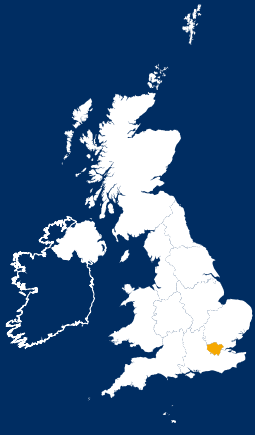CONSTRUCTION SKILLS NETWORK

The skills construction needs

Greater London

Five Year Outlook 2023–2027

GREATER LONDON

The volume of construction work in Greater London will grow, slightly ahead of the UK forecast of 1.5% by an annual average rate of

1.9%

Fastest sector rate of growth expected for

Commercial
Private housing

Non-housing Repair and Maintenance

The occupations with the strongest additional recruitment requirement levels:

Non-construction professional, technical, IT and other office-based staff (1,010 per year)
Other construction process managers (510 per year)
Other construction professionals and technical staff (460 per year)

Major projects in Greater London include a number of very large scale/long term developments such as:

Regeneration of Thamesmead (£8bn)
Brent Cross Town development (£8bn)
Meridian Water (£6bn)
Castle Green (£5bn)

The annual recruitment requirement in Greater London of 1.1% per year is below the UK average of 1.7% and means an extra 22,800 workers will be needed from 2023 to 2027.

2023

2024

2025

2026

2027

2028

2029

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 Greater London has some significant differences to the UK structure.

The construction industry in Greater London has 28,000 businesses[1] with more than one employee, which is 11% of all employers in the region. In 2022 the industry is estimated to have total output of over £36.5bn which is structured as shown in the chart. Greater London has some significant differences to the UK structure with the commercial sector accounting for 22% of output, nearly double the UK average, and has been a long-term difference, reflecting Greater London's role as a major business centre. Private housing is also slightly above the UK view, and again a reflection that the region has a population of over 9m people and 3.6m homes.

Although the repair and maintenance sectors have a slightly lower share of output compared to the UK structure, they are still significant with combined output value of nearly £9.1bn.

CONSTRUCTION INDUSTRY STRUCTURE 2022 GREATER LONDON VS UK

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

UNITED KINGDOM

GREATER LONDON

3%
5%
20%
12%
22%
26%
15%
13%
18%
16%
22%
1% 5%
13%
4% 5%
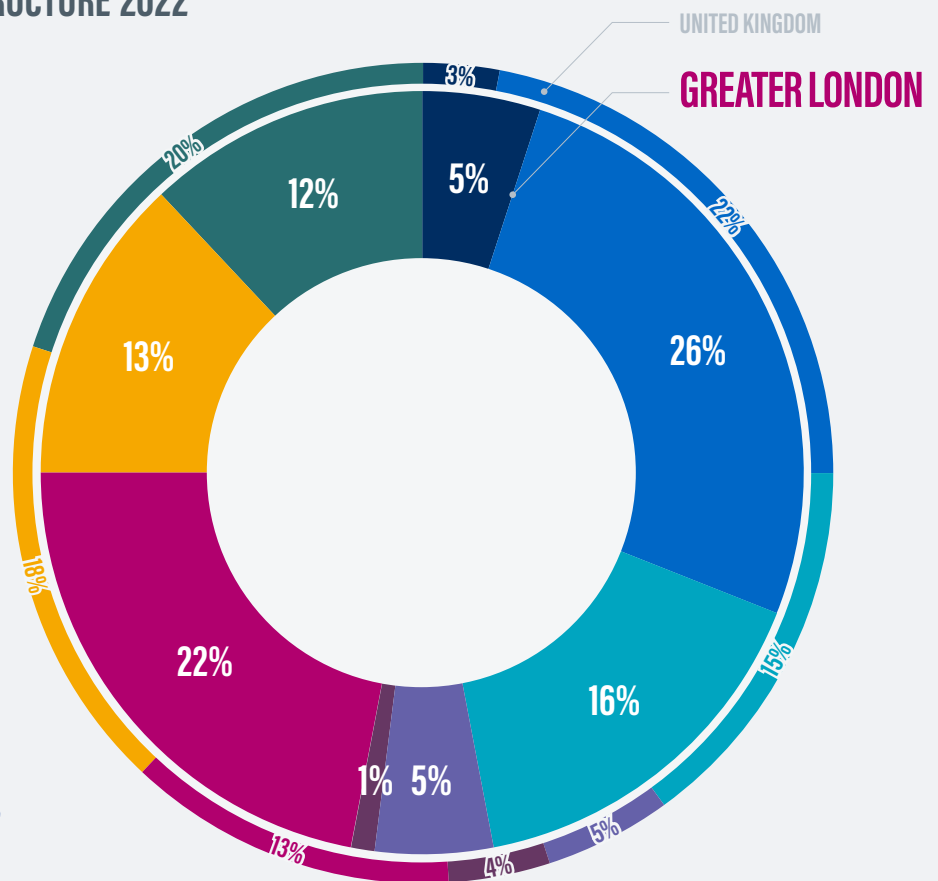
Private housing output

