

ConstructionSkills Network 2011-2015 North 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 - North East

Construction output in the North East is projected to decline at an annual average rate of 0.4% between 2011 and 2015, making the region one of the weakest in the UK. The repair and maintenance (R&M) sector is expected to fare much better than new work, with average growth rates of 2.9% and -2.5% per year, respectively. Total construction employment is forecast to reach just over 105,290 in 2015, 8.8% higher than 2011's projected outturn but 7.6% below the 2009 level.

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 East	-0.6%	2,510	4,090
Scotland	1.0%	11,090	3,360
UK	1.0%	115,070	42,880

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



Construction output for the North East is forecast to decline by **0.4%** per year between **2011 and 2015**

Key findings

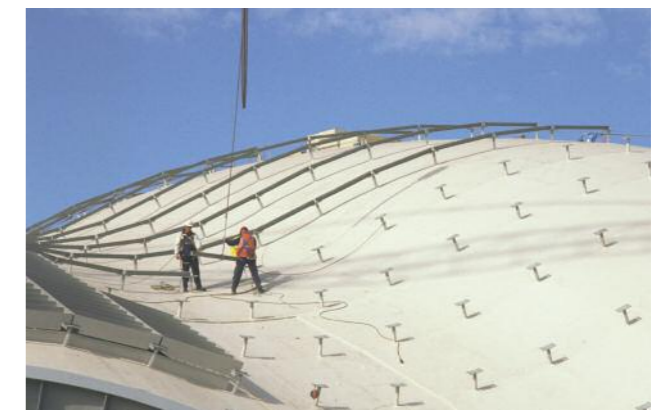
With an average annual rate of decline of 17.5% between 2011 and 2015, the public non-housing sector is predicted to be almost entirely responsible for the poor performance of new work over the next five years. The sector quickly increased its size in recent years, it accounted for almost 13% of total new work output in 2007 but this rose to nearly 30% in 2009. This was as a result of the continued level of investment under the Building Schools for the Future (BSF) programme while the private sectors had gone into recession. The fact that the North East has been one of the bigger recipients of BSF funding leaves it in a vulnerable position once those projects not cancelled by the Coalition Government have been completed.

At -11.3%, the public housing sector is projected to be the only other sector in the region with a negative annual average rate of change over the next five years. The small size of the sector, combined with significant rises in the past couple of years, means it will suffer as public expenditure cuts come into effect. The level of funding available for the UK from 2011-2015 period has almost halved to £4.4bn and this pot of money is believed to be "back-end loaded" meaning that the sector is likely to be worse hit in the short term, although some growth should return in the latter part of the forecast period. In contrast, the industrial sector is forecast to be the best performing in the region with an annual average rate of increase of 5.9% over the five years to 2015. The North East's large manufacturing base holds it in good stead to benefit from a buoyant manufacturing industry in the short to medium term, driven by export growth.

The private housing and commercial sectors are expected to see average yearly increases of 2.9% and 3.8% respectively between 2011 and 2015. For private housing the region's dependency on the public sector is likely to cause uncertainty in the labour market once

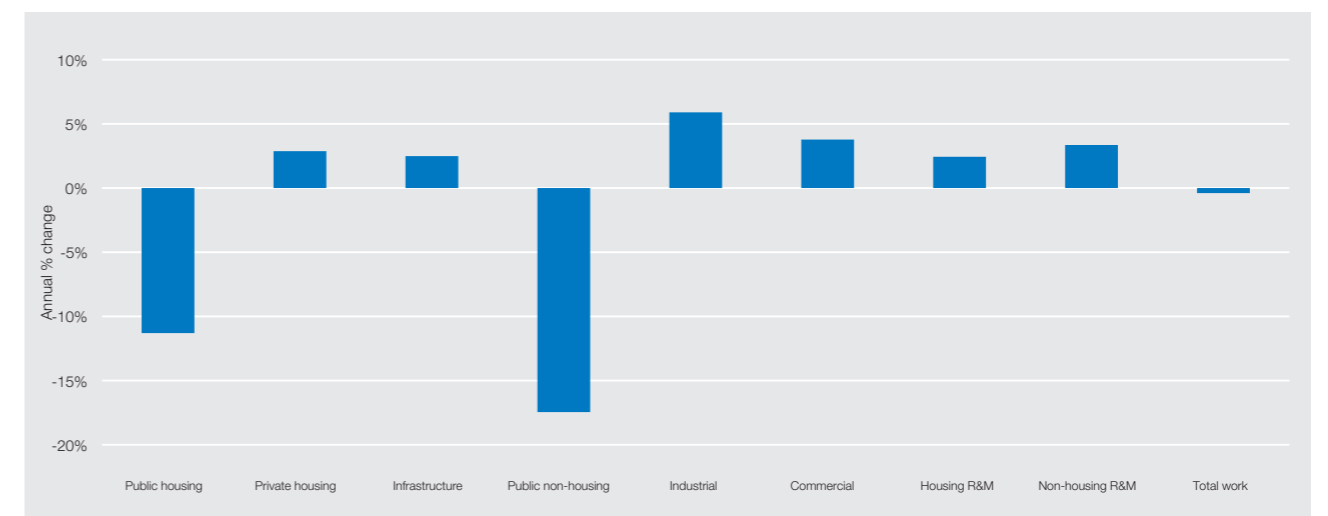
the cuts begin to be implemented, with knock on effects on the housing market. However a lower house price-to-income ratio than the national average and easing credit conditions should keep private housing output in positive territory over the forecast period. In commercial construction, weak consumer spending and relatively high unemployment are unlikely to provide much of an incentive for developers to invest in new retail and leisure premises.

