



# ConstructionSkills Network 2011-2015 South East

LABOUR MARKET INTELLIGENCE





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## Labour Market Intelligence

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ConstructionSkills is the Sector Skills Council for construction, tasked by Government to ensure the UK's largest industry has the skilled workforce it requires. Working with Government, training providers and employers, it is responsible for ensuring that the industry has enough qualified new entrants and that the existing workforce is fully skilled and qualified, as well as for improving the performance of the industry and the companies within it.

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# 1. Summary - South East

Construction output in the South East is expected to grow at an annual average rate of 2.2% between 2011 and 2015, faster than the UK as a whole (1.0%). The new work sector (2.6%) is likely to outperform repair and maintenance (1.6%) largely on the basis of public non-housing experiencing a relatively small contraction. Total construction employment in the region is predicted to reach 395,740 in 2015, up 8.9% on the 2011 projected level and 6.4% above the 2009 outturn.

## Regional comparison 2011-2015

	Annual average % change in output	Growth in total employment	Total Annual Recruitment Requirement
North East	-0.4%	4,590	2,400
Yorkshire and Humber	-0.6%	7,670	2,510
East Midlands	0.9%	7,930	3,860
East of England	2.4%	21,900	5,220
Greater London	1.8%	10,720	4,190
South East	2.2%	19,560	5,440
South West	1.1%	4,970	3,920
Wales	1.2%	10,700	4,160
West Midlands	-0.5%	9,290	2,680
Northern Ireland	1.4%	4,140	1,050
North West	-0.6%	2,510	4,090
Scotland	1.0%	11,090	3,360
<b>UK</b>	<b>1.0%</b>	<b>115,070</b>	<b>42,880</b>

Source: CSN, Experian  
ref. CSN Explained, Section 4, Note 2



Commercial sector is forecast to grow at an average rate of **6.7%** per year between **2011 and 2015**

## Key findings

Between 2011 and 2015, public housing output in the South East is expected to decline at an annual average rate of 6.2% – a little sharper than the national mean (5.6%). The end of the Kickstart Housing Delivery programme and the significantly lower level of funding available for social housing going forward should be responsible for the declining trend. In contrast, private housing activity is forecast to increase at an average rate of 6.0% per annum over the same period. Government cuts are likely to undermine house buyers' confidence this year, although easier access to credit and a strengthening residential market should increase demand for new units in 2012. Positive demographics, including in-migration and a faster expansion in the working-age population (0.5% per annum) than the UK (0.3%), should support the sector in the long-term.

The £850m redevelopment of Reading station and the £1.2bn widening of the M25 are likely to be the most important infrastructure projects in the region. However, the latter project is due to complete its widening phase in 2012, with hard shoulder running, a cheaper option, being used for further work. Thus the annual average growth rate of 2.5% between 2011 and 2015 is likely to be below the national average (4.4%).

The fact that the South East benefitted little from the early waves of the Building Schools for the Future (BSF) programme should mean that it will experience a lower rate of decline than many other English regions due to its cancellation. Output in the public non-housing sector is projected to contract at an average rate of 6.3% per year over the five years to 2015, only about half the rate of fall of the UK as a whole.

Over this year and next, industrial construction output in the region is predicted to grow faster than the national average. The concentration of high-tech manufacturing industries in the South East should continue to benefit from a buoyant export market, with likely positive implications for new industrial facilities. However, strengthening

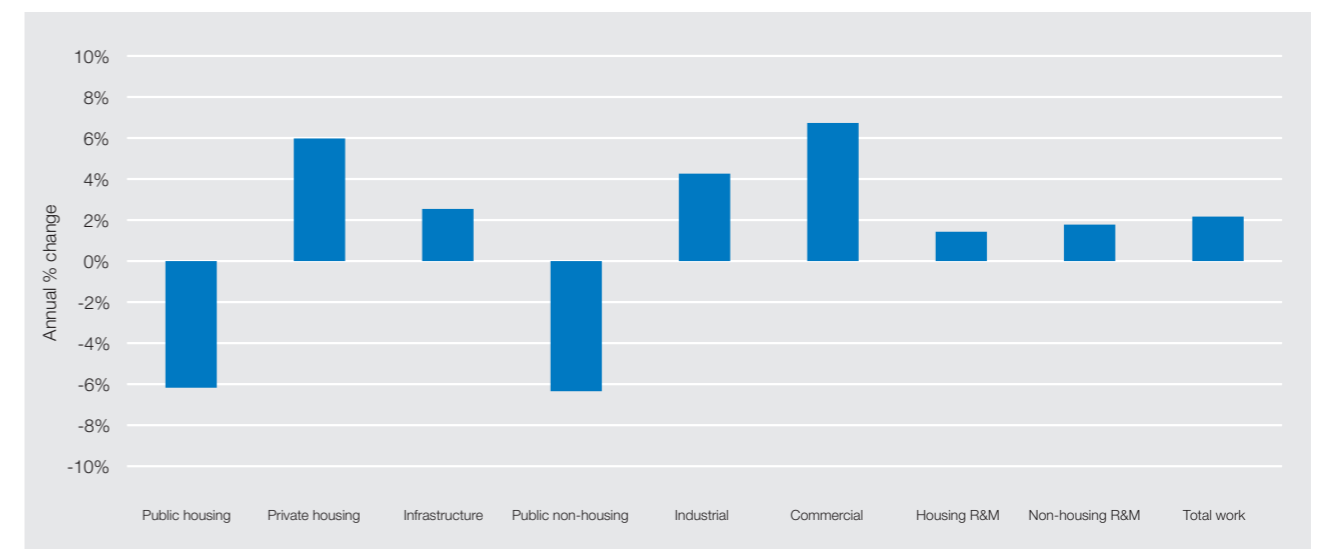
sterling is likely to counteract this effect in the medium term, giving muted increases in industrial construction output in the final three years of the forecast period. In commercial construction, the region's low dependency on the public sector bodes well for consumer spending once the expenditure cuts begin to bite, giving developers the confidence to invest in new retail facilities. The upturn in financial and business services – an important component of the region's economy – should also help to drive the construction of offices. These factors are likely to elevate the South East's commercial sector to the top of the UK regions and nations rankings – output is forecast to grow at an annual average rate of 6.7% between 2011 and 2015.

