

CONSTRUCTION SKILLS NETWORK

Labour Market Intelligence Report



East of England

5-year outlook 2022-2026

EAST OF ENGLAND

The volume of construction work in the East of England will grow, slightly ahead of the UK forecast of 3.2%, by an annual average rate of

↑ **3.8%**

Key sectors for future growth

↑ **Infrastructure**
Private Housing
Repair and Maintenance

Strongest recruitment requirement levels

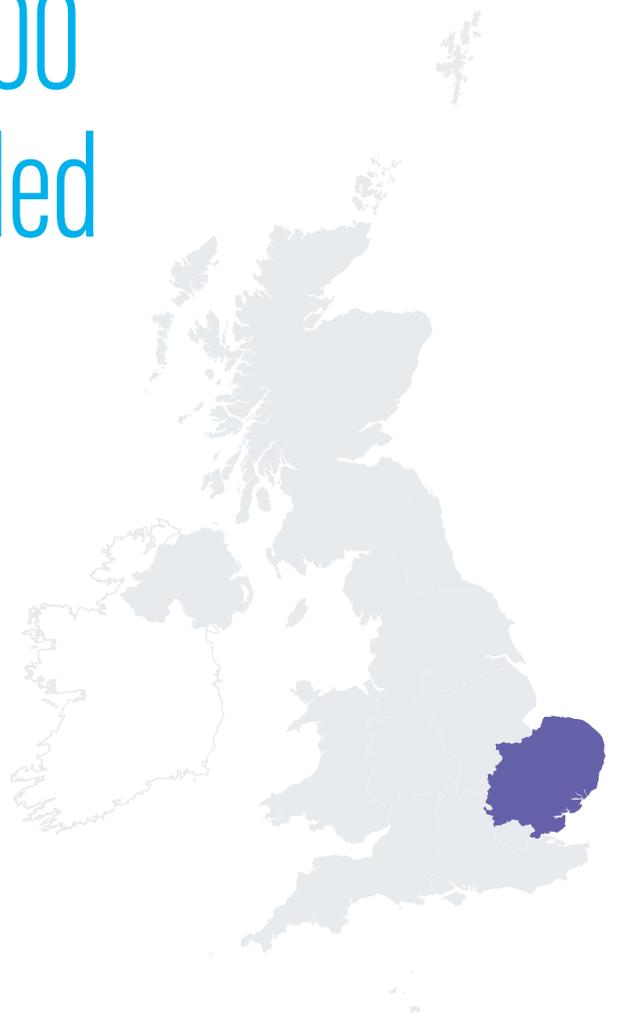
↑ **Non-construction professional, technical, IT, and other office-based staff** (1,890 per year)
Wood trades and interior fit-out (590 per year)
Building envelope specialists (450 per year)

Major projects in the East of England include

+ **The A14 upgrade** (£1.4bn) **Lower Thames Crossing** (£8.2bn)
East Anglia Hub (3.1GW)
Sizewell C (£20bn)

KEY INFORMATION

The annual recruitment requirement in The East of England of 1.9% per year is marginally below the UK average of 2.0% and means an extra 24,600 workers will be needed from 2022 to 2026.



UK Macroeconomic backdrop

In 2020 and 2021, the UK went through several lockdowns in response to the spread of the Covid-19 virus.

The adverse impact on the economy was more severe in 2020 when Gross Domestic Product (GDP) contracted by nearly 10%, but the rollout of the Covid-19 vaccination programme, which started in late 2020 together with progressively less restrictive lockdown measures has meant that 2021 was a period of relative growth and improved confidence.

Macroeconomic indicators suggested that the economy would face a mixed start to 2022 as growth weakened towards the end to 2021 in response to the rapidly increasing numbers of Covid-19 cases associated with the Omicron variant and a fall in consumer confidence and retail activity. The major purchase index also fell and consumers' views on the economy and on their personal finances also worsened, driven by concerns over the higher cost of living and the prospect of looming interest rate increases. However, the impact of the Omicron variant appears to have passed without significant economic damage and economic forecasts at the start of 2022 had an average of over 4% GDP growth for the year, after allowing for the expected squeeze on real incomes and household consumption.