26%

2022 view

Total annual output 2022

£36.5bn

Total estimated output 2023

£36.5bn

In 2022, construction output in Greater London is expected to grow by 2.6%, stabilising from the 18% growth seen in 2021.

2022 view

Estimated construction output growth of 2.6% is lower than the expected UK level of growth in 2022 (4.1%), although the region experienced a lower drop in output during 2020 compared to the UK. The reasons for slightly lower growth in 2022 stem from a dip in infrastructure output and commercial work only just starting to pick back up.

CONSTRUCTION OUTPUT 2003 – 2023 GREATER LONDON

£m, constant 2019 prices
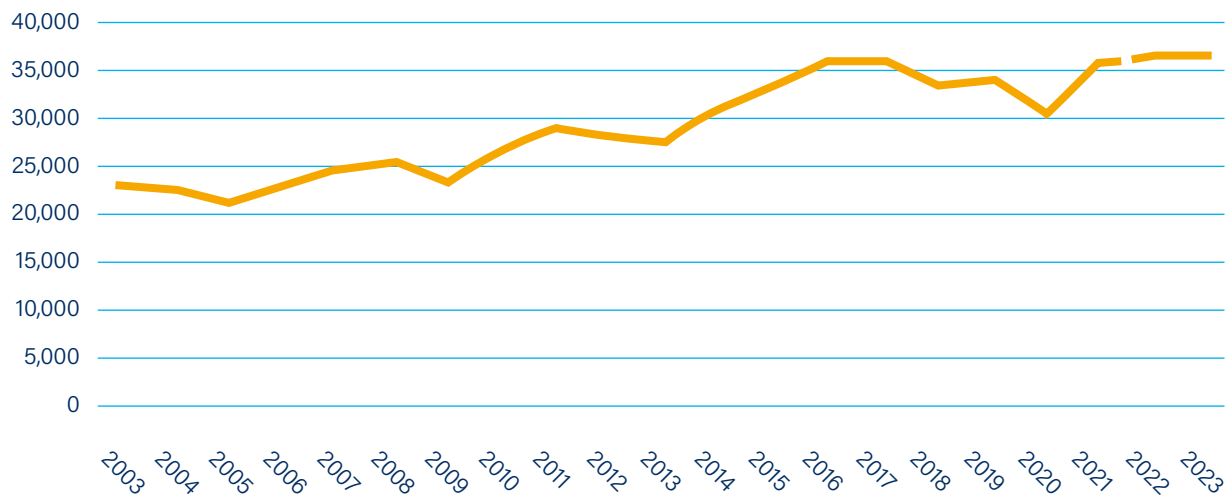
OUTPUT FORECAST 2023 – 2027

In Greater London, the volume of work will grow by an annual average rate of 1.9%, which is above the UK rate of 1.5%[2]. All sectors will see growth over the forecast, with new work being slightly stronger than R&M, and most follow a pattern of growth in the latter years, as during the earlier years the cost-of-living crisis will be in full force. The only sector that sees more growth in the earlier years is the industrial sector.

Whilst the commercial sector has the highest annual average growth rate at 2.7%, it is the private housing sector that has the highest share of total output (26%). The biggest gains in output are set to come from the private housing (+£1,347m) and commercial (+£1,168m) sectors, accounting for more than half of the total output increase. This is in line with the industry structure in Greater London.