Civil engineering operatives nec\* (20.9%) should see the largest increase in employment between 2011 and 2015, although in absolute terms, construction managers should experience the biggest rise (4,730). At 5,440, the projected annual recruitment requirement for the region is representative of 1.5% of base 2011 employment.



The New Medway Bridge, Kent

## Annual average construction output growth 2011-2015 - South East



Source: CSN, Experian  
ref. CSN Explained, Section 4, Note 2

## 2. The outlook for construction in the South East

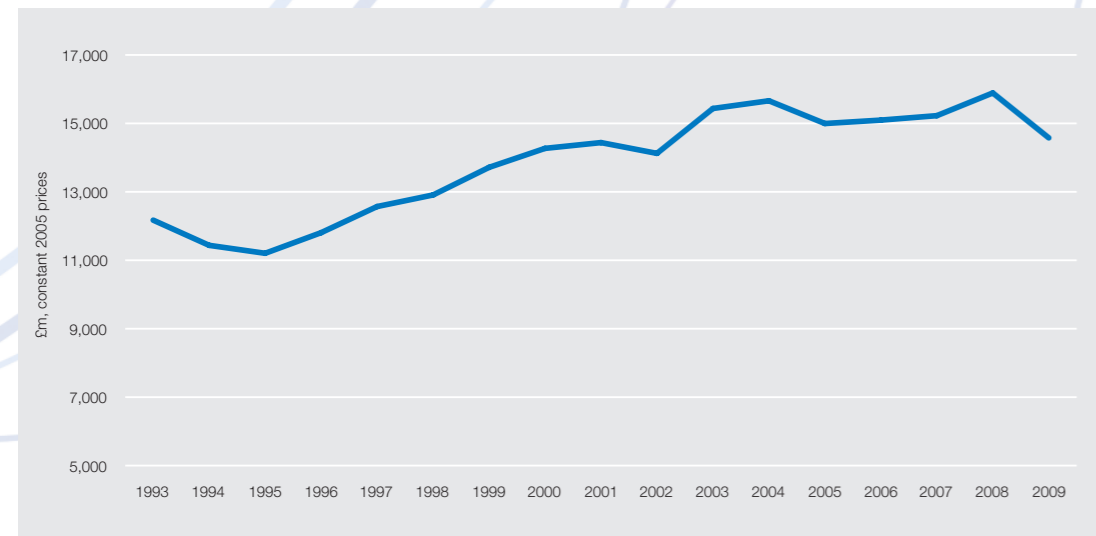
### 2.1 Construction output in the South East – overview

In 2009, total construction output in the South East declined by 8% to £14.6bn (in 2005 prices) – a smaller fall when compared with the UK average (-12%). Both the new work and repair and maintenance sectors experienced equal magnitudes of contraction.

The infrastructure and public non-housing sectors were the only ones to see any growth in 2009 – output for the former increased by a quarter to £863m and the latter saw a 15% rise to £1.5bn. The two housing sectors (public and private) contracted by 17% each, while industrial and commercial construction output declined by 11% and 18%, respectively.

Housing repair and maintenance (R&M) activity saw a smaller fall (-6%) than non-housing R&M (-10%) in 2009.

### Construction output 1993-2009 - South East



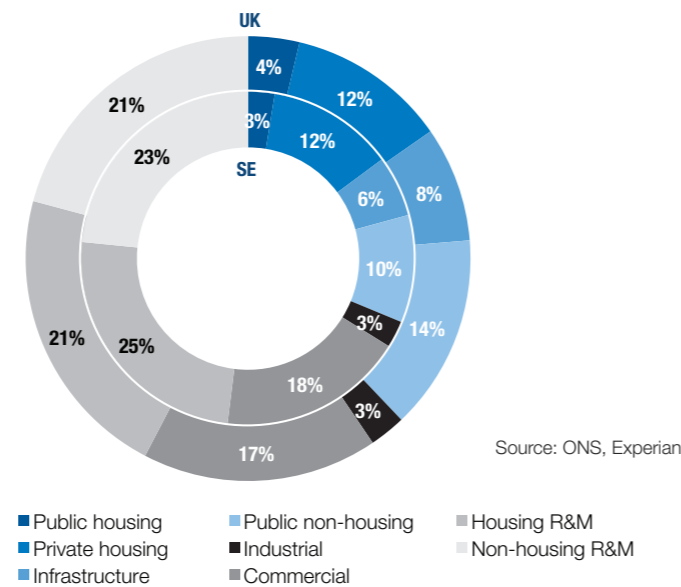
Source: ONS  
ref. CSN Explained, Section 4, Note: 1

### 2.2 Industry structure

The diagram, Construction Industry structure 2009 – UK vs. South East, illustrates the sector breakdown of construction in South East compared to that in the UK. Effectively, the percentages for each sector illustrate what proportion of total output each sector accounts for.

The structure of the construction industry in the South East is broadly similar to that of the UK, with the exception of housing R&M and the public non-housing sector. At 25%, the former accounted for a 4% larger share of total construction output in the region. However this was at the expense of the latter, which at 10% was 4% smaller than the national mean.

