

CONSTRUCTION SKILLS NETWORK

The skills construction needs



South West

Five Year Outlook 2023-2027



SOUTH WEST

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



0.6%

Fastest sector rate of growth expected for



**Industrial
Private housing**

**Non-housing Repair
and Maintenance**

The occupations with the strongest additional recruitment requirement levels:



Wood trades and interior fit-out (2,270 per year)
**Other construction professionals
and technical staff** (1,240 per year)
**Non-construction professional, technical, IT,
and other office-based staff** (970 per year)

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



Hinkley Point C (£25bn)
Galleries shopping centre (£550m)
A30 Development in Cornwall (£330m)



Key facts and figures

2022

2023

2024

2025

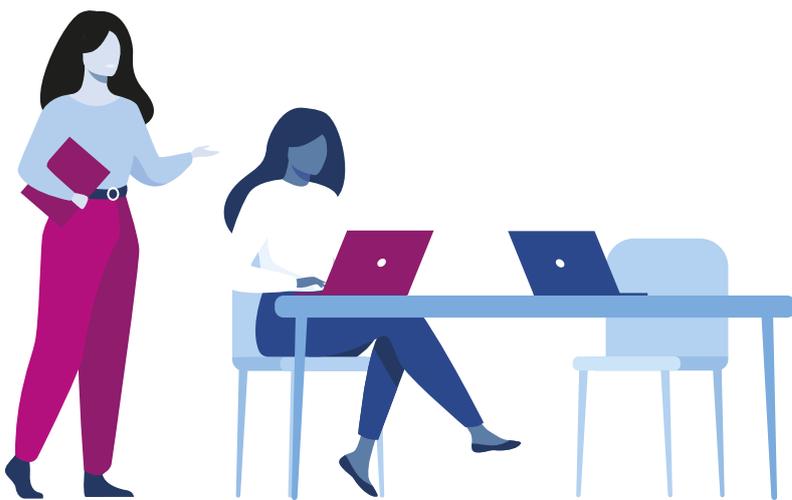
2026

2027

2028

2029

The annual recruitment requirement in the South West of 3.2% per year is above the UK average of 1.7% and means an extra 38,200 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

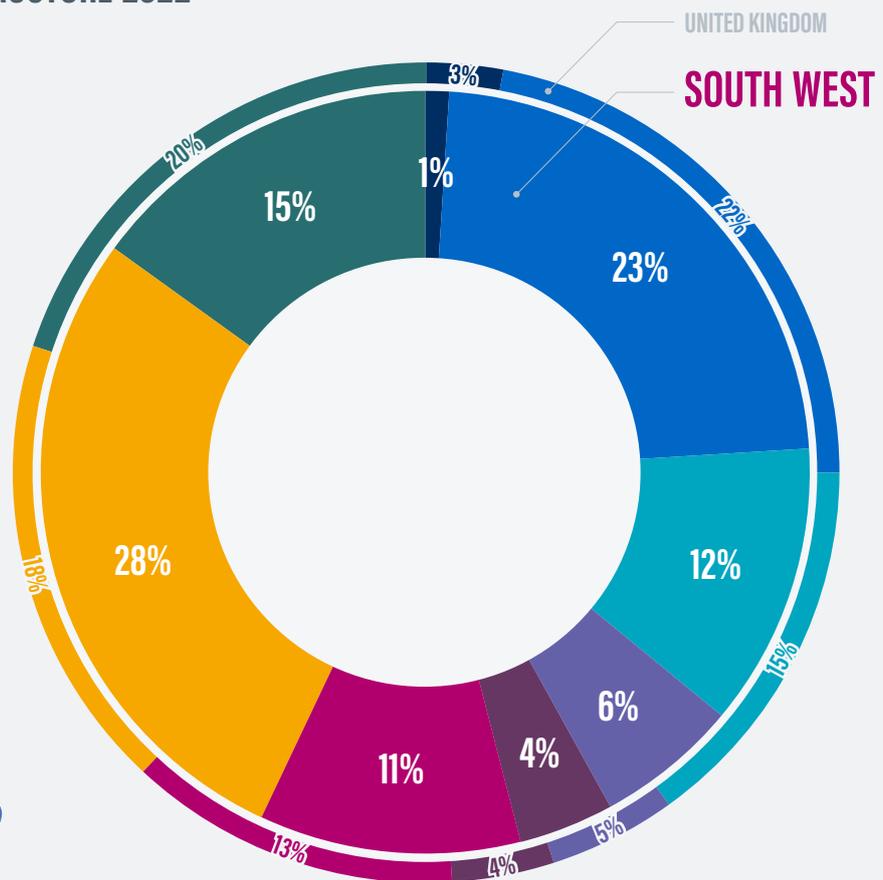
The construction industry in the **South West** has some significant differences to the UK structure.