Non-housing R&M (+£405m) and infrastructure (+£370m) will also make significant contributions to growth, which is in line with what we're seeing in other areas of the UK.
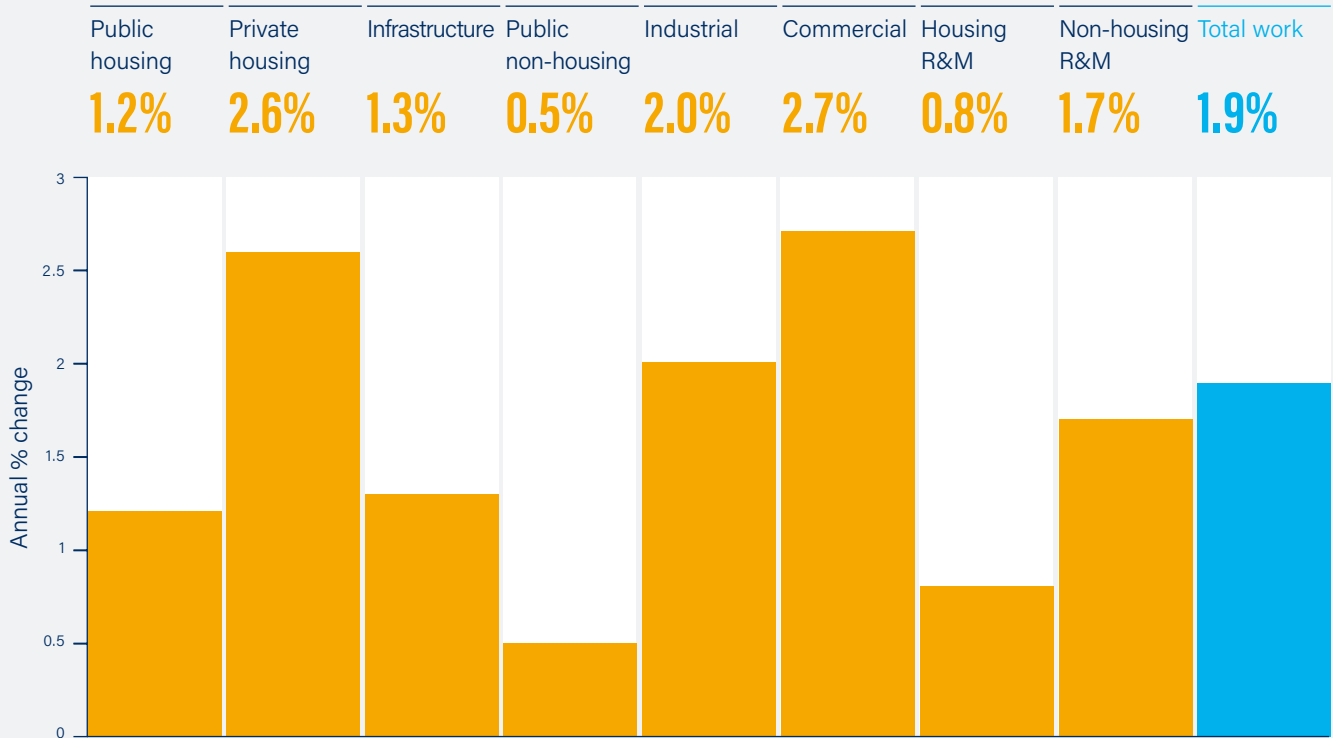
Average growth rate for Greater London

1.9%

[2] 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.

Forecast

ANNUAL AVERAGE OUTPUT GROWTH BY SECTOR 2023-2027 GREATER LONDON

Public housing	Private housing	Infrastructure	Public non-housing	Industrial	Commercial	Housing R&M	Non-housing R&M	Total work
1.2%	**2.6%**	**1.3%**	**0.5%**	**2.0%**	**2.7%**	**0.8%**	**1.7%**	**1.9%**

CONSTRUCTION OUTPUT – GREATER LONDON (£ MILLION, 2019 PRICES)