### Construction industry structure 2009 - UK vs. South East (SE)



Source: ONS, Experian

### Economic structure - South East (£ billion, 2006 prices)

Selected sectors	Actual	Forecast					
	2009	Annual % change, real terms					
	2009	2010	2011	2012	2013	2014	2015
Public services	35.4	2.8	2.4	2.2	2.2	2.1	2.3
Financial and business services	45.1	3.4	2.7	3.2	3.4	3.4	3.9
Transport and communications	11.9	-0.9	1.4	2.2	2.4	2.9	3.2
Manufacturing	17.4	4.7	2.8	1.6	1.2	1.2	1.2
Distribution, hotels and catering	25.6	3.5	2.3	2.6	2.8	2.7	2.6
<b>Total Gross Value Added (GVA)</b>	<b>163.9</b>	<b>2.8</b>	<b>2.4</b>	<b>1.6</b>	<b>2.2</b>	<b>2.1</b>	<b>2.3</b>

Source: Experian  
ref. CSN Explained, Section 4, Note 3

### 2.3 Economic overview

The expected performance of a regional or national economy over the forecast period (2011 – 2015) provides an indication of the construction sectors in which demand is likely to be strongest.

### 2.4 Economic structure

In 2009, Gross Value Added (GVA) in the South East declined by 4.8% to £163.9bn (in 2006 prices).

Despite seeing a 6% fall in output, financial and business services remained the largest part of the region's economy in 2009. However its share of GVA decreased slightly from 27.9% in 2008 to 27.5%. Public services was the second largest component of the South East economy and it only contracted by 0.7% in 2009, thus increasing its share by almost 1% to 21.6%.

Accounting for 15.6% of the South East economy in 2009, distribution, hotels and catering contracted by 5.7% but saw only a marginal decrease in its share. A 9.7% decline in manufacturing led to a fall in share from 11.2% in 2008 to 10.6% in 2009.

The region's economy is estimated to have grown by 2.8% last year, a percentage point better than the UK as a whole, broadly driven by an increase in GVA for the manufacturing and construction sectors (of 4.7% and 12.2%, respectively). The dominant financial and business services sector also contributed with growth of 3.4%.

### 2.5 Forward looking economic indicators

Between 2011 and 2015, the South East economy is predicted to grow at an annual average rate of 2.2% – slightly faster than the national mean (2.0%). The pace of increase is predicted to broadly slow in each of the years to 2014 as activity levels for construction and manufacturing begin to fall back into line with their long-term averages. However the region's GVA is forecast to tick up slightly in the final year of the forecast period as the public services and financial and business services sectors turn out better performances.

Rising taxes and inflation outpacing income growth are likely to be responsible for keeping household spending under pressure over the forecast period. However, household spending in the region over the five years to 2015 is expected to grow at an average rate of 1.8% per year, faster than the UK mean. Over the same period, household disposable incomes are projected to grow at an annual average rate of 1.4% – slightly slower than last decade's mean of 1.5%.

Not surprisingly, unemployment in the region jumped up between 2008 and 2009 as the recession began to take grip. Unemployment is estimated to peak this year, before slowly subsiding to 2015. Improving prospects in the labour market should give consumers the capacity to reduce their liabilities from the 2007 high, leading to the debt-to-income ratio falling annually to the end of the forecast period.

According to Communities and Local Government (CLG), average house prices in the South East declined by just under 9% to £242,303 in 2009. However, prices are predicted to stagnate this year as economic uncertainty impacts buyer confidence. Growth should return in 2012 and quicken to 2015 on the back of an improving economic climate.

### Economic indicators - South East (£ billion, 2006 prices - unless otherwise stated)

	Actual	Forecast					
	2009	Annual % change, real terms					
	2009	2010	2011	2012	2013	2014	2015
Real household disposable income	136	-0.7	-0.5	1.1	1.6	2.3	2.7
Household spending	126	1.1	1.2	1.4	1.8	2.2	2.4
Debt:Income ratio	2.3	2.2	2.1	2.1	2.1	2.0	2.0
House prices (Index 2003 = 100)	114.8	125.4	125.5	127.7	131.9	136.6	141.4
LFS unemployment (millions)	0.26	0.27	0.27	0.26	0.24	0.22	0.21

Source: ONS, DCLG, Experian

## 2. The outlook for construction in the South East

### New work construction orders - South East (£ million, current prices)

	Actual	Annual % change				
	2009	2005	2006	2007	2008	2009
Public housing	362	7.4	45.4	13.6	-28.6	-7.9
Private housing	1,222	15.1	-5.1	5.5	-36.2	-18.4
Infrastructure	1,316	123.9	-65.5	63.3	-33.6	146.2
Public non-housing	1,545	23.0	-16.3	11.8	18.4	-11.0
Industrial	372	31.5	11.9	-32.3	18.9	-41.6
Commercial	2,199	15.9	17.1	4.8	25.9	-52.1
<b>Total new work</b>	<b>7,016</b>	<b>27.1</b>	<b>-6.1</b>	<b>6.4</b>	<b>0.4</b>	<b>-25.3</b>

Source: ONS  
ref. CSN Explained, Section 4, Note 4

### 2.6 New construction orders – overview

In 2009, total construction new orders in the region declined by a quarter to £7bn (in current prices) – the first contraction since 2006 and the lowest outturn in six years.

The only sector to have experienced an increase in orders was infrastructure. They reached £1.3bn, a 146% increase on 2008 and the best outturn since 2005, largely due to the placing of orders for the latest tranche of M25 widening. In contrast, the industrial and commercial sectors experienced the largest declines, of 42% and 52%, respectively.

