Moorlands
Stoke-on-Trent
Stratford-on-Avon
Tamworth
Telford and Wrekin

Walsall
Warwick
Wolverhampton
Worcester
Wychavon
Wyre Forest

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