While supply chain issues that initially emerged in 2021 continued to blight the construction industry, leading to associated rise in input costs, there were signs that this had started to ease slightly

by the end of the year. In January 2022 GB monthly construction output had increased by 1.6% to £14.6bn, which was the highest monthly output figure since February 2020. The IHS Markit/CIPS UK Construction PMI® Total Activity Index increased from 56.3 in January 2022 to 59.1 in February, pointing towards an increase in construction activity.

The cautious optimism at the start of 2022 would have also been helped by the easing of Covid-19 restrictions across the UK. However, increasing supply chain costs and inflation were brought firmly back into focus following Russia's invasion of Ukraine at the end of February, which subsequently led to the introduction of economic sanctions on Russia that have exacerbated already rising global commodity prices, especially oil and gas, food, and raw materials for industrial production. As a result, economic forecasts are now being revised down for the UK in 2022 and 2023 as higher energy and food prices drive up inflation and squeeze the cost of living for many.

Although the macroeconomic pressures will undoubtedly have an impact on construction work as aggregate demand weakens in the short to medium-term, we still see the greatest challenge the construction industry faces over the next five years being the recruitment of sufficient numbers of people to fill the growing number of vacancies.

The UK economy is in the grip of the tightest labour market for several decades and going into 2022, construction vacancies were nearly double the level seen in 2019. This shows little sign of easing, even with a weakening of demand, which points towards growing competition in the job market. Recruiting workers will be a major task and means construction employers will need to refresh the way they recruit. Employing fully skilled workers is unlikely to meet the expected shortfall because, to put it bluntly, the workers aren't available; they have left industry through retirement, emigration, or choice.

To prepare for growth, the industry must consider recruiting from a wider and more varied range of sources while approaches to recruitment need to adapt to help construction companies attract from as wide a base of potential workers as possible. Without the workers and skills required, industry will be unable to capitalise on the growth opportunities that are identified in the 2022-2026 Outlook to build the volume of homes the country needs, construct the infrastructure to ensure the economy thrives and retrofit our built environment to meet net zero targets.

Early indicators suggest that the economy will face a mixed start to 2022.

Structure

The construction industry in the East of England has some sector differences to the overall UK structure.

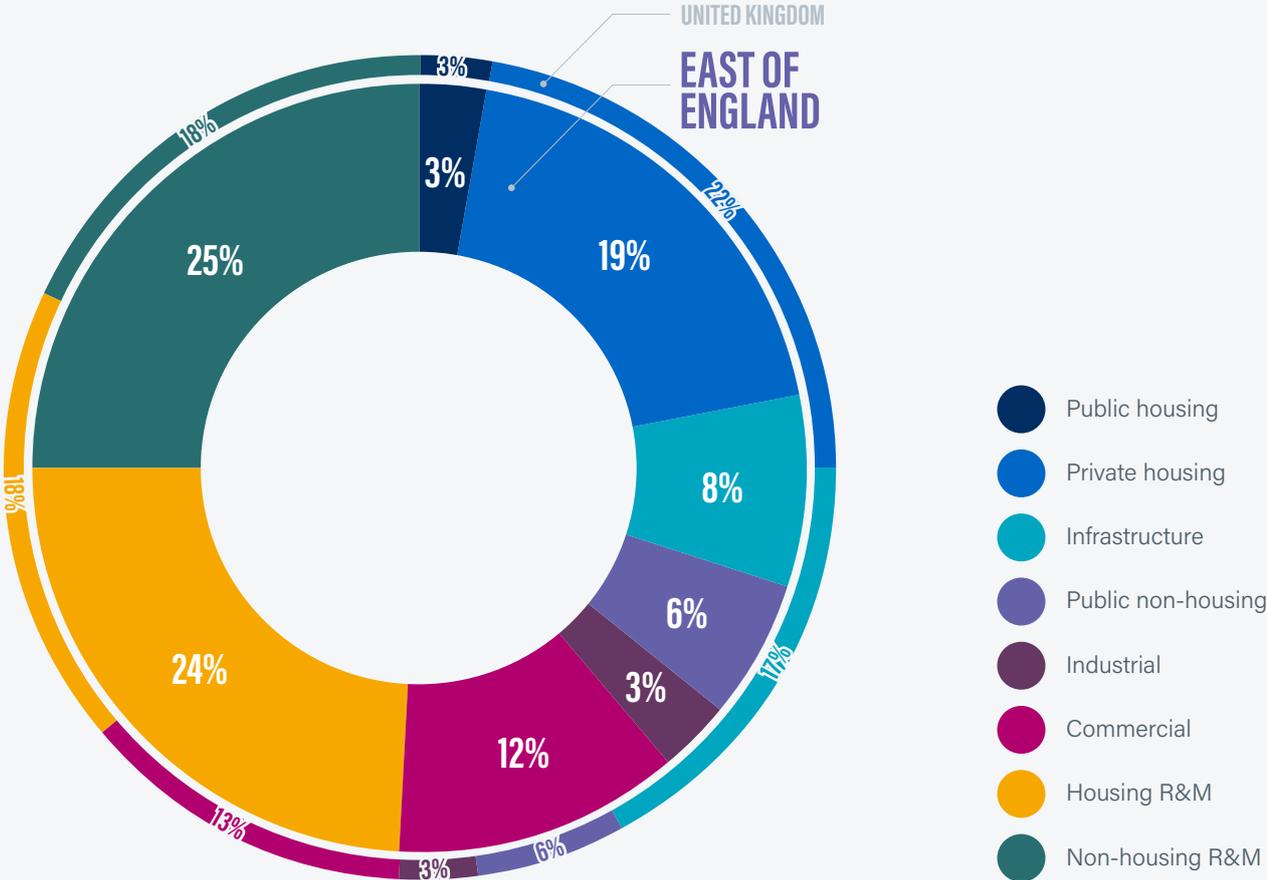
Non-housing R&M work, at 25% of total output, is the main work sector, closely followed by housing R&M. Combined, these sectors account for 49% of work in region, which is far higher than the UK level of 36%.