The construction industry in the South West has 19,000 businesses¹ with more than one employee, which is nearly 15% of all employers in the region. In 2022 the industry is estimated to have total output of over £13bn which is structured as shown in the chart. The South West continues to have a

much higher share of housing R&M output at 28% compared to the UK at 18%. To contrast, the region has smaller shares of non-housing R&M output (5 percentage points less) and infrastructure work (3 percentage points less). Output in the other sectors follows a similar pattern to the UK.

CONSTRUCTION INDUSTRY STRUCTURE 2022 SOUTH WEST VS UK

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



Housing R&M output

28%

2022 view

Total annual output 2022

£13bn

Total estimated output 2023

£13bn



In 2022 the South West is estimated to show an **increase in construction output of 3.8%** since 2021.

2022 view

In 2022 the South West is **estimated to show an increase in construction output of 3.8%** since 2021, due to strong performance in the private housing and non-housing R&M sectors, and steady levels of work in other areas. Industrial output has increased very strongly, however as shown by the structure chart, it accounts for a relatively low share of overall output. Looking forward into 2023, we expect to see output decline due to the recession that the UK is facing.

CONSTRUCTION OUTPUT 2004 - 2023 SOUTH WEST

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

£m, constant 2019 prices



OUTPUT FORECAST 2023 - 2027

In the South West, the volume of work will grow by an annual average rate of 0.6%, which is lower than the UK rate of 1.5%¹. Nearly all sectors will see growth over the forecast, with R&M slightly weaker than new work, and growth mainly in the latter years. The only sector that is expected to see a decrease in construction output over the period is the infrastructure sector which is set to see an average

annual decrease of 3.1%. This is to be expected as construction work on Hinckley Point C ramps down as the project moves towards being operational from mid-2027.

The industrial sector is set to see the highest growth rate of all the sectors during the period at 2.4% although it is important to note that the sector only represents 4% of the region's structure.

The important sector for output gains in the South West looks to be private housing sector, which is forecast to increase value by £338m.