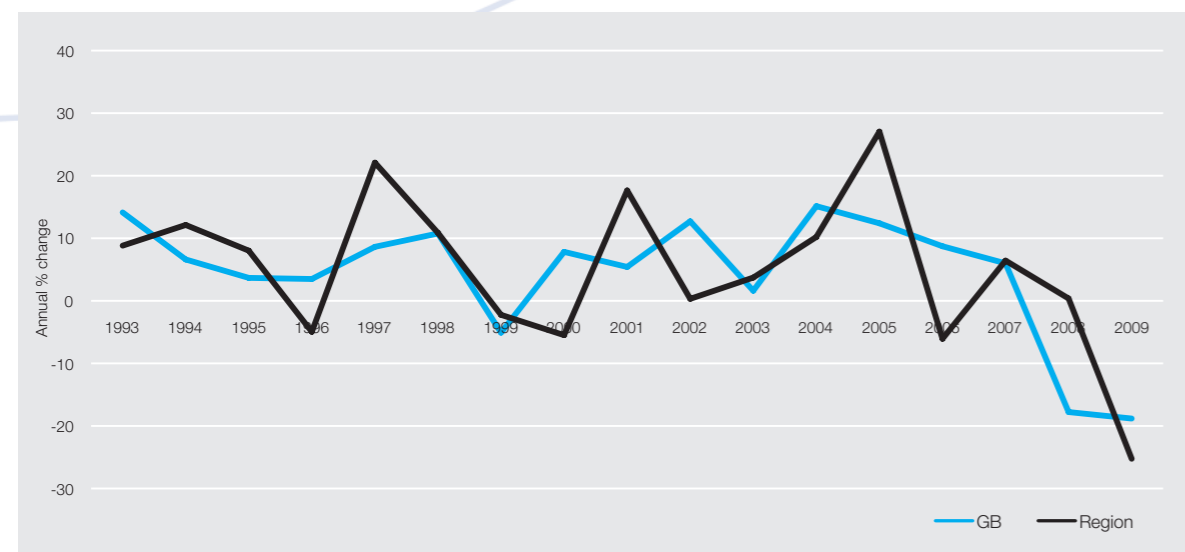
Public housing orders contracted by almost 8 per cent to £362m in 2009, a smaller fall when compared to private housing's decline of 18% to £1.2bn. Public non-housing new orders also fell, by 11% to £1.5bn.

### 2.7 New construction orders – current situation

New orders for construction in the first six months of last year totalled £4.3bn (in current prices) in the South East, up one-third when compared with the corresponding period of the preceding year.

The level of new orders for infrastructure construction rose by 148% to £1.2bn and the figure for public housing increased by 123% to £304m – making the 54% and 30% rises for private housing and public non-housing, respectively, look modest. In contrast, industrial construction new orders contracted by 49% year-on-year to £88m in the first half of 2010, while the commercial figure declined by 22% to £875m.

### New construction orders growth 1994-2009 - South East vs. GB



Source: ONS  
ref. CSN Explained, Section 4, Note 4

### 2.8 Construction output – short-term forecasts (2011–2012)

Regional Office for National Statistics (ONS) output statistics are published in current prices and are thus inclusive of any inflationary effect. At the time of writing, ONS construction output statistics are only available for the first two quarters of 2010.

Construction output in the first six months of 2010 saw a modest rise of almost 3% to £8.7bn, when compared with the corresponding part of the preceding year. The new work sector accounted for all of this growth as output reached £5.1bn, up almost 5% year-on-year. On the same basis, the R&M sector remained static at £3.6bn.

The region's construction industry is predicted to grow at an annual average rate of 0.5% between 2011 and 2012, with the R&M sector (1.0%) likely to outperform new work (0.1%).

The public housing and public non-housing construction sectors are projected to be the worst faring over the short-term, as the severe cuts in public spending begin to impact. The former is projected to decline at an average rate of 20.8% per annum, although the sector's small size means it will have little overall impact on the region's industry as a whole. The South East is not as exposed as many other English regions to the cancellation of BSF as it has only one programme of work ongoing in the early waves. However, the region has still seen a fairly high level of education construction orders let in recent years for work outside of the BSF programme. It is inevitable that this non-BSF work is also likely to contract, given a 14.4% annual average output decline in the sector for 2011 and 2012.

Conversely, the private housing and industrial sectors are forecast to be the best performing between 2011 and 2012, growing at average annual rates of 7.7% and 8.5%, respectively. The relatively rapid turnaround in the region's housing market is likely to boost

sentiment and encourage house builders to start work on new developments in the short-term. Meanwhile the South East's high concentration of high-tech manufacturing industries (e.g. aerospace, electronics and pharmaceuticals) should benefit from the recent buoyancy in the export market, thus giving the industrial sector a boost as demand for new facilities increases.

The small increase in infrastructure construction output in 2011 should be offset by a decline of the same magnitude in 2012, giving a stagnant overall profile over the two years. The most important project to the region is the £850m redevelopment of Reading station where main works are due to commence this year. There is also the £1.2bn M25 widening programme, although the output stream from this is expected to drop sharply in 2012 as the current phase completes.

At 7.3%, the average growth rate per annum for the commercial sector in the South East between 2011 and 2012 is better than the UK mean (5.9%). There are a couple of notable projects in the region including a £250m redevelopment dubbed the Woking Gateway. This is estimated to come on line towards the end of this year. There is also a £100m shopping centre scheme in Southampton. The 2-year scheme comprises the construction of Watermark (phase 3) of the West Quay Development and should start on site in December 2011.



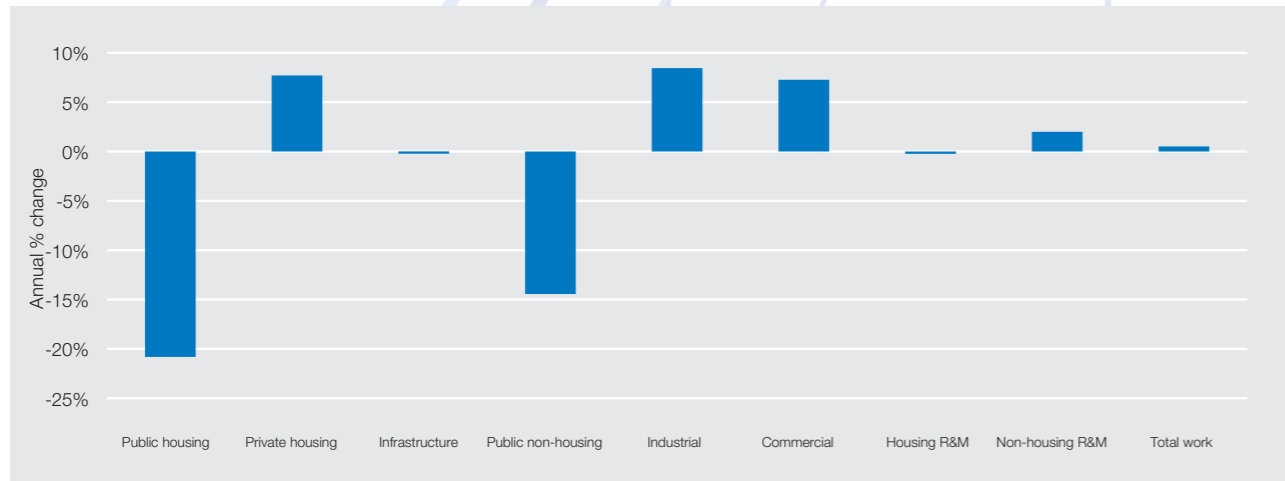
### Construction output - South East (£ million, 2005 prices)