The one sector that's noticeably lower than the corresponding UK structure is infrastructure, at 8% in the East of England compared to 17% for the UK. In recent years there hasn't been the same strength of work in this sector, however, over the forecast we expect this to share to increase as work starts on large scale energy projects.

Combined housing + non housing R&M output

49%

CONSTRUCTION INDUSTRY STRUCTURE 2021 EAST OF ENGLAND VS UK



2021 view

Total annual output 2021

£17.1bn

Total estimated output 2022

£17.8bn



In 2021 construction output in the region is estimated to have grown strongly by nearly 21%, which is above the UK growth of just over 12%.

2021 view

Although there was growth in most sectors, the strong recovery was mainly from the R&M sectors. This growth means 2021 output in the East of England exceeded its pre-pandemic, 2019 level, with further growth expected in 2022.

CONSTRUCTION OUTPUT 2003 - 2022 EAST OF ENGLAND

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



Output forecast 2022 - 2026

In the East of England, the volume of work will grow by an annual average rate of 3.8%, which is above the UK rate of 3.2%. All sectors will see growth over the forecast, with new work being stronger than R&M, and most follow a pattern of higher growth in the earlier years, which dips to be closer to the longer-term growth trends, towards the latter years.

The exception for growth is the infrastructure sector, which shows an average growth rate of 12.1% over the forecast, more than double other sectors in the region. There is a good pipeline of infrastructure work, however, the strong growth is also a factor of work picking up from a drop seen between 2018 - 2020. The growth in infrastructure means an increase in the sector's output of £1,049m by the end of 2026, followed by housing R&M at £629m and private housing increasing by £624m.