Average growth rate
for the South West

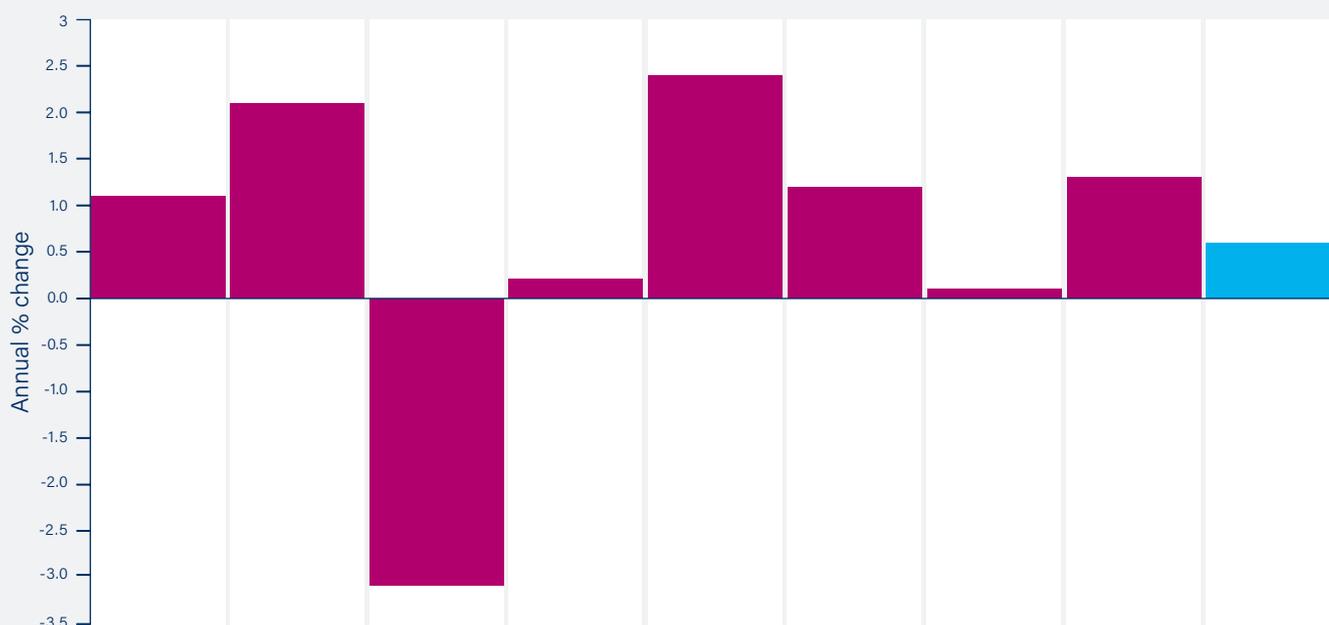
0.6%

Forecast

ANNUAL AVERAGE OUTPUT GROWTH BY SECTOR 2023-2027 SOUTH WEST

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
1.1%	2.1%	-3.1%	0.2%	2.4%	1.2%	0.1%	1.3%	0.6%



CONSTRUCTION OUTPUT - SOUTH WEST (£ 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	165	-4.6%	1.6%	2.7%	3.0%	3.1%	1.1%
Private housing	3,138	0.1%	2.7%	2.4%	2.5%	2.6%	2.1%
Infrastructure	1,549	-9.3%	-5.5%	-0.3%	0.1%	0.1%	-3.1%
Public non-housing	797	-3.6%	0.3%	1.0%	1.7%	1.9%	0.2%
Industrial	481	5.3%	3.8%	0.5%	1.2%	1.2%	2.4%
Commercial	1,413	0.9%	1.0%	1.4%	1.4%	1.3%	1.2%
New work	7,542	-1.8%	0.6%	1.4%	1.7%	1.8%	0.7%
Housing R&M	3,792	-3.4%	-0.2%	0.8%	1.5%	1.7%	0.1%
Non-housing R&M	2,048	0.0%	0.3%	2.5%	1.9%	2.0%	1.3%
Total R&M	5,840	-2.2%	0.0%	1.4%	1.7%	1.8%	0.5%
Total work	13,382	-2.0%	0.4%	1.4%	1.7%	1.8%	0.6%

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

For the South West, Hinckley Point C continues to be the main project under construction and is providing a large chunk of infrastructure work which is contributing to the high output value seen for the sector. The project is past the halfway mark which was reached in September 2021 and within the next 18 months the on-site workforce is set to increase to 8,500 workers. The forecast start date for Unit 1 generation has been pushed back slightly to June 2027 with EDF projecting total cost of £25bn-£26bn.

Another sizeable project for the South West is the Goram Homes project which was given the green light by Bristol City Council in March 2021. It plans to deliver 1,435 new homes over the next 5 years.

Panattoni, the largest logistics real estate developer in Europe is planning a speculative logistics development worth £250m and will include the UK's largest ever speculative logistics building in Avonmouth, Bristol.

Construction for the new Galleries shopping centre is due to start Autumn 2024 and be completed by 2027. This will provide a boost to the commercial sector for the South West. The Galleries shopping centre is to be demolished and replaced with a £550m mixed use scheme of 9,500 square meters of office space alongside a retail space and a 28 storey apartment block.

Lastly another notable project for the South West is the A30 development in Cornwall. The £330m upgrade is underway and expected to be open to traffic at the end of 2023. The aim of the project is to improve journey reliability and safety and has been designed to protect the environment.

 **Hinckley Point C infrastructure work**

£25-26bn

 **The Galleries shopping centre redevelopment**

£550m

 **Panattoni logistics development**

£250m

Workforce² forecast

The level of output growth in the South West gives an annual average decrease of 0.1% in the construction workforce, which differs to the UK where there has been a 0.1% increase.

In 2022 we expect to see 237,700 workers in the region, although we anticipate this decreasing slightly to 236,400 by 2027, which essentially a flat profile for the next five years.