In 2009 the largest occupation in the North East was construction managers which accounted for 9.7% of total construction employment, a slightly smaller proportion than in the UK as a whole (10%). It is expected to remain the largest occupation over the forecast period. At 1,250, the largest increase in employment in absolute terms is projected to be for plumbing and HVAC trades but in percentage terms the strongest rises are forecast to be for civil engineers (18.3%), with architects (18.2%) in second place. The ARR of 2,400 is equivalent to 2.5% of 2011 base employment.



The Sage, Gateshead

Annual average construction output growth 2011-2015 - North East



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

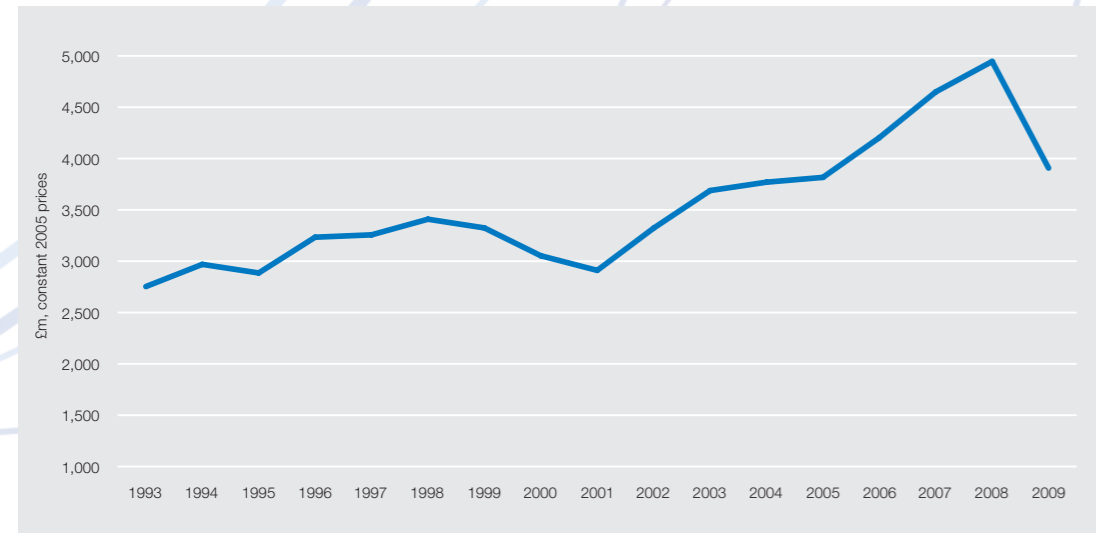
2. The outlook for construction in the North East

2.1 Construction output in the North East – overview

Total construction output in the North East declined by 21% in 2009, totalling £3.9bn, in 2005 prices. This was the first contraction since 2001. New work output declined by 23%, stronger than the R&M sectors which saw a 19% contraction.

There were marked variations in performances across the sectors. The industrial sector was the worst performing as output more than halved to just £132m. Output in the private housing sector fell by 38%, whilst commercial construction output dropped by one-third. On a more positive note, public housing output rose by 28%, following a marked drop in 2008. The public non-housing sector saw a second successive double-digit increase as output reached a new historic high.

Construction output 1993-2009 - North East



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

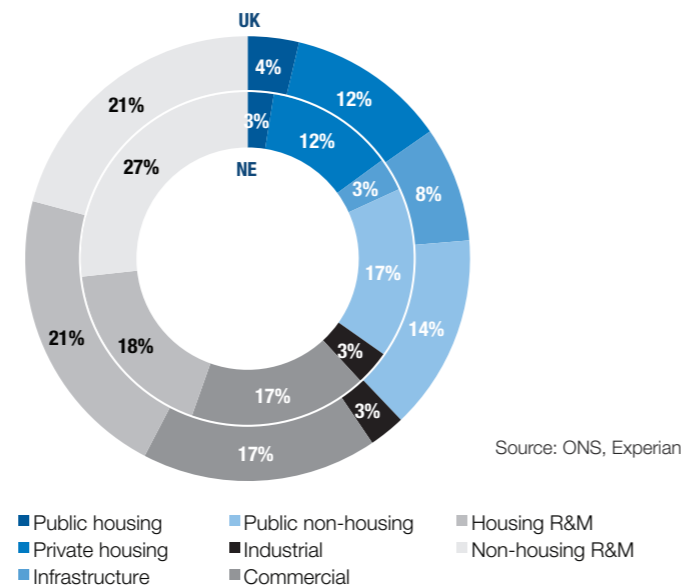
2.2 Industry structure

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

The new work sector in the North East is slightly smaller than in the UK as a whole, taking a 55% share of total output in the region compared with a national figure of 58%. This is largely due to the relative strength of the non-housing R&M sector, which accounts for 27% of total construction output in the region, substantially higher than in the UK (21%). In contrast, the housing R&M sector accounts for a smaller proportion of output (18%) in the region compared with the UK (21%).

There are some significant differences in the new work sectors in the North East. At the national level, the infrastructure sector accounts for 8% of construction output, however in the North East the proportion is just 3%. The region's public non-housing sector is relatively more important, taking a 17% share of construction output compared with 14% in the UK.