Infrastructure has the highest average growth at

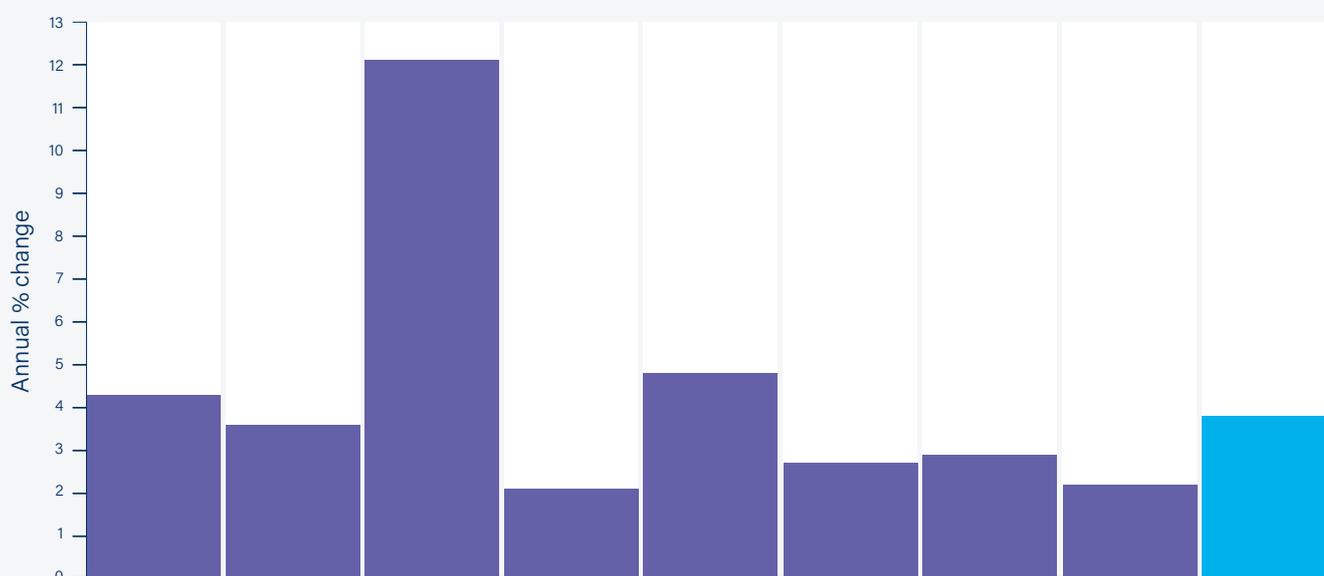
12.1%

Forecast

ANNUAL AVERAGE OUTPUT GROWTH BY SECTOR 2022-2026 EAST OF ENGLAND

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 |
| 4.3% | 3.6% | 12.1% | 2.1% | 4.8% | 2.7% | 2.9% | 2.2% | 3.8% |



CONSTRUCTION OUTPUT - EAST OF ENGLAND (£ MILLION, 2019 PRICES)

| | Actual | Forecast (Annual % change, real terms) | | | | | Annual average |
|----------------------|---------------|---|-------------|-------------|-------------|-------------|----------------|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2022-2026 |
| Public housing | 489 | 4.5% | 4.3% | 5.5% | 3.5% | 3.5% | 4.3% |
| Private housing | 3,205 | 5.2% | 3.4% | 4.1% | 2.7% | 2.6% | 3.6% |
| Infrastructure | 1,367 | 6.7% | 9.0% | 14.8% | 15.5% | 14.7% | 12.1% |
| Public non-housing | 1,072 | -3.9% | 4.4% | 5.6% | 2.0% | 3.0% | 2.1% |
| Industrial | 510 | 19.5% | 3.4% | 3.8% | -0.7% | -0.7% | 4.8% |
| Commercial | 2,063 | 1.8% | 4.0% | 2.0% | 3.2% | 2.8% | 2.7% |
| New work | 8,707 | 4.3% | 4.6% | 5.6% | 4.9% | 4.9% | 4.9% |
| Housing R&M | 4,138 | 4.9% | 4.6% | 2.3% | 0.8% | 1.8% | 2.9% |
| Non-housing R&M | 4,276 | 1.6% | 3.7% | 1.1% | 2.9% | 1.9% | 2.2% |
| Total R&M | 8,414 | 3.2% | 4.2% | 1.7% | 1.8% | 1.8% | 2.5% |
| Total work | 17,121 | 3.8% | 4.4% | 3.7% | 3.4% | 3.5% | 3.8% |

The annual average growth rate is the rate of growth between the end of 2021 and the end of 2026, i.e., five-year period.

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

Infrastructure output in the short term is centered on the East Anglia Two windfarm and the **£1.4bn A14 upgrade.**

However, we expect output to pick up towards the end of the forecast period as work gets underway on Sizewell C, in addition to the East Anglia Hub wind farms. The UK Government has committed to pushing ahead with the Sizewell C project, estimated to cost around £18bn-£20bn, in a bid to replace an aging fleet of nuclear reactors. It is set to table legislation (confirmed during the 2021 Autumn Budget) for a funding mechanism that would encourage private sector investment in such projects, and in January 2022 committed £100m in funding to the project.