Over the period for the region, there will be a re-balancing of the workforce as infrastructure work drops and other sectors make gains.

TOTAL WORKFORCE BY OCCUPATION - SOUTH WEST

	Actual	Estimate	Forecast	
	2021	2022	2023	2027
Senior, executive, and business process managers	17,500	17,400	17,400	17,200
Construction project managers	3,100	3,200	3,100	3,300
Other construction process managers	12,900	13,100	12,800	13,600
Non-construction professional, technical, IT, and other office-based staff	33,900	34,200	34,000	34,400
Construction trades supervisors	3,800	3,900	3,800	3,600
Wood trades and interior fit-out	29,800	29,800	29,800	28,900
Bricklayers	7,000	6,900	7,000	7,700
Building envelope specialists	12,600	12,700	12,900	13,000
Painters and decorators	9,300	9,200	9,100	8,600
Plasterers	4,800	4,900	4,900	4,700
Roofers	5,700	5,400	5,300	5,300
Floorers	1,100	1,100	1,100	1,000
Glaziers	2,400	2,400	2,400	2,500
Specialist building operatives nec*	4,400	4,300	4,200	4,200
Scaffolders	3,300	3,000	2,900	3,300
Plant operatives	3,300	3,600	3,600	3,500
Plant mechanics/fitters	2,700	2,700	2,800	2,700
Steel erectors/structural fabrication	2,700	3,000	2,700	2,800
Labourers nec*	5,700	5,800	5,600	5,500
Electrical trades and installation	19,200	19,200	19,300	19,100
Plumbing and HVAC Trades	18,500	18,600	18,400	18,200
Logistics	1,100	1,100	1,100	1,100
Civil engineering operatives nec*	2,500	2,700	2,500	2,500
Non-construction operatives	2,000	2,000	2,000	1,900
Total (SIC 41-43)	209,400	210,000	208,800	208,300
Civil engineers	2,800	3,100	2,900	2,900
Other construction professionals and technical staff	17,200	17,200	17,200	17,300
Architects	2,100	2,200	2,300	2,300
Surveyors	5,000	5,200	5,200	5,600
Total (SIC 41-43, 71.1, 74.9)	236,600	237,700	236,400	236,400

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

Annual Recruitment Requirement (ARR)

While the workforce levels are remaining static, there is still a need for the construction industry in the South West to increase the recruitment of new workers. In a typical year, the region's construction industry would recruit between 14,500 – 19,000 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 South West is set to average 3.2% per year, based on 2022 workforce levels, which is higher than the UK figure of 1.7%. This means the construction industry would have to increase current recruitment by 7,640 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:

- Wood trades and interior fit-out (2,270 per year)
- Other construction professionals and technical staff (1,240 per year)
- Non-construction professional, technical, IT, and other office-based staff (970 per year).

ARR BY OCCUPATION – SOUTH WEST

	ARR as % of 2022 workforce	ARR value per year
Senior, executive, and business process managers	-	-
Construction project managers	-	<50
Other construction process managers	3.7%	490
Non-construction professional, technical, IT, and other office-based staff	2.8%	970
Construction trades supervisors	-	<50
Wood trades and interior fit-out	7.6%	2,270
Bricklayers	1.3%	90
Building envelope specialists	0.5%	60
Painters and decorators	-	-
Plasterers	-	-
Roofers	4.3%	230
Floorers	-	-
Glaziers	-	<50
Specialist building operatives nec*	-	-
Scaffolders	2.4%	70
Plant operatives	7.2%	260
Plant mechanics/fitters	-	-
Steel erectors/structural fabrication	-	-
Labourers nec*	7.5%	430
Electrical trades and installation	4.7%	900
Plumbing and HVAC Trades	1.8%	340
Logistics	-	<50
Civil engineering operatives nec*	-	<50
Total (SIC 41-43)		6,110
Civil engineers	-	-
Other construction professionals and technical staff	7.2%	1,240
Architects	-	<50
Surveyors	5.5%	290
Total (SIC 41-43, 71.1, 74.9)	3.2%	7,640

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

Wood trade roles will be under pressure as not only do they have strong requirement values, but they also have a high requirement relative to the workforce, at 7.6% compared to the overall figure of 3.2%. There will also be pressure on occupations such as labourers (7.5%), plant operatives (7.2%), and other construction professionals and technical staff (7.2%) 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.