Construction industry structure 2009 - UK vs. North East (NE)



Source: ONS, Experian

Economic structure - North East (£ billion, 2006 prices)

Selected sectors	Actual	Forecast					
	2009	Annual % change, real terms					
	2009	2010	2011	2012	2013	2014	2015
Public services	10.7	1.3	-0.6	-0.8	-0.4	-0.3	0.2
Financial and business services	6.7	2.7	2.4	2.9	3.0	2.8	3.2
Transport and communications	2.3	-0.3	2.2	2.5	2.3	2.7	2.9
Manufacturing	5.5	3.4	3.9	2.9	2.6	2.7	3.0
Distribution, hotels and catering	4.6	2.6	1.5	2.2	2.5	2.3	2.1
Total Gross Value Added (GVA)	35.9	0.9	1.8	1.6	1.6	1.5	1.7

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 provides an indication of the construction sectors in which demand is likely to be strongest.

2.4 Economic structure

Following a weak fall in 2008, output in the North East contracted by 6% in 2009. Output declined across all sectors, with the exception of the public services sector which saw 1.1% growth during the year. The region's Gross Value Added (GVA) totalled £35.9bn, in 2006 prices, 3% of the UK total, unchanged from the previous year.

The public services sector was the largest in the region, taking a 30% share of total GVA in 2009, making it relatively more important in the North East than in the UK as a whole (24%). In contrast, the region's financial and business services sector takes a smaller proportion of total output than in the UK, with figures of 19% and 26%, respectively. The relative importance of this sector has increased significantly over the past two decades, in 1990 the sector accounted for just 9% of total GVA.

Although the relative importance of manufacturing in the North East's economy has been falling in recent years, it is still a significantly larger sector than the national average, taking a 15% share in the region in 2009, compared to 11% for the UK as a whole.

2.5 Forward looking economic indicators

The North East's economy is expected to have returned to growth in 2010 with output rising by an estimated 0.9%. Estimated growth of 3.4% in 2010 makes the manufacturing sector the most buoyant. GVA in the region is forecast to rise in each year of the forecast period although, with an annual growth rate of 1.6% it is expected to underperform compared to the national average of 2%.

Marked rises in house prices in the region in the early part of the decade gave way to deflation in 2008 and 2009, a similar situation to in the UK as a whole. The average house price in the North East in 2009 fell by 8% to £133,643. House price inflation is expected to have returned in 2010 but house prices are projected to decline again in 2011 before rising in the remaining years of the forecast period. However, the pace of inflation will be only moderate.

Real disposable incomes have come under significant pressure recently, with high inflation and weak wage growth eroding households' spending power. Following an estimated fall of 1% in 2010, disposable incomes in the North East are forecast to see another similar decline in 2011, as a number of tax increases are introduced. Stagnation in 2012 will be followed by modest increases over the remaining years of the forecast period.

Households in the North East are relatively less indebted than the national average, with a debt-to-income ratio of just 1.06 in 2009, compared to a UK figure of 1.55. The region's ratio will decline over the 5 years to 2015, falling below the 1.0 mark and remaining significantly below the UK ratio.

Economic indicators - North 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	31	-1.0	-1.0	0.0	0.6	1.2	1.7
Household spending	29	0.3	0.2	1.1	1.4	1.7	2.1
Debt:Income ratio	1.1	1.1	1.0	1.0	1.0	1.0	1.0
House prices (Index 2003 = 100)	146	150.2	146.8	146.9	149.4	152.3	155.2
LFS unemployment (millions)	0.10	0.11	0.11	0.11	0.10	0.09	0.08

Source: ONS, DCLG, Experian

2. The outlook for construction in the North East

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

	Actual	Annual % change				
	2009	2005	2006	2007	2008	2009
Public housing	60	45.3	-17.8	77.4	-27.5	-25.3
Private housing	203	1.6	11.8	36.2	-53.1	-49.9
Infrastructure	85	35.0	13.2	-11.4	-47.1	0.6
Public non-housing	655	14.0	-38.8	20.3	101.9	-15.0
Industrial	116	85.8	53.5	-18.2	-20.0	-62.8
Commercial	394	113.2	-38.6	35.3	-4.0	-63.0
Total new work	1,514	50.0	-16.0	21.0	-9.9	-44.3

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

2.6 New construction orders – overview

New construction orders in the North East dropped by 44% in 2009, a third annual decline in four years. At just £1.5bn, in current prices, it was the lowest annual total since 2000.

Construction orders fell across the board, with the exception of the infrastructure sector which saw a very weak 0.6% increase, the first rise in new orders in the sector for three years. The most marked declines were in the commercial and industrial sectors which each saw new orders fall by 63%. New commercial orders totalled just £394m in 2009, the lowest annual total for 16 years. The private housing sector also saw a strong decline as new orders halved during the year to just £203m.

The public housing and public non-housing sectors saw the smallest falls, with new orders declining by 25% and 15%, respectively.