Infrastructure work could also get a boost from work on the Lower Thames Crossing Point project, which was opened for tender by Highways England. The £8.2bn package includes the design and construction of twin-road tunnels along with work on approach roads, which could get underway by mid-2024.

The private housing sector will benefit from projects such as the planned £300m 2,000-home Brightwell Lakes

development in Martlesham Heath, Suffolk, having recently been granted permission. Cambridge City Council has bought a 3.3-hectare site in the city centre with some of the £70m funding secured in the Cambridgeshire & Peterborough devolution deal and aims to deliver 900 council homes, more than the initial commitment. With a further 800 homes also pledged over the coming decade. Work on the 20-year £1bn Stevenage town centre regeneration project (SG1) began in 2019, with the local council hoping to accelerate progress on phase 2 of works. Once complete there will be new restaurants, bars, shops and sports and leisure facilities. More recently, Mace was granted planning permission for a £500m scheme creating five new neighbourhoods, set to provide 1,864 new homes, in addition to new streets, public facilities and squares. The first homes are set to be available in 2022 and construction work on the two other neighbourhoods is scheduled to start in 2023 and 2025.

Sizewell C project

+ **£18bn**

Lower Thames Crossing Point project

+ **£8.2bn**

Private housing: Brightwell Lakes development

+ **£300m**

Workforce forecast

The level of output growth in the East of England gives an annual average increase of 0.9% in the construction workforce, just ahead of the UK-wide figure of 0.8%. While the UK saw a drop in the construction workforce from 2019 to 2020, which then picked up in 2021, the East of England saw a slight difference with an increase in 2020 and then a slight drop in 2021. The construction workforce of 276,200 in place during 2020 is estimated to have dipped to 270,700 in 2021, however, we expected this to grow to 277,300 in 2022 before continuing to grow and reach 289,000 by 2026.

TOTAL WORKFORCE BY OCCUPATION - EAST OF ENGLAND

| | Actual | Estimate | Forecast | |
|---|----------------|----------------|----------------|----------------|
| | 2020 | 2021 | 2022 | 2026 |
| Senior, executive and business process managers | 19,500 | 18,500 | 18,000 | 18,900 |
| Construction project managers | 3,400 | 3,600 | 3,700 | 3,700 |
| Other construction process managers | 21,100 | 20,000 | 20,500 | 21,600 |
| Non-construction professional, technical, IT and other office-based staff | 38,400 | 41,800 | 41,000 | 40,900 |
| Construction trades supervisors | 3,900 | 4,200 | 4,100 | 4,400 |
| Wood trades and interior fit-out | 25,200 | 23,900 | 24,100 | 24,200 |
| Bricklayers | 7,200 | 7,800 | 8,200 | 8,500 |
| Building envelope specialists | 10,100 | 9,600 | 10,000 | 11,400 |
| Painters and decorators | 9,400 | 8,900 | 9,000 | 9,300 |
| Plasterers | 5,000 | 5,000 | 5,200 | 5,700 |
| Roofers | 4,900 | 4,600 | 4,500 | 4,400 |
| Floorers | 2,900 | 3,100 | 3,100 | 3,100 |
| Glaziers | 2,500 | 2,700 | 2,700 | 2,700 |
| Specialist building operatives nec* | 4,300 | 4,100 | 4,100 | 4,100 |
| Scaffolders | 2,900 | 2,700 | 2,700 | 2,800 |
| Plant operatives | 3,100 | 3,000 | 3,200 | 3,500 |
| Plant mechanics/fitters | 2,900 | 2,700 | 2,800 | 2,700 |
| Steel erectors/structural fabrication | 1,700 | 1,600 | 1,700 | 1,900 |
| Labourers nec* | 15,400 | 14,600 | 14,900 | 15,800 |
| Electrical trades and installation | 17,800 | 18,400 | 18,700 | 19,400 |
| Plumbing and HVAC Trades | 18,400 | 17,500 | 17,700 | 17,800 |
| Logistics | 2,700 | 2,900 | 3,000 | 3,000 |
| Civil engineering operatives nec* | 1,100 | 1,000 | 1,100 | 1,200 |
| Non-construction operatives | 2,200 | 2,400 | 2,500 | 2,600 |
| Total (SIC 41-43) | 225,900 | 224,900 | 226,500 | 233,700 |
| Civil engineers | 6,800 | 7,400 | 7,800 | 8,300 |
| Other construction professionals and technical staff | 19,900 | 18,900 | 19,400 | 20,400 |
| Architects | 4,200 | 4,000 | 4,300 | 4,800 |
| Surveyors | 4,500 | 4,900 | 5,100 | 5,200 |
| Total (SIC 41-43, 71.1, 74.9) | 276,200 | 270,700 | 277,300 | 289,000 |