	Actual 2009	Forecast annual % change			Annual average 2011-2012
		2010	2011	2012	
Public housing	374	59%	-23%	-19%	-20.8%
Private housing	1,790	14%	4%	12%	7.7%
Infrastructure	863	53%	3%	-3%	0.0%
Public non-housing	1,527	22%	-6%	-22%	-14.4%
Industrial	381	-8%	7%	10%	8.5%
Commercial	2,640	-11%	3%	12%	7.3%
<b>New work</b>	<b>7,576</b>	<b>13%</b>	<b>0%</b>	<b>1%</b>	<b>0.1%</b>
Housing R&M	3,588	-7%	-3%	3%	-0.1%
Non-housing R&M	3,413	2%	1%	3%	2.0%
<b>Total R&amp;M</b>	<b>7,001</b>	<b>-2%</b>	<b>-1%</b>	<b>3%</b>	<b>1.0%</b>
<b>Total work</b>	<b>14,577</b>	<b>5%</b>	<b>-1%</b>	<b>2%</b>	<b>0.5%</b>

Source: Experian  
ref. CSN Explained, Section 4, Notes 1 and 2

## 2. The outlook for construction in the South East

### Annual average construction output growth 2011-2012 - South East



Source: Experian  
ref. CSN Explained, Section 4, Note 2

### 2.9 Construction output – long-term forecasts (2011–2015)

Between 2011 and 2015, total construction output in the South East is forecast to increase at an annual average rate of 2.2% – stronger than the UK average (1.0%). On the same basis, the new work sector (2.6%) is predicted to grow a full one percentage point faster than R&M.

Not surprisingly, the two publicly funded sectors – public housing (-6.2%) and public non-housing (-6.3%) – are projected to have negative average yearly growth rates over the five years to 2015. Output for the former is estimated to have seen a substantial increase last year – taking the figure to a new high (£593m). However this means that the sector has that bit further to fall once the Kickstart Housing Delivery programme comes to an end and a much lower funding stream is available for social housing between 2011 and 2015. The annual average fall in public non-housing output in the South East is only around half the rate predicted for the UK as a whole due to its lesser exposure to the main driver behind expanding output in the sector in recent years, the BSF programme.

In contrast, the commercial and private housing sectors are projected to fare best between 2011 and 2015. The former is forecast to grow at an average rate of 6.7% a year on the basis of a more positive outlook for consumer spending, underpinned by a relatively lower dependency on the public sector. This makes the region better placed to weather the expenditure cuts, giving developers the confidence to invest in new retail facilities. The upturn in the South East's larger financial and business services sector should also help to increase demand for new offices construction. Private housing's annual average growth rate of 6.0 per cent is broadly predicated on easing credit conditions and underlying demand for housing, although demographic trends also remain positive in the region. This is likely to be supported by inward migration, with the region seeing a faster expansion in working-age population (0.5% a year) than the UK (0.3%).

The infrastructure construction sector in the South East is projected to grow by 2.5% per year on average over 2011-2015 – slower than the national mean (4.4%). Work continuing on the redevelopment of Reading station will be the main driver of activity in the sector, and there

is likely to be some hard shoulder running schemes on the M25 over the forecast period. However there is little else in the pipeline at present.

Industrial construction output in the region is forecast to increase at an annual average rate of 4.3% over the five years to 2015, roughly in line with the UK mean (4.4%). The South East is home to clusters of high-technology industries such as electronics, biotechnology and pharmaceuticals and thus should benefit from the short-term fillip in exports. However as sterling begins to strengthen, the export recovery should fizzle out and give more muted increases in manufacturing output, with implications for new factories and warehouses construction.