2.7 New construction orders – current situation

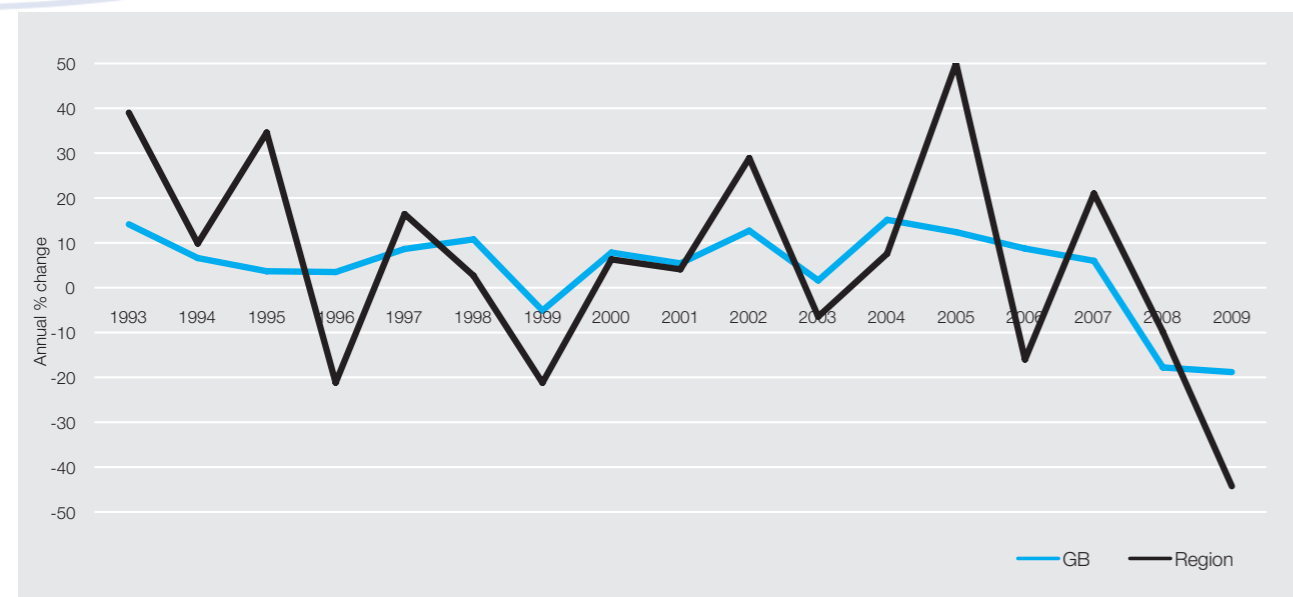
There was a marked turnaround in the first half of 2010 as new construction orders in the North East jumped by 59% from the corresponding period of 2009 and by 26% from the second half of 2009.

With the exception of the public non-housing sector, new orders rose across the board in the six months to June 2010. Year-on-year, public non-housing new orders were 6% below the first half of 2009, but 46% lower half-year-on-half-year. Industrial new orders rose by 83%, year-on-year, during the same period, but were 18% below a relatively strong outturn in the second half of 2009.

The private and public housing sectors saw marked increases in new orders in the first half of 2010, although these are relatively small sectors and thus changes are magnified in percentage terms. Year-on-year, new private housing orders more than tripled to £333m as the second-quarter total reached an 8-quarter high. New public housing orders rose by 153% in the six months to June 2010, with the outturn of £76m in the first three months of the year a record high.

Infrastructure new orders jumped by 42% in the first six months of 2010 compared with the corresponding period of 2009. Again, the first quarter of the year was particularly strong reaching its highest level since the second quarter of 2006. There was also good news for the commercial sector with new orders rising by 36% to £244m over the same period.

New construction orders growth 1994-2009 - North 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.

Total construction output in the North East reached £1.8bn (current prices) in the six months to June 2010, 16% below the corresponding period of 2009 and 9% lower half-year-on-half-year. The R&M sector fared much worse than new work, declining by 31% and 7%, respectively.

The region's construction sector is expected to have continued to decline in 2010 and further contractions in output are forecast for both 2011 and 2012. The R&M sector is projected to fare better in the short term, with an annual average growth rate of 2%, compared with an average decline of 6.4% for new work.

Just two sectors are expected to see output decline in the short term – public housing and public non-housing. The former is forecast to see output fall at an average rate of 28% per year, following a particularly strong performance in 2010. This sector has been boosted by the Kickstart Housing Delivery programme, designed to help restart stalled mixed-tenure developments, and with the deadline for phase 1 set for April 2011 and phase 2 for June 2012, the output stream from this programme will start to tail off during 2011. The public non-housing sector in the North East has been badly affected by the axing of the Building Schools for the Future (BSF) programme with around 91 schools projects post-Wave 4 having been stopped. Thus not surprisingly the sector is predicted to perform poorly, declining at an annual average rate of 26.7% between 2011 and 2012.

Although the private housing and infrastructure sectors are projected to grow over the same period, the average yearly increases are expected to be moderate. At 3.4%, the former is likely to benefit from looser lending conditions and stability returning to the housing market. The region also has a house price-to-earnings ratio below that of the UK average. On the same basis, infrastructure is forecast to grow by 3.3%, with little else in the pipeline other than work continuing on the £185m Tyne tunnel and the £150m power station in Middlesbrough, which was projected to see work start on site at the end of 2010.

With expected average growth of 6.9% per annum, the industrial sector in the North East is predicted to outperform the UK average of 6% in the short-term. The region has a relatively heavy reliance on the manufacturing sector which is expected to be boosted by export demand, particularly as sterling remains weak against the euro. At 6.4%, the annual average rate of increase for the commercial sector is also better than the national average. One of the most important projects in the region is the £250m redevelopment of an area in central Newcastle to form the Stephenson Quarter which comprises the construction of two hotels, offices, apartments, shops, cafes and restaurants. Work is due to have started onsite at the end of last year and is estimated to come to an end in December 2013.