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

* Not elsewhere classified

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

Annual Recruitment Requirement (ARR)

The average annual recruitment requirement in the East of England is set to average 1.9% per year, based on 2021 workforce levels, which is just lower than the UK figure of 2.0%. This means the construction industry would have to increase current recruitment by 4,920 new workers each year to deliver the expected work between the start of 2022 and end of 2026.

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

- **Non-construction professional, technical, IT, and other office-based staff** (1,890 per year)
- **Wood trades and interior fit-out** (590 per year)
- **Building envelope specialists** (450 per year).

However, there will pressure on occupations such as steel erectors/ structural fabrication (10.2%); plasterers (8.3%) and architects (5.5%) 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.

ANNUAL RECRUITMENT REQUIREMENT BY OCCUPATION - EAST OF ENGLAND

| | ARR as % of 2021 workforce | ARR value per year |
|--|----------------------------|--------------------|
| Senior, executive, and business process managers | - | - |
| Construction project managers | - | - |
| Other construction process managers | - | - |
| Non-construction professional, technical, IT, and other office-based staff | 4.5% | 1,890 |
| Construction trades supervisors | - | - |
| Wood trades and interior fit-out | 2.5% | 590 |
| Bricklayers | 0.9% | 70 |
| Building envelope specialists | 4.7% | 450 |
| Painters and decorators | - | - |
| Plasterers | 8.3% | 420 |
| Roofers | 2.4% | 110 |
| Floorers | 2.6% | 80 |
| Glaziers | - | - |
| Specialist building operatives nec* | - | - |
| Scaffolders | - | - |
| Plant operatives | 2.7% | 80 |
| Plant mechanics/fitters | - | - |
| Steel erectors/structural fabrication | 10.2% | 160 |
| Labourers nec* | - | - |
| Electrical trades and installation | - | - |
| Plumbing and HVAC Trades | - | - |
| Logistics | - | - |
| Civil engineering operatives nec* | 5.0% | 50 |
| Non-construction operatives | - | - |
| Total (SIC 41-43) | | 3,900 |
| Civil engineers | 4.6% | 340 |
| Other construction professionals and technical staff | 1.9% | 350 |
| Architects | 5.5% | 220 |
| Surveyors | - | - |
| Total (SIC 41-43, 71.1, 74.9) | 1.9% | 4,920 |

ONS: "This work contains statistical data from ONS which is Crown Copyright. The use of the ONS statistical data in this work does not imply the endorsement of the ONS in relation to the interpretation or analysis of the statistical data. This work uses research datasets which may not exactly reproduce National Statistics aggregates."

Note: figures may not sum to totals due to rounding

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

When looking at the workforce and ARR forecast it is important to note that in 2021, England saw a strong increase in construction job vacancies, with companies having difficulty in finding suitably skilled workers. This has led to skills shortages being reported over a range of occupations and wage rates increasing as companies look to attract workers. While there are indications of a drop in construction vacancies towards the end of 2021, levels are still higher than what was seen before the impact of Covid-19.

The ARR was developed to give a forward-looking view of where extra recruitment demand is needed, therefore it takes account of existing trends, such as the movement of people into and out of the construction industry that we'd expect to happen, although on an annual basis. Recruitment to fill vacancies would be one aspect of movement of workers into the industry, however companies can look to fill this through several routes.