	Estimate	Forecast (Annual % change, real terms)					Annual average
	2022	2023	2024	2025	2026	2027	2023–2027
Public housing	1,887	-4.1%	1.6%	2.7%	3.0%	3.1%	1.2%
Private housing	9,648	0.1%	2.7%	3.3%	3.5%	3.6%	2.6%
Infrastructure	5,659	0.0%	0.3%	2.6%	1.8%	1.7%	1.3%
Public non-housing	1,674	-3.6%	1.6%	1.0%	1.7%	1.9%	0.5%
Industrial	378	4.3%	2.9%	0.4%	1.2%	1.1%	2.0%
Commercial	8,216	2.7%	2.9%	2.6%	2.7%	2.6%	2.7%
New work	**27,453**	**0.4%**	**2.1%**	**2.7%**	**2.7%**	**2.8%**	**2.2%**
Housing R&M	4,583	-3.4%	0.7%	1.8%	2.5%	2.7%	0.8%
Non-housing R&M	4,495	0.9%	1.4%	2.5%	1.9%	2.0%	1.7%
Total R&M	**9,078**	**-1.3%**	**1.1%**	**2.1%**	**2.2%**	**2.4%**	**1.3%**
Total work	**36,531**	**0.0%**	**1.9%**	**2.6%**	**2.6%**	**2.7%**	**1.9%**

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 Greater London there are a number of very large scale/long term developments that will deliver output for a number of sectors.

In Greater London there are a number of very large scale/long term developments such as Thamesmead, Brent Cross Town, Queen Elizabeth Olympic Park, Meridian Water Regeneration, Canada Water, Barking Riverside and Castle Green that will deliver output for a number of sectors. Work is ramping up on HS2, which will provide a boost to the infrastructure sector, while the planned restoration and renewal of the Houses of Parliament is another significant project that could commence during the forecast.

Examples of other work are:

- The 2021-26 Affordable Homes Programme (AHP) plans to build 180,000 new homes, with £7.47bn to be distributed via Homes England. The London Mayor has also secured £3.39bn to deliver 29,456 homes with councils and housing associations from the first round of bidding for the next five-year affordable homes programme.

- The Government has also pledged £233m to infrastructure funding as part of a wider £3.5bn regeneration of Silvertown in East London which will include a new pedestrian and cycle bridge across Royal Victoria Dock, the restoration of Millennium Mills and dock wall repairs.

- Contributing towards Greater London's public non-residential sector, an on-going battle between Mace and Lendlease is on-going for a £429m contract to refurbish the former HQ's of the Daily Express on London's Fleet Street and Goldman Sachs, which has been vacant since 2019.

2021-26 Affordable Homes Programme

£7.47bn

Regeneration of Silvertown

£3.5bn

Refurbishment of former Daily Express HQ's

£429m

Workforce[3] forecast

In Greater London the total workforce forecast is expected to decrease very slightly in 2023 to just over 409,000.

However, as output grows in the latter part of the forecast, by 2027 the workforce will have increased to just over 414,000, which is higher than the 2022 workforce of 411,000. This follows a similar path to what we are seeing across the UK in general where the average workforce growth rate across the forecast is 0.1%.

Across the range of occupations there is expected to be a very slight increase in the numbers for technical, professional and managerial roles, such as construction project managers, supervisors and civil engineers, with a slight drop in some of the trade roles like carpenters, painters & decorators, and electricians.