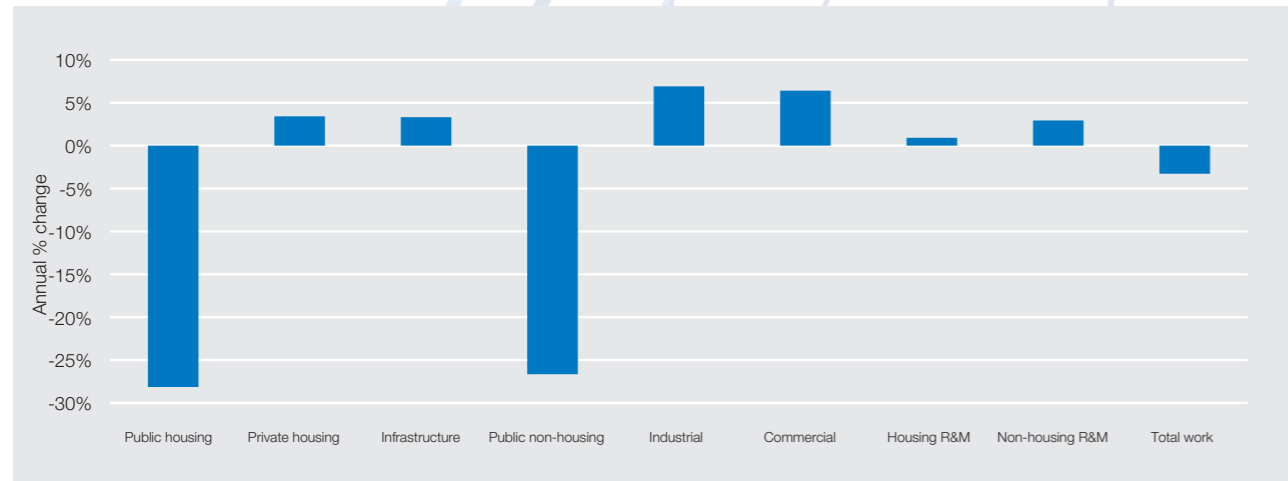
Construction output -North East (£ million, 2005 prices)

	Actual 2009	Forecast annual % change			Annual average 2011-2012
		2010	2011	2012	
Public housing	98	72%	-32%	-24%	-28.1%
Private housing	485	14%	1%	6%	3.4%
Infrastructure	125	23%	3%	3%	3.3%
Public non-housing	648	22%	-16%	-36%	-26.7%
Industrial	132	27%	3%	11%	6.9%
Commercial	675	-16%	4%	9%	6.4%
New work	2,165	11%	-6%	-7%	-6.4%
Housing R&M	697	-4%	0%	2%	0.9%
Non-housing R&M	1,044	-31%	0%	6%	2.9%
Total R&M	1,742	-20%	0%	4%	2.0%
Total work	3,907	-3%	-4%	-3%	-3.3%

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

2. The outlook for construction in the North East

Annual average construction output growth 2011-2012 - North East



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

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

Between 2011 and 2015, construction output in the North East is predicted to decline at an average rate of 0.4% per year, one of four regions/nations in the UK with projected overall falls in construction activity over the forecast period. The expectation is that average annual growth of 2.9% for R&M is unlikely to be enough to offset the declining profile for the dominant new work sector (-2.5%).

With a yearly average rate of increase of 5.9%, the industrial sector is expected to be the most buoyant over the long-term forecast period. The growth rate is likely to be pushed up by healthy projected outturns in 2012 and 2013 as the manufacturing recovery provides developers with the impetus to build new factories and warehouses. Further forward growth in exports is likely to be dampened by a strengthening sterling. The region has a £700m hi-tech industrial project in the pipeline dubbed 'Science Central' which comprises the construction of 100,000m² of new buildings with research, teaching and business facilities. It should be noted, however, that the recovery in the sector will be starting from a very low base of activity.

In contrast, the public non-housing sector is predicted to be the worst performing over the five years to 2015, declining at an average rate of 17.5% per year and significantly poorer than the UK average of -12.4%. Output grew by an estimated 133% between 2007 and 2010, broadly on the back of the BSF programme, which has since been cancelled. This leaves the region vulnerable to steep declines once the final schools projects come out of the sector's output stream. Not surprisingly, the public housing sector is also forecast to see declines on an annual average basis between 2011 and 2015, of 11.3%. Significant cuts in funding for social housing in England – £8.4bn was available under the 2008-2011 National Affordable Housing programme (NAHP) compared with £4.4bn for the 2011-2015 period, combined with the end of the Kickstart Housing Delivery programme, will have a detrimental effect on the region's public housing sector.

The infrastructure and private housing sectors are predicted to have two of the weaker average annual growth rates between 2011 and 2015, of 2.5% and 2.9%, respectively. The former is expected to see modest

increases in each of the forecast years, broadly driven by two 300MW power plants, the first of which is located in Middlesbrough and the second in North Shields. Together the projects are worth around £800m and have a three-year construction timeline. In the case of private housing, weak demographic trends (the region has found it difficult to attract and retain younger, skilled workers) coupled with an unemployment rate markedly higher than the UK average means prospects for the sector are projected to be subdued over the long-term.

The commercial sector is also likely to fare only moderately well, with output rising at an average yearly rate of 3.8% between 2011 and 2015 – below the national average of 4.6%. However the annual increases should be stronger in the earlier part of the forecast period, driven by projects such as the £200m mixed-use development in Gateshead and office developments in Newcastle and Spennymoor worth £400m in total. With little else of significant value in the pipeline in the final three years of the forecast period, the expectation is that output growth will be muted.