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 the South West 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

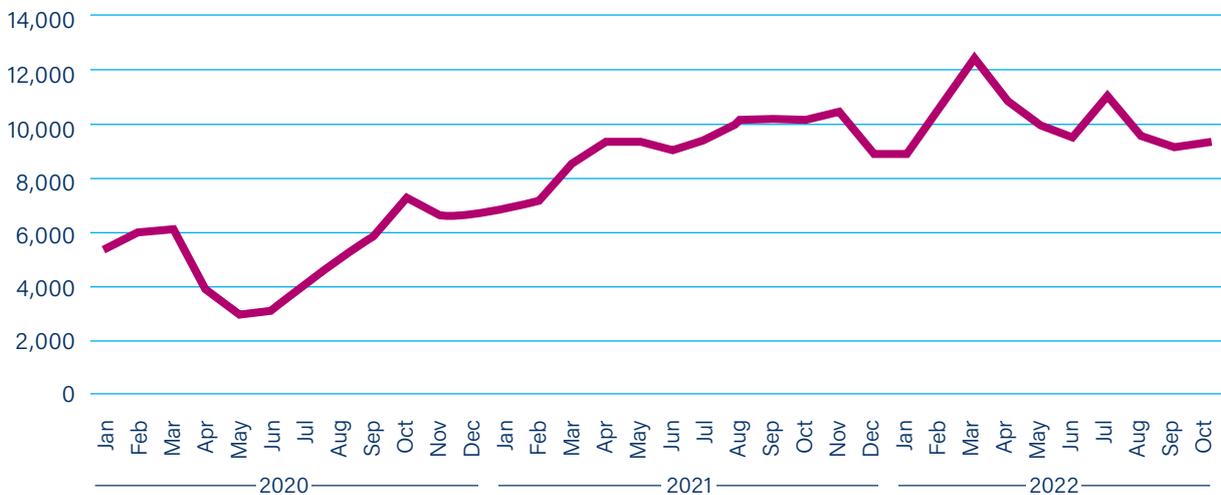
Recruiting and training new entrants into construction from those leaving school, further education, higher education or migration

Improving the retention of workers within the industry

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

MONTHLY UNIQUE ONLINE JOB POSTINGS - SOUTH WEST

Source: Lightcast, selected construction occupations, South West



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 in the South West, they have picked up

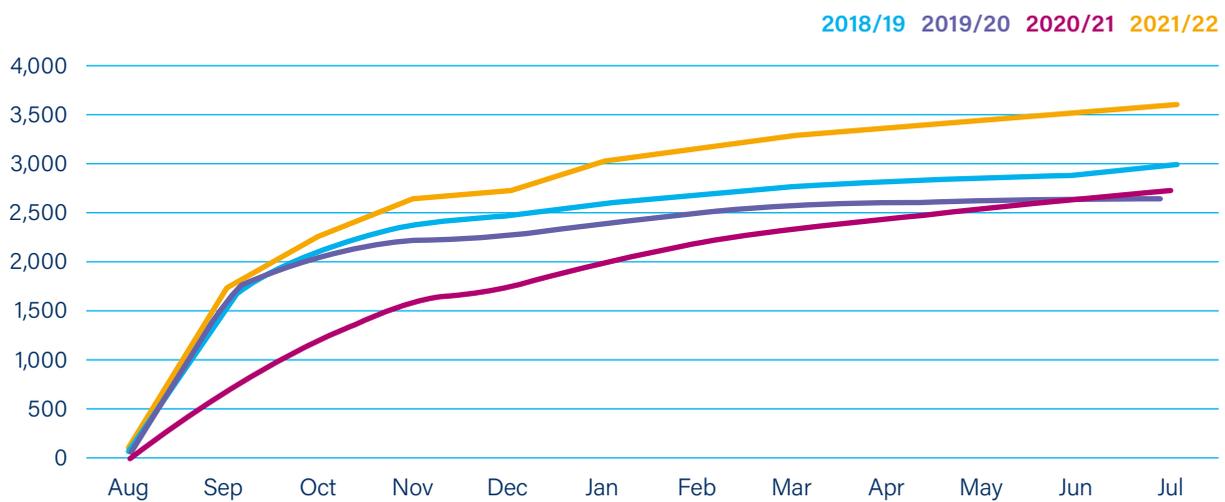
strongly, ending the 2021/22 academic year 33% up on 2020/21, and above figures from earlier years.