TOTAL WORKFORCE BY OCCUPATION – GREATER LONDON

	Actual	Estimate	Forecast	
	2021	2022	2023	2027
Senior, executive, and business process managers	30,300	30,900	30,300	31,900
Construction project managers	14,100	15,300	14,900	16,100
Other construction process managers	36,800	36,500	36,300	36,900
Non-construction professional, technical, IT, and other office-based staff	72,400	72,100	71,500	73,500
Construction trades supervisors	10,100	9,700	9,600	10,100
Wood trades and interior fit-out	32,600	32,500	32,300	30,400
Bricklayers	5,600	5,800	5,900	5,700
Building envelope specialists	18,200	18,900	19,400	19,400
Painters and decorators	14,500	14,400	14,100	13,100
Plasterers	3,400	3,400	3,400	3,100
Roofers	2,500	2,400	2,400	2,300
Floorers	3,300	3,100	3,000	3,100
Glaziers	3,800	3,700	3,600	3,300
Specialist building operatives nec*	10,900	11,100	11,100	10,100
Scaffolders	1,300	1,200	1,100	1,200
Plant operatives	5,100	5,600	5,700	6,200
Plant mechanics/fitters	3,600	3,600	3,900	3,600
Steel erectors/structural fabrication	2,000	2,100	2,200	2,200
Labourers nec*	11,500	11,700	11,700	11,100
Electrical trades and installation	24,500	24,500	24,500	23,500
Plumbing and HVAC Trades	17,500	17,100	16,000	16,600
Logistics	3,000	3,100	3,100	3,200
Civil engineering operatives nec*	1,300	1,400	1,500	1,500
Non–construction operatives	6,000	6,000	5,900	5,900
Total (SIC 41-43)	**334,300**	**336,100**	**333,400**	**334,000**
Civil engineers	9,200	9,800	10,200	11,100
Other construction professionals and technical staff	32,700	33,000	33,300	35,200
Architects	15,300	15,600	15,800	16,900
Surveyors	16,400	16,500	16,400	16,800
Total (SIC 41-43, 71.1, 74.9)	**407,800**	**411,100**	**409,100**	**414,100**

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

[3]Workforce covers construction contracting, SIC 41, 42 & 43 along with supporting technical and professional workers in SIC 71 and 74.9.

Annual Recruitment Requirement (ARR)

While the workforce levels are remaining static, there is still a need for the construction industry in Greater London to increase its recruitment of new workers. In a typical year, London's construction industry would recruit between 24,500 – 33,000 workers, which is 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 Greater London is set to average 1.1% per year, based on 2022 workforce levels, which is less than the UK figure of 1.7%. This means the construction industry would have to increase current recruitment by 4,560 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 (1,010 per year)
- Other construction process managers (510 per year)
- Other construction professionals and technical staff (460 per year).

ARR BY OCCUPATION – GREATER LONDON

	ARR as % of 2022 workforce	ARR value per year
Senior, executive, and business process managers	1.1%	350
Construction project managers	1.4%	220
Other construction process managers	1.4%	510
Non-construction professional, technical, IT, and other office-based staff	1.4%	1,010
Construction trades supervisors	1.1%	110
Wood trades and interior fit-out	1.4%	450
Bricklayers	1.0%	60
Building envelope specialists	-	<50
Painters and decorators	-	<50
Plasterers	-	-
Roofers	-	<50
Floorers	-	<50
Glaziers	-	-
Specialist building operatives nec*	1.1%	120
Scaffolders	-	<50
Plant operatives	1.1%	60
Plant mechanics/fitters	-	<50
Steel erectors/structural fabrication	-	<50
Labourers nec*	0.8%	90
Electrical trades and installation	1.4%	350
Plumbing and HVAC Trades	1.1%	180
Logistics	-	<50
Civil engineering operatives nec*	-	<50
Non-construction operatives	-	-
Total (SIC 41-43)	**1.1%**	**3,510**
Civil engineers	1.4%	140
Other construction professionals and technical staff	1.4%	460
Architects	1.4%	220
Surveyors	1.4%	230
Total (SIC 41-43, 71.1, 74.9)	**1.1%**	**4,560**

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

Note: figures may not sum to totals due to rounding

The additional recruitment demand in Greater London across the occupations is quite even as the highest level of ARR to workforce is 1.4%, compared to the region's average of 1.1%. This points to a general demand over the range of occupations rather than particular pressure points. 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.

When looking at the workforce and ARR forecast it is important to note that in 2022, the cost-of-living crisis is having a significant effect on the economy and growth forecasts, particularly for 2023 and 2024. This is reflected in the ARR figure in the 2023-2027 outlook being lower than the 2022-2026 view, which is due to lower construction output growth.

However, despite the lower growth forecast, there is a requirement to recruit extra workers as there is still a relatively high level of vacancies in London that need filling going into 2023.