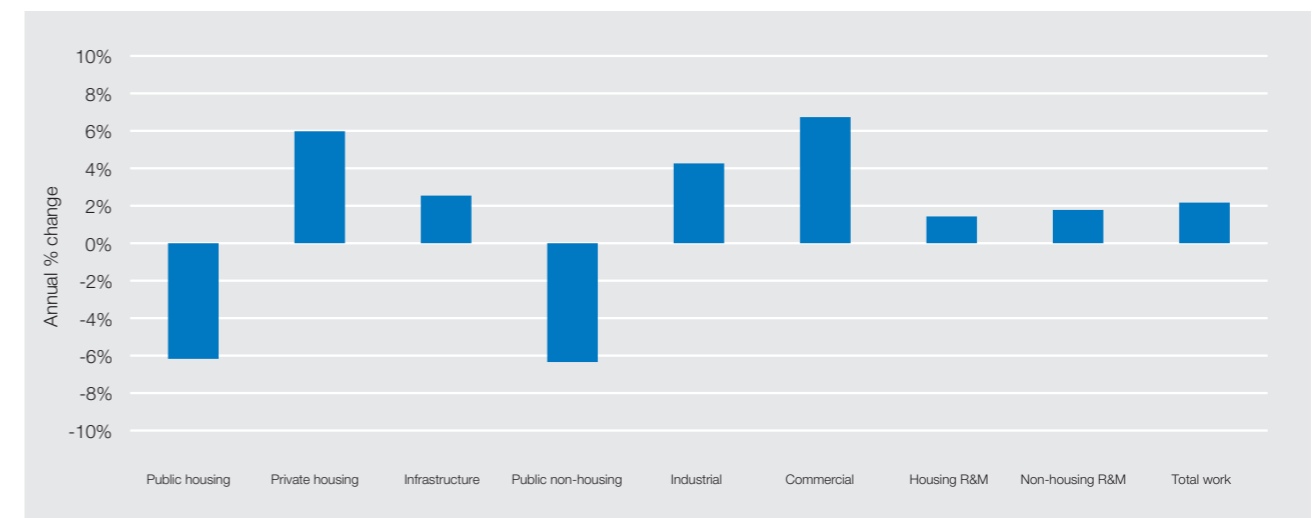


### Construction output - South East (£ million, 2005 prices)

	Estimate 2010	Forecast annual % change					Annual average 2011-2015
		2011	2012	2013	2014	2015	
Public housing	593	-23%	-19%	7%	1%	8%	-6.2%
Private housing	2,049	4%	12%	6%	5%	4%	6.0%
Infrastructure	1,323	3%	-3%	3%	5%	4%	2.5%
Public non-housing	1,861	-6%	-22%	-4%	-2%	4%	-6.3%
Industrial	349	7%	10%	2%	1%	1%	4.3%
Commercial	2,351	3%	12%	7%	7%	6%	6.7%
<b>New work</b>	<b>8,526</b>	<b>0%</b>	<b>1%</b>	<b>4%</b>	<b>4%</b>	<b>5%</b>	<b>2.6%</b>
Housing R&M	3,353	-3%	3%	2%	3%	3%	1.4%
Non-housing R&M	3,476	1%	3%	1%	2%	2%	1.8%
<b>R&amp;M</b>	<b>6,829</b>	<b>-1%</b>	<b>3%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>1.6%</b>
<b>Total work</b>	<b>15,355</b>	<b>-1%</b>	<b>2%</b>	<b>3%</b>	<b>3%</b>	<b>4%</b>	<b>2.2%</b>

Source: CSN, Experian  
ref. CSN Explained, Section 4, Note 2

### Annual average construction output growth 2011-2015 - South East



Source: CSN, Experian  
ref. CSN Explained, Section 4, Note 2

### 2.10 Beyond 2015

Macro green technologies are likely to play an important part in driving construction output in the South East. There are two large wind farm developments in the pipeline – the first of which is west of the Isle of Wight and worth almost £1.4bn and the second in Hastings (costing around £900m). The four-year projects are predicted to be completed by 2017. There are also a couple of offshore wind farms with a combined value of almost £300m in Margate and Sandwich. Both of these are expected to take two years to build and have an estimated completion date of mid-2016.

Other projects in the infrastructure sector include a plan to build a £600m new container terminal capable of accommodating up to six

deep-water berths in Southampton. Work on this project is predicted to last over eight years and should finish towards the end of 2021. There is a £400m scheme in Abingdon comprising the design and construction of a 150 million metre<sup>3</sup> reservoir which is due to see a start onsite at the beginning of 2022 and has a completion date of 2030.

The prospective route of the proposed London to Birmingham high speed rail link will take it through the Chilterns in the South East, to the probable displeasure of many in the area. Public consultation on this project is planned to take place in 2011 and should the scheme be given the go-ahead it has an indicative start date of 2017, with completion of the first stage by 2026. The construction element of the project is currently estimated at between £15.8bn and £17.4bn.

# 3. Construction employment forecasts for the South East

## 3.1 Total construction employment forecasts by occupation

The table presents actual construction employment (SIC 45 and 74.2) in South East for 2009, the forecast total employment in 26 occupations and in the industry as a whole between 2011 and 2015. A full breakdown of occupational groups is provided in Section 5 of CSN Explained.

Construction employment, including SIC 45 and 74.2, in the South East is forecast to reach 395,740 in 2015, an increase of 8.9% on the 2011 projected total and 6.4% above the 2009 outturn. Following a decline this year, employment is predicted to rise in each of the final four years of the forecast period as the region's industry returns to growth.

In 2009, construction managers (11.9%) and wood trades and interior fit-out (9.7%) accounted for the largest proportions of total industry employment in the region. The occupations are projected to broadly maintain their shares to 2015.

Civil engineering operatives nec\* should see the biggest rise (20.9%) in employment between 2011 and 2015 in percentage terms, although construction managers (4,730) should do best in absolute terms. Although the prospects for the former occupation may initially seem counterintuitive, it must be remembered that the infrastructure sector only accounts for around 40% of total civil engineering activity.

In contrast, the glaziers and specialist building operatives occupations are predicted to see the smallest rises in employment between 2011 and 2015, of 2.6% and 2.9%, respectively.

### Total employment by occupation - South East

	Actual	Forecast	
	2009	2011	2015
Senior, executive, and business process managers	21,580	21,290	24,120
Construction managers	44,380	43,410	48,140
Non-construction professional, technical, IT, and other office-based staff	52,210	51,690	55,800
Wood trades and interior fit-out	35,950	35,370	37,940
Bricklayers	9,750	9,740	10,160
Building envelope specialists	15,910	15,430	16,310
Painters and decorators	18,900	19,220	21,020
Plasterers and dry liners	5,320	5,420	6,280
Roofers	6,170	5,960	6,320
Floorers	4,980	4,890	5,110
Glaziers	3,740	3,490	3,580
Specialist building operatives nec*	6,690	6,160	6,340
Scaffolders	2,560	2,270	2,700
Plant operatives	3,830	3,580	4,120
Plant mechanics/fitters	4,040	4,210	4,510
Steel erectors/structural	3,780	3,940	4,530
Labourers nec*	11,640	10,270	12,350
Electrical trades and installation	29,180	29,600	30,550
Plumbing and HVAC Trades	25,120	23,850	24,970
Logistics	4,590	4,330	5,210
Civil engineering operatives nec*	7,570	6,570	7,940
Non-construction operatives	5,010	4,670	5,640
Civil engineers	8,080	7,280	7,830
Other construction professionals and technical staff	28,970	28,740	31,420
Architects	3,740	3,460	3,730
Surveyors	8,110	8,430	9,120
<b>Total (SIC 45)</b>	<b>322,900</b>	<b>315,360</b>	<b>343,640</b>
<b>Total (SIC 45 and 74.2)</b>	<b>371,800</b>	<b>363,270</b>	<b>395,740</b>