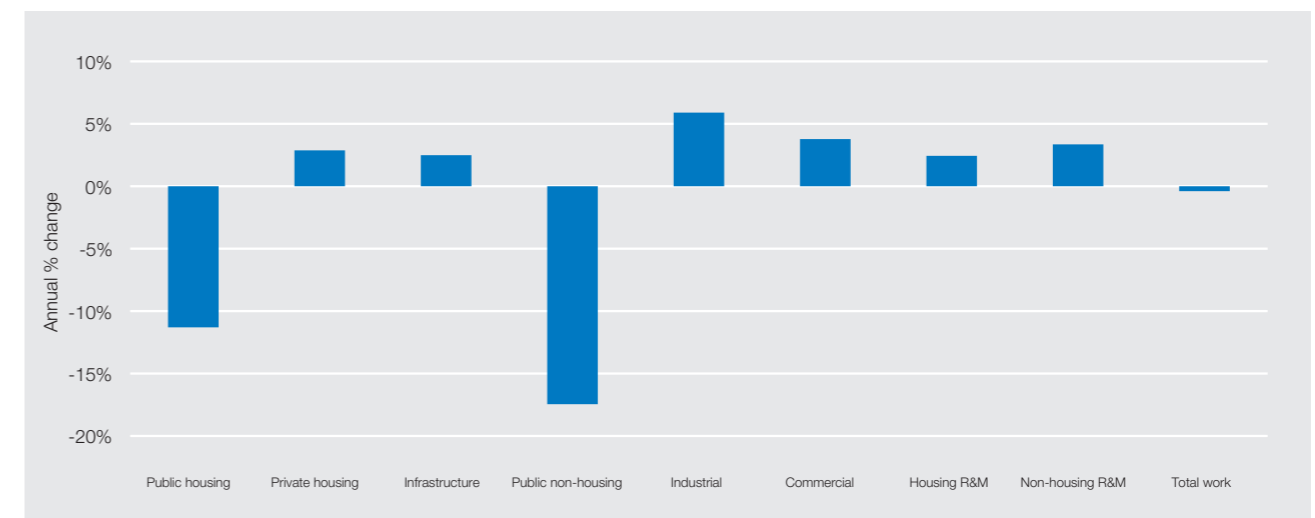


Construction output - North East (£ million, 2005 prices)

	Estimate 2010	Forecast annual % change					Annual average 2011-2015
		2011	2012	2013	2014	2015	
Public housing	170	-32%	-24%	6%	-2%	3%	-11.3%
Private housing	556	1%	6%	3%	3%	2%	2.9%
Infrastructure	154	3%	3%	2%	2%	2%	2.5%
Public non-housing	790	-16%	-36%	-18%	-12%	-2%	-17.5%
Industrial	167	3%	11%	7%	4%	4%	5.9%
Commercial	565	4%	9%	2%	3%	2%	3.8%
New work	2,401	-6%	-7%	-1%	0%	2%	-2.5%
Housing R&M	673	0%	2%	3%	4%	4%	2.4%
Non-housing R&M	716	0%	6%	3%	4%	4%	3.4%
R&M	1,389	0%	4%	3%	4%	4%	2.9%
Total work	3,790	-4%	-3%	0%	2%	3%	-0.4%

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

Annual average construction output growth 2011-2015 - North East



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

2.10 Beyond 2015

Energy is likely to be a common theme in the region beyond 2015. Potentially one of the largest projects is a £2bn power station in Hartlepool, although other sites are also under consideration. If the plans go ahead, it is estimated that work will start onsite in April 2017 and continue to July 2025.

Reducing the level of carbon emissions from the built environment is likely to rise up the agenda across the UK as a whole over the medium to long term, particularly in the light of targets set for 2020 and 2050. Thus the installation of energy efficiency and microgeneration measures on existing buildings should become an important generator of construction activity going forward across the

regions and nations. Funding from the Green Investment Bank will largely be targeted on the macro side of things with wind farms, biomass power stations, and the like, however the Green Deal, which should come into operation in 2012, will be focussed on the micro side. Which type of technology is chosen by individuals for retrofitting purposes will largely depend on the site and nature of the property. Technologies such as wind turbines and ground source heat pumps are not particularly suitable for urban areas, where lack of space and a high level of obstruction precludes their installation or can affect their performance. However, the North East's large rural constituency, particularly in coastal areas and across high ground such as the Pennines and Cheviots, may find wind turbines, for example, a successful microgeneration technology.

3. Construction employment forecasts for the North East

3.1 Total construction employment forecasts by occupation

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

Total construction employment, including SIC 45 and 74.2, in the North East is forecast to reach 105,290 in 2015, up 8.8% on the 2011 total but down 7.6% on the 2009 figure. After declining for three consecutive years, employment should begin to increase in 2012 as the region's industry slowly returns to positive territory on the back of an expanding R&M sector.

In 2009, the construction managers (9.7%) and plumbing and HVAC trades (9.3%) occupations accounted for the largest proportions of total construction employment, a different profile than for the UK as whole, where wood trades and interior fit-out is the largest construction specific occupation. By 2015 the former is projected increase its share to 10.2% while the latter is forecast to broadly remain the same.

Between 2011 and 2015, civil engineers (18.3%) and architects (18.2%) are forecast to see the largest increases in employment in percentage terms. The skills possessed by these professionals should hold them in good stead since their expertise can be utilised across a multitude of sectors. However in absolute terms, plumbing and HVAC trades (1,250) and construction managers (1,090) should see the biggest rises over the five years.