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.

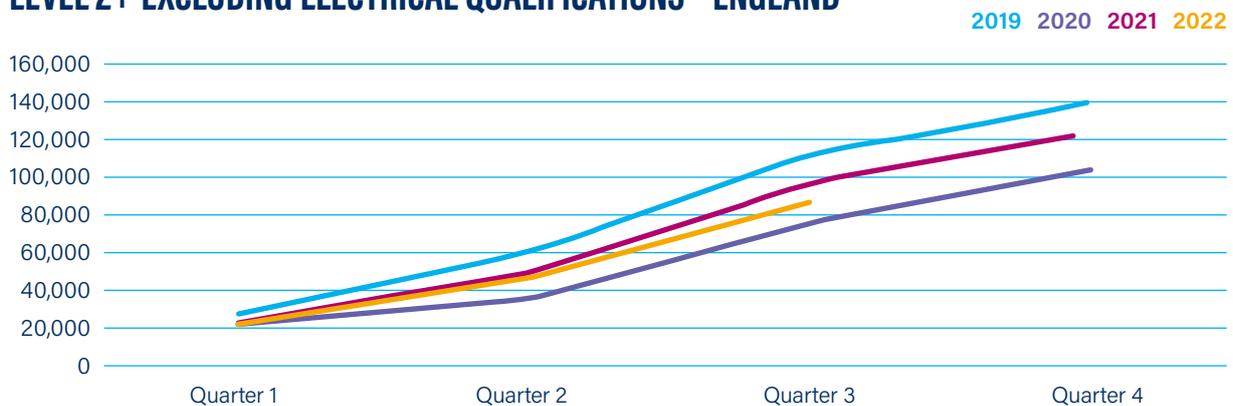
SOUTH WEST CUMULATIVE APPRENTICESHIP STARTS FOR CONSTRUCTION, PLANNING AND THE BUILT ENVIRONMENT SECTOR

Source: Department for Education



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

Source: Ofqual



CITB England will continue to support industry in the South West 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.

In the South West, CITB work with employers, training groups, providers and stakeholders to deliver informative sessions on grants, funding and CITB support. CITB Engagement Teams continue to work closely with Apprenticeship providers and employers in the region to support apprenticeship recruitment. A New Entrant Support Team provides dedicated apprenticeship support for employers, making the apprenticeship journey simpler and supporting employers with their needs from recruitment through to completion. Skills bootcamps are also available

and can be delivered by employers or FE colleges and help develop priority skills that in demand at both a local and national level.

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.

For micro, small and medium sized businesses the Skills and Training Fund aims to deliver high quality learning and development experiences to employees. From 2020 the offer was extended to support a wider range of activity with a greater emphasis on innovation.

CITB has offered support to ERBs (Employer Representative Bodies) in support of the Local Skills Improvement Plans (LSIP), to help inform and develop the plans through:

- Harnessing CITB Industry Insight & Forecasting Evidence Based Research;
- Creating Guidance that identifies themes and offers practical recommendations for ERBs to help solve construction skills issues in their community through LSIPs
- Connectivity with local employers to assist in gaining insight on skills and training needs.

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 region 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 more than 236,000 workers and contribute over £13bn worth of output each year from an industry that accounts for nearly 15% of all business that employ people in the South West.

The construction industry will continue to contribute around

£13bn

Regional breakdown within England

North East

North West

Yorkshire & the Humber

East Midlands

West Midlands

East of England

Greater London

South West

South East

South West

Bath and North East Somerset
Bournemouth, Christchurch and Poole
Bristol, City of
Cheltenham
Cornwall
Cotswold
Dorset
East Devon
Exeter
Forest of Dean

Gloucester
Isles of Scilly
Mendip
Mid Devon
North Devon
North Somerset
Plymouth
Sedgemoor
Somerset West and Taunton
South Gloucestershire
South Hams

South Somerset
Stroud
Swindon
Teignbridge
Tewkesbury
Torbay
Torridge
West Devon
Wiltshire

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