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

## 3.2 Annual recruitment requirements (ARR) by occupation

The ARR is a gross requirement that takes into account workforce flows into and out of construction, due to such factors as movements between industries, migration, sickness, and retirement. However, these flows do not include movements into the industry from training, although robust data on training provision is being developed by ConstructionSkills. Thus, the annual recruitment requirement provides an indication of the number of new employees that would need to be recruited into construction each year in order to realise forecast output.

Between 2011 and 2015, the ARR for the South East is projected to be 5,440 – equivalent to 1.5% of base 2011 employment. This figure is below the UK average figure of 1.8%. Painters and decorators (780) and wood trades and interior fit-out (720) are predicted to be the most in demand occupations in absolute terms, although in the case of the latter the size of the ARR is more a function of the size of that particular occupational category. However, as a percentage of base 2011 employment, logistics (11.3%) and architects (10.7%) are projected to have the largest requirement.

Please note that all of the ARR's presented in this section are employment requirements and not necessarily training requirements. This is because some new entrants to the construction industry, such as skilled migrants or those from other industries where similar skills are already used, will be able to work in the industry without the need for retraining.

Non-construction operatives is a diverse occupational group including all of the activities under the SIC 45 and SIC 74.2 umbrella that cannot be classified elsewhere, such as cleaners, elementary security occupations nec and routine inspectors and testers. The skills required in these occupations are highly transferable to other industries and forecasting such movement is hazardous given the lack of robust supportive data. Therefore the ARR for non-construction operatives is not published.

Finally, for certain occupations there will be no appreciable requirement over the forecast period, partly due to the recession creating a 'pool' of excess labour.

### Annual recruitment requirement by occupation - South East

	2011-2015
Senior, executive, and business process managers	70
Construction managers	420
Non-construction professional, technical, IT, and other office-based staff	130
Wood trades and interior fit-out	720
Bricklayers	110
Building envelope specialists	110
Painters and decorators	780
Plasterers and dry liners	<50
Roofers	-
Floorers	-
Glaziers	270
Specialist building operatives nec*	230
Scaffolders	120
Plant operatives	200
Plant mechanics/fitters	<50
Steel erectors/structural	170
Labourers nec*	430
Electrical trades and installation	-
Plumbing and HVAC Trades	-
Logistics	490
Civil engineering operatives nec*	200
Non-construction operatives	-
Civil engineers	400
Other construction professionals and technical staff	<50
Architects	370
Surveyors	130
<b>Total (SIC 45)</b>	<b>4,500</b>
<b>Total (SIC 45 and 74.2)</b>	<b>5,440</b>

Source: CSN, Experian ref. CSN Explained, Section 4, Notes 5 and 6

# 4. Comparisons across the UK

After the East of England, the South East's construction industry is forecast to be the best performing in the UK. Output is predicted to increase at an annual average rate of 2.2% between 2011 and 2015, well above the UK rate of 1.0%.

However the public housing (-6.2%) sector is predicted to underperform when compared with the national picture. The sector has had a significant amount of funding directed towards it in recent years, taking output to a new high in 2010. However, a much more constrained public sector outlook – with only £4.4bn being available for social housing across the English regions between 2011 and 2015, compared with £8.4bn in the National Affordable Housing Programme for 2008-2011 – alongside the soon-to-be ending Kickstart Housing Delivery programme, means the sector will see significant declines both this year and next. However, this is not to say that the region will be the worst faring in the UK – the North East and the East Midlands should decline by double-digits over the forecast period.

In the case of infrastructure construction, with the exception of the £850m Reading station redevelopment and the £1.2bn M25 widening project, there is little else in the pipeline. Although both schemes are of a high value, they are not enough to set the South East apart from the rest of the UK regions and nations in terms of its annual average growth rate – projected at 2.5%. In contrast, Greater London has a number of large transport projects, the biggest of which are Crossrail (worth £16bn) and the £5.5bn Thameslink scheme (although there are other sizeable infrastructure schemes such as Thames Tideway, Heathrow Terminal East and various Underground station upgrades).

Public expenditure cuts announced in the 2010 Emergency Budget and the subsequent Spending Review in October will inevitably have a negative effect on public non-housing output across the UK. However, by how much the different regions will be affected will largely depend on their level of exposure to the BSF programme. Those regions with a larger number of BSF schemes in the early part of the programme (Waves 1-4), which have mostly escaped cancellation, will see a much higher fall off in activity once