Companies can:

- **Attract skilled workers who are already working elsewhere** in the construction industry, although this obviously moves existing workers around rather than meet overall industry need
- **Attract 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
- **Attract and train new entrants into the workforce** from those leaving school, further education, or higher education
- **Improve the retention of workers** within the industry
- **Look at how productivity can be improved.**

3 MONTH MOVING AVERAGE OF CONSTRUCTION VACANCIES, EAST OF ENGLAND

Source: Burning Glass, construction vacancies, England



The response to skills shortages is likely to be a mix of these options, however, there are some challenges. The strength of the jobs market, certainly in the short to medium term, and relatively low levels of unemployment means that there will be increased 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, or flexible working to have a positive work/life balance. Construction companies in the East of England will be facing the issues identified in CITB's recently published Rethinking Recruitment, which highlights some of the challenges and how to support construction companies in overcoming them.

There are also recent trends in training to consider, with a CITB survey showing a GB wide drop in employer training, which was expected with the impact of Covid-19, along with recent figures on GB apprenticeship starts and wider vocational training being around 12% - 14% lower at the end of 2020/21 compared to 2018/19.

The trends for construction training in England have followed this pattern. For apprenticeships there was a 3% drop in starts for 2019/20 when compared to 2018/19, and in 2020/21 this dropped by a further 9%. This means that construction starts in 2020/21 starts were just over 11% down on 2018/19 figures, although recent data released for in England at Q2 2021/22 shows 20,500 starts, which is heading back to levels seen in earlier years.

However, the East of England showed more of a fall in apprenticeship starts when compared to England, dropping

by nearly 8% in 2019/20 and then a further 19% in 2020/21. This indicates that the region has more ground to recover if starts are to return to pre-pandemic levels.

For further education learners achieving construction qualification in the East of England, there was a 21% drop in qualification certificates issued in 2019/20, which has picked back up in 2020/21, although not to the level seen in 2018/19. This is a similar pattern to what is observed over England.

Both charts point to a similar picture of underlying training trends in England, with a reduction that's not back to pre-covid levels, at a time when there is increasing demand for workers. This indicates that there is some work to do to get construction training back to previous levels and then increase to meet current and future demand.

EAST OF ENGLAND, CUMULATIVE MONTHLY CONSTRUCTION APPRENTICESHIP STARTS, 2019 - 2021

Source: Department for Education



CONSTRUCTION SECTOR VOCATIONAL QUALIFICATION ACHIEVEMENTS, LEVEL 2+, EAST OF ENGLAND, 2017/18 - 2020/21

Source: Department for Education



CITB support to industry in England

CITB England will continue to support industry through various initiatives in 2022.

CITB is therefore looking at a range of actions that will help to support construction companies to invest in training by 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. Examples of this are the Apprenticeship Toolkit that was launched in February providing 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. More details on CITB's actions are set out in the 2022-2023 Business Plan.

Overcoming skills shortages in a more competitive labour market with increasing demand for construction workers will require combined action

from CITB, construction companies and government. Without this, the construction industry will not be able to capitalise on the growth opportunities identified in the 2022-2026 Outlook to build the volume of homes the country needs, the infrastructure to ensure the economy thrives and retrofit our built environment to meet net zero targets.

Targeted funding for skills priorities, helping businesses to identify training needs and ensuring that standards are in place for the required training.

Regional breakdown within England

Click on a region below to view the list of Local Authority Districts within that area.

North East

North West

Yorkshire & the Humber

East Midlands

West Midlands

East of England

Greater London

South West

South East

East of England

Babergh

Basildon

Bedford

Braintree

Breckland

Brentwood

Broadland

Broxbourne

Cambridge

Castle Point

Central Bedfordshire

Chelmsford

Colchester

Dacorum

East Cambridgeshire

East Hertfordshire

East Suffolk

Epping Forest

Fenland

Great Yarmouth

Harlow

Hertsmere

Huntingdonshire

Ipswich

King's Lynn and West

Norfolk

Luton

Maldon

Mid Suffolk

North Hertfordshire

North Norfolk

Norwich

Peterborough

Rochford

South Cambridgeshire

South Norfolk

Southend-on-Sea

St Albans

Stevenage

Tendring

Three Rivers

Thurrock

Uttlesford

Watford

Welwyn Hatfield

West Suffolk

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