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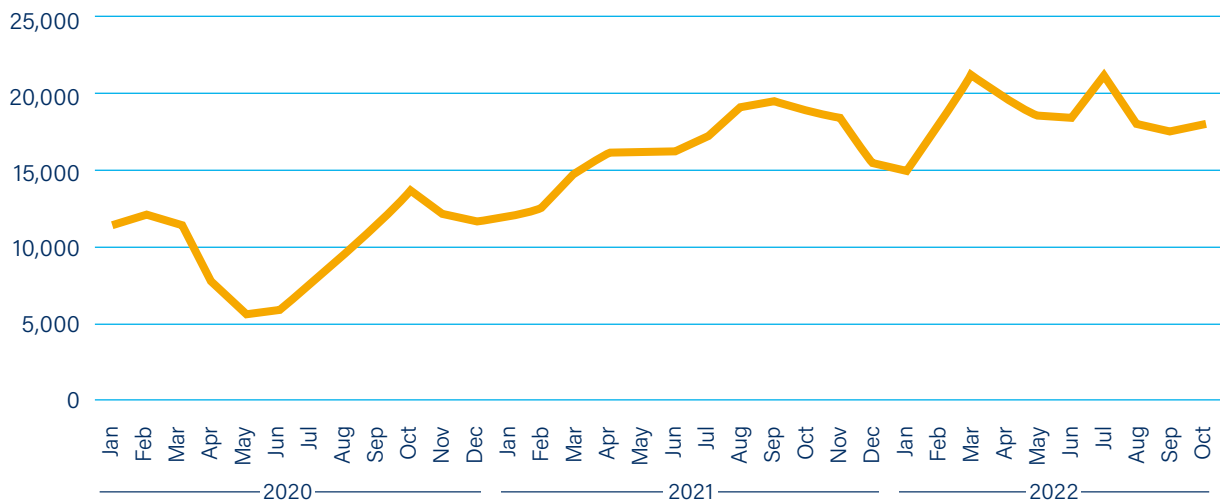
Recruiting and training new entrants into construction from those leaving school, further education, higher education or migration

Improving the retention of workers within the industry

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

MONTHLY UNIQUE ONLINE JOB POSTINGS – GREATER LONDON

Source: Lightcast, main construction occupations, London

12

Responding to a skills shortage is likely to be a mix of 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 in London, they have picked up strongly, ending the 2021/22 academic year 39% up on 2020/21, and well 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.
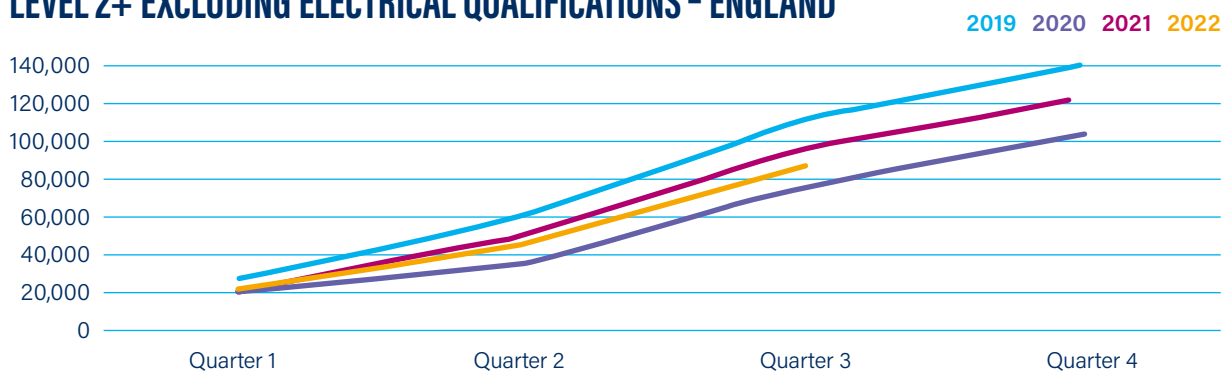
GREATER LONDON CUMULATIVE APPRENTICESHIP STARTS FOR CONSTRUCTION, PLANNING AND THE BUILT ENVIRONMENT SECTOR