Total employment by occupation - North East

	Actual 2009	Forecast	
		2011	2015
Senior, executive, and business process managers	4,290	3,730	4,120
Construction managers	11,090	9,620	10,710
Non-construction professional, technical, IT, and other office-based staff	10,410	8,920	9,130
Wood trades and interior fit-out	8,890	7,560	8,360
Bricklayers	2,950	2,540	2,680
Building envelope specialists	2,820	2,300	2,620
Painters and decorators	4,520	4,040	4,280
Plasterers and dry liners	3,360	3,000	3,330
Roofers	4,280	3,580	3,990
Floorers	2,200	1,860	1,990
Glaziers	1,320	1,020	1,200
Specialist building operatives nec*	3,180	2,540	2,930
Scaffolders	1,630	1,310	1,460
Plant operatives	2,660	2,240	2,270
Plant mechanics/fitters	2,580	2,290	2,320
Steel erectors/structural	1,770	1,570	1,690
Labourers nec*	4,960	3,930	4,460
Electrical trades and installation	8,360	7,340	7,550
Plumbing and HVAC Trades	10,630	8,640	9,890
Logistics	1,850	1,580	1,640
Civil engineering operatives nec*	3,490	2,760	3,260
Non-construction operatives	1,870	1,580	1,680
Civil engineers	2,760	2,190	2,590
Other construction professionals and technical staff	9,360	8,200	8,730
Architects	820	660	780
Surveyors	1,840	1,740	1,630
Total (SIC 45)	99,110	83,950	91,560
Total (SIC 45 and 74.2)	113,890	96,740	105,290

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

3.2 Annual recruitment requirements (ARR) by occupation

The annual recruitment requirement (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.

The ARR between 2011 and 2015 for the 26 occupational groups within the North East's construction industry is illustrated in the table. The ARR of 2,400 is indicative of the average requirements per year for the industry, as based on the output forecasts for the region. This takes into account 'churn' – flows into and out of the industry, excluding training flows.

At 390, bricklayers have the largest ARR in the region – not surprising considering the occupation will be active in a number of sectors and thus will be sheltered from any specific badly affected

area of work. However as a proportion of base 2011 employment, floorers (15.6%) have the largest requirement, although bricklayers are not far behind (15.4%).

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 significant 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 - North East

	2011-2015
Senior, executive, and business process managers	<50
Construction managers	150
Non-construction professional, technical, IT, and other office-based staff	-
Wood trades and interior fit-out	260
Bricklayers	390
Building envelope specialists	80
Painters and decorators	160
Plasterers and dry liners	130
Roofers	<50
Floorers	290
Glaziers	<50
Specialist building operatives nec*	160
Scaffolders	<50
Plant operatives	-
Plant mechanics/fitters	<50
Steel erectors/structural	<50
Labourers nec*	330
Electrical trades and installation	260
Plumbing and HVAC Trades	-
Logistics	<50
Civil engineering operatives nec*	<50
Non-construction operatives	-
Civil engineers	<50
Other construction professionals and technical staff	-
Architects	<50
Surveyors	-
Total (SIC 45)	2,340
Total (SIC 45 and 74.2)	2,400

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

4. Comparisons across the UK

The North East's construction industry is predicted to decline at an annual average rate of 0.4% between 2011 and 2015. In contrast, the UK as a whole is projected to see average increases of 1% per year.

The public housing sector will see severe cuts in government funding going forward with only £4.4bn is available for social housing across the English regions over 2011-2015 compared with £8.4bn made available in the 2008-11 National Affordable Housing Programme. Our forecasts suggest that over the UK as a whole, the public housing sector will decline at an annual average rate of 5.6% over the five years to 2015, although the North East and the East Midlands are expected to significantly underperform with double-digit contractions. The North East has a relatively small public housing sector and has done well out of allocations in the recent past, although this means that it has a larger distance to fall upon fiscal retrenchment. In the case of the East Midlands, output is predicted to contract over each of the forecast years, making the region the weakest in the UK. The average fall of 4.1% per year in Greater London is weaker than the UK figure as underlying demand for key worker housing in London is likely to help Registered Social Landlords (RSLs) working in the region in their efforts to raise financing from private sources.

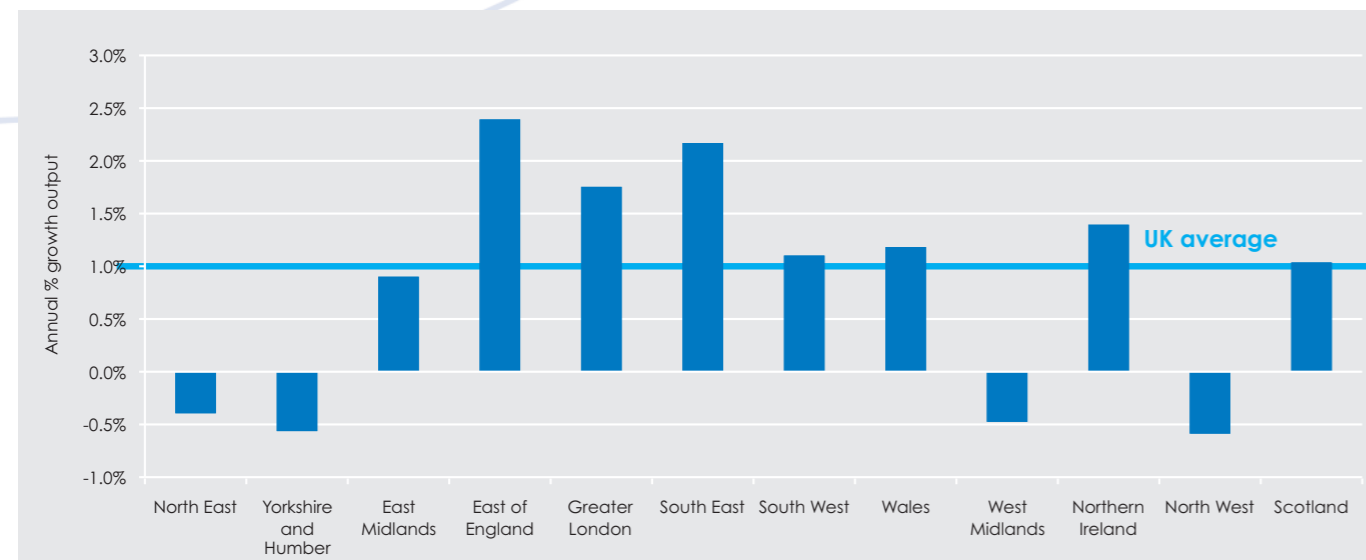
Public expenditure cuts announced in the 2010 Emergency Budget and the subsequent Spending Review in October will inevitably have a negative effect on public non-housing output across the UK. However, by how much the different regions will be affected will largely depend on their level of exposure to 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. The North East is amongst those regions to have benefitted most from BSF funding thus our expectation of significant falls once the final projects come out of the equation. Public non-housing output in the region is forecast to decline at an annual average rate of 17.5%