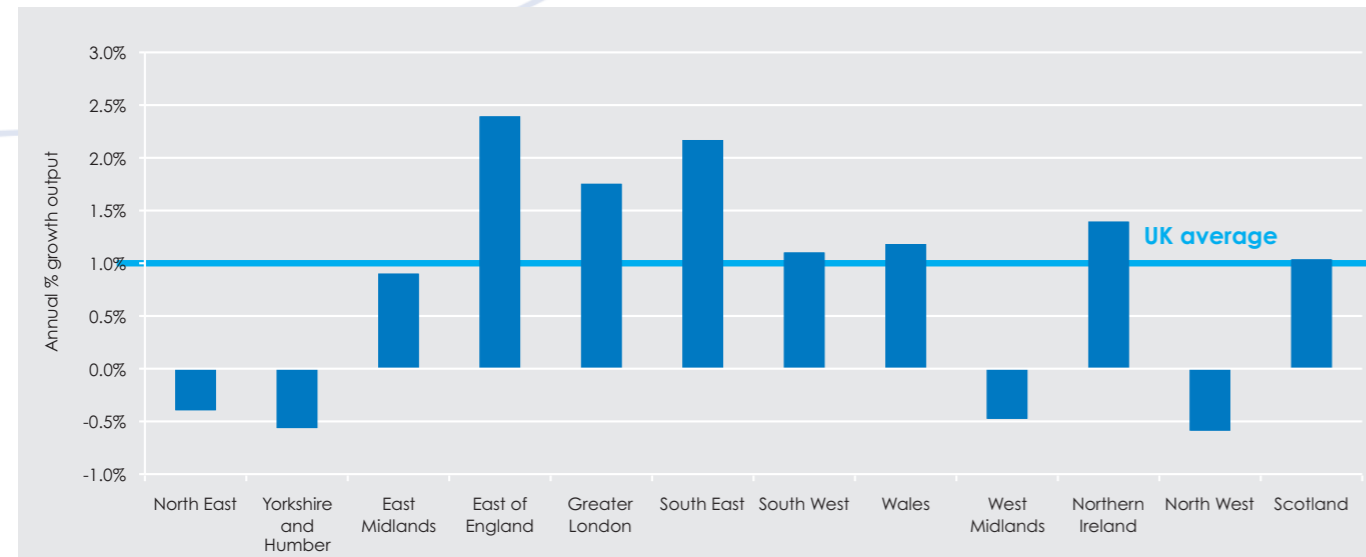
those projects are completed than those with relatively few schemes. However, the South East had only one ongoing project in Waves 1-4 of the BSF programme in England, thus the annual average rate of fall for its public non-residential sector (6.3%) is predicted to be the smallest of the regions.

On an annual average basis over the five years to 2015, the private housing (6.0%) and industrial (4.3%) sectors are predicted to perform broadly in line with the UK as a whole. Following three consecutive years of decline, an easing in lending conditions and general strengthening in the housing market should breathe some life into private house building in 2011 – making it the best performing alongside the North East and the East of England for that particular year. Meanwhile, the resurgence in the exports market should buoy the South East's hi-tech manufacturing sector in the short-term, giving developers the impetus to invest in new industrial facilities. Large transport schemes can also dictate demand for distribution facilities, such as warehouses. An example of this is the East of England's industrial sector, which is projected to do well on the back of the development of the new London Gateway port.

However, with a projected annual average growth rate of 6.7%, the South East's commercial sector is predicted to be the strongest of the UK regions and nations. The South East's economy is much less dependent on public services and thus there may not be quite the same squeeze on spending as in other parts of the UK, giving developers the confidence to invest in new retail facilities. The region also has a large financial and business services sector which should stand it in good stead in the upturn, encouraging office building to accommodate expansion needs.

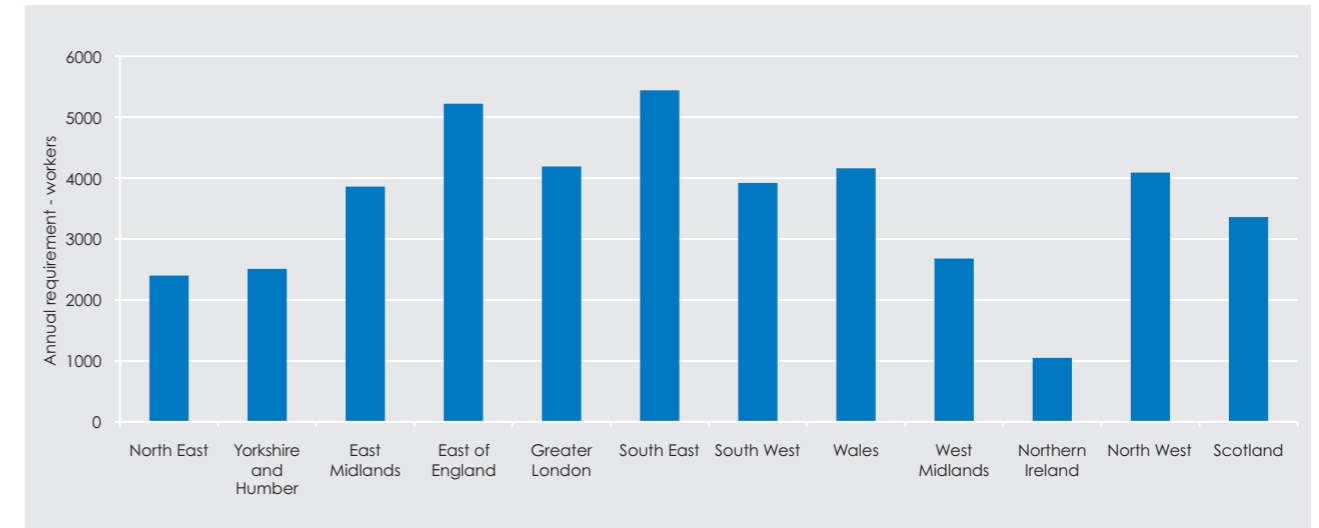
Employment growth in the region between 2011 and 2015 is predicted to be 8.9%, better than the UK average (7.8%). Civil engineering operatives nec\* (20.9%) are predicted to see the largest increases in employment, although in absolute terms the construction managers (4,730) occupation should do best. As a proportion of base 2011 employment, the annual recruitment requirement is forecast to be equivalent to 1.5% – lower than the UK average figure of 1.8%.

## Annual average output growth by region 2011-2015



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

## Annual recruitment requirement (ARR) by region 2011-2015



Source: CSN, Experian



Between 2011 and 2015, the ARR for the South East is projected to be **5,440** – equivalent to **1.5%** of base **2011** employment.



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