Source: Department for Education

2018/19 2019/20 2020/21 2021/22
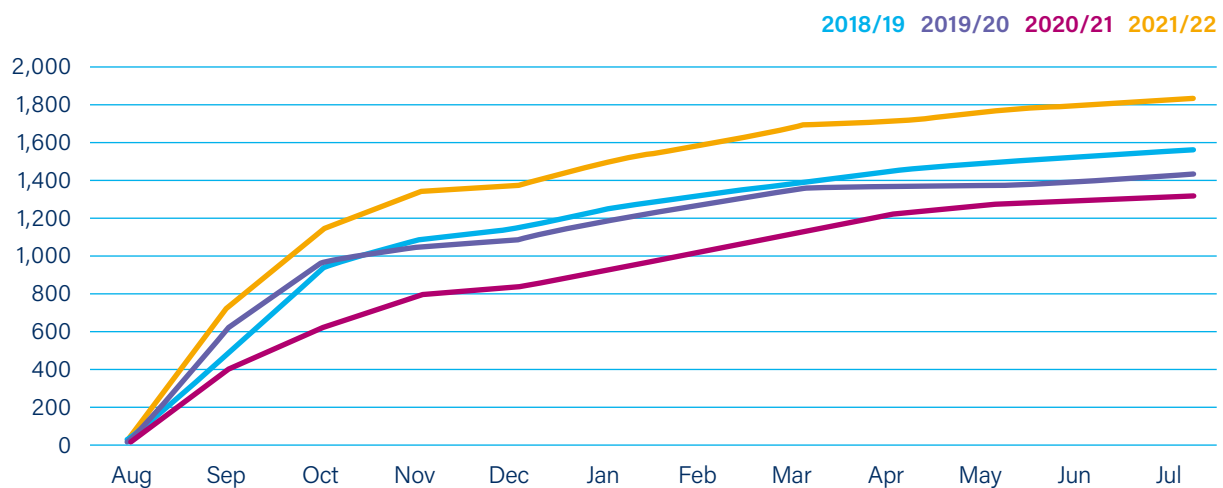
CONSTRUCTION SECTOR QUALIFICATION CERTIFICATES ISSUED LEVEL 2+ EXCLUDING ELECTRICAL QUALIFICATIONS – ENGLAND

Source: Ofqual

2019 2020 2021 2022

CITB support to the construction industry in Greater London

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

CITB is looking at a range of commissions 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. London construction employers can access this support through *The Skills Centre* by emailing: **info@theskillscentre.co.uk**

Other CITB funded interventions include the recent England Construction Opportunities commission, which will see Gement, Barking Riverside Ltd, Women In Construction and the National Federation of Roofing Contractors develop solutions to facilitate the retention of skills within construction.

Taster Programme: learners interested in construction careers sometimes lack the means of connecting with the industry and to address this, while bringing a greater diversity of people into the construction industry in London, CITB are working with a range of employers and projects in sectors with the greatest demand to develop a programme of Taster events. The programme will see students and job seekers connected with companies who offer virtual insight sessions followed by live construction site visits and employment-based activities leading to jobs, apprenticeships and other opportunities. For more information, please contact by email: **Anthony.Frayne@citb.co.uk** or **Carl.Licorish@citb.co.uk**

CITB is also supporting the Skills for a Sustainable Skyline Taskforce, led by The City of London Corporation, to address skills gaps relating to sustainable commercial buildings across Central London. The Taskforce is in the process of recruiting people to join its Working Groups to drive change across the built environment. For those interested in taking part and contributing to the Working Groups, more information is available at Skills for a Sustainable Skyline Taskforce.

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 London 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 over 410,000 workers and contribute over £36bn worth of output each year from an industry that accounts for 11% of all business that employ people in London.

The construction industry will continue to contribute over

£36bn

Regional breakdown within England

North East

North West

Yorkshire & the Humber

East Midlands

West Midlands

East of England

Greater London

South West

South East

Greater London

Barking and Dagenham	Hammersmith and Fulham	Newham
Barnet	Haringey	Redbridge
Bexley	Harrow	Richmond upon Thames
Brent	Havering	Southwark
Bromley	Hillingdon	Sutton
Camden	Hounslow	Tower Hamlets
City of London	Islington	Waltham Forest
Croydon	Kensington and Chelsea	Wandsworth
Ealing	Kingston upon Thames	Westminster
Enfield	Lambeth	
Greenwich	Lewisham	
Hackney	Merton	

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