A high dependency on the public sector is likely to weaken the North East economy once the government cuts come into effect. As well as wider implications, consumer confidence is likely to be one of the key areas to be hit, not surprising considering the uncertainty in the labour market, thus impacting house buyers' decisions. However easier access to credit and greater affordability, the region's house-price to earnings ratio is below the national average, should give positive annual average increases of 2.9% between 2011 and 2015. However this figure is well below the national average of 6%.

The only sector in the North East predicted to outperform the UK as a whole is industrial construction. Growing at an average rate of 5.9% per year, output should increase strongly in the medium-term on the back of buoyant manufacturing output, which has benefitted from an export recovery being helped in part by weak sterling. Manufacturing is an important component of the region's economy and thus should help generate demand for industrial construction as a result. Meanwhile, the infrastructure sector is projected to see weak annual average increases of 2.5%, which is below the UK average of 4.4%. Other than the two power stations mentioned earlier in the report, there is a lack of high value schemes in the region. In contrast, Greater London has a number of large transport projects, the biggest of which are Crossrail (worth an estimated £14.6bn on revised figures) and the £5.5bn Thameslink scheme as well as other sizeable infrastructure schemes such as Thames Tideway, Heathrow Terminal East and various Underground station upgrades.

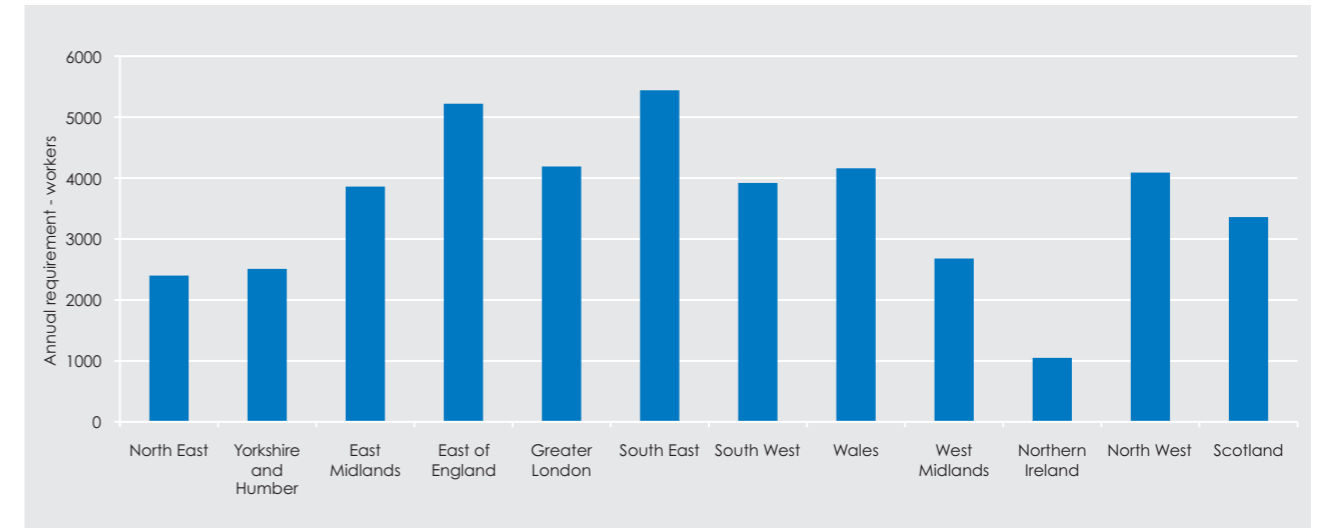
Total construction employment in the region is predicted to increase by 8.8% between 2011 and 2015, broadly in line with the UK. At 2,400, the annual recruitment requirement over the forecast period is equivalent to 2.5% of base 2011 employment, one of the strongest across the UK. The North East in the natural course of events sees a high level of net outflow of labour to other UK regions and devolved nations, thus has a greater requirement for recruitment than many other English regions.

Annual average output growth by region 2011-2015



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

Annual recruitment requirement (ARR) by region 2011-2015



Source: GSN, Experian



At **2,400** the ARR over the forecast period is **2.5%** of base **2011** employment

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