
INDUSTRY INSIGHTS AND ANALYSIS

Migration and UK Construction 2021



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Introduction

The end of EU freedom of movement and the introduction of a new Points Based Immigration System (PBIS) was always going to be a challenge for the construction industry.

Even at its peak, the number of migrant workers was lower than commonly thought at one in eight, although this rose to over half in major London projects. In addition, previous migration surveys have shown a reduced dependence on migrant labour. However, the disruption caused by the pandemic and the subsequent uneven recovery mean that the transition to the new system is exacerbating the skills pressures faced by employers.

Construction employers have been preparing for the new migration regime for some time. Over the last three years the number of migrants working in construction has fallen by 15% from over 326,000 to just 280,000. In our fourth migration study, conducted in 2020, we found that 40% of employers planned to upskill more UK workers, 30% were going to create more PAYE jobs, and 16% would create more apprentices in response to the end of freedom of movement within the EU. The construction industry has set out detailed plans, within the Construction Leadership Council's Industry Skills Plan, on how it will seek to grow the workforce and reduce the industry's dependence on a non-UK born workforce.

But economic headwinds due to the pandemic, have disrupted this plan and made it harder for many employers to commit resources to training. In September 2021 the Office for National Statistics (ONS) material price index for 'all work' had increased 24% year on year, while a CITB survey in September 2021 found that seven in ten employers reported difficulties sourcing materials. This has combined with a surge in demand, following the easing of COVID restrictions and a continuing skills shortage, to contribute to higher wages and squeezing margins for many employers. ONS data shows year-on-year wage rises, including bonuses and arrears, peaked at +15% nationwide in May 2021 and continued to record an above average +6% in September 2021 against a whole economy reading of +4%, supporting anecdotal evidence that labour shortages are driving up prices.

These increasing wage pressures and the rising cost of raw materials are hampering employers' ability to recruit and train a skilled workforce, just as the construction industry is being asked to be the catalyst for a post-COVID resurgence in productivity.

In May 2021 CITB found that the number of apprentices employed per 1,000 firms fell by a third at the height of the pandemic (June 2020) from 487 to 332. Furthermore, industry training providers interviewed by CITB over the last 12 months repeatedly said that their main concern for the immediate future was low demand from employers for training.

This means this latest migration report shows that the pressures associated with the end of EU freedom of movement are coinciding with others on skills and materials that will lead to higher costs and potential project delays in the immediate future. Since our last state of migration research, covering 2019, CITB has found that:

- **The number of migrant workers in the UK construction industry has fallen by 8.3% in 2020 with 25,000 fewer working in the sector than in 2019**
- **The proportion of migrant construction workers aged under 25 fell by six percentage points from 9% in 2019 to just 3% in 2020**
- **In London, where half of the construction workforce are migrant workers, the number of migrants fell by 15% from 145,000 in 2019 to 125,000 in 2020.**

The government wants to achieve a higher wage economy, as well as continuing to work with industry to develop the skills construction needs. It is also important that the PBIS works smoothly for industry and responds quickly to evidence of skills pressures. Government has repeatedly set out plans to help construction invest in skills, including through measures announced in the Autumn Budget. However, more funding to increase apprenticeship numbers, new employer backed routes such as T-Levels and occupational Traineeships, and adult upskilling through new Skills Bootcamps will take time to bear fruit. In the meantime, we face the danger of a 'perfect storm' and that cost increases due to the skills shortage, the difficulty in recruiting migrant labour and ongoing material supply issues will impede industry's ability to meet the high levels of demand.

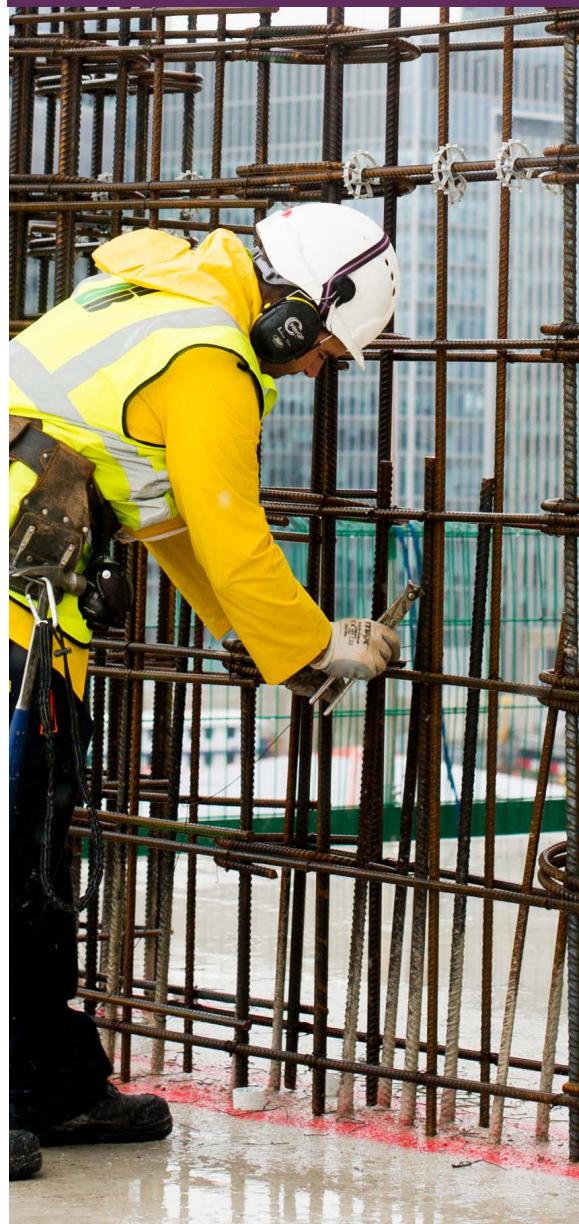
Context

The period from late 2019 to the end of September 2021, which this report covers, includes the end of the transitional stage that followed the departure of the UK from the European Union (EU) Single Market and Customs Union. The end of the transition, in January 2021, marked the end of freedom of movement from the EU to the UK – the automatic right for EU citizens to enter and reside in the UK with no restrictions on the type of job they could work in.

Free movement was replaced by a new Points Based Immigration System that prioritises skills irrespective of citizenship. It has been expanded to include middle-level skills and has a lower salary threshold. Hence, the new immigration system is less accommodating of EU workers and easier to access for non-EU workers. At the same time, the COVID-19 pandemic caused travel and trade disruption with unpredictable economic impact and implications for supply chains and labour markets. With the imposition of travel restrictions, travel and migration have been severely disrupted and the picture remains unstable, unpredictable and difficult to quantify. However, early indications are that the combination of the pandemic and Brexit has led to a definite and marked shift in the character of migration with a pivot away from EU towards non-EU workers. Data published by the ONS in November 2021 suggests that despite being down on 2019 levels more migrants from outside the EU arrived in the UK than left in 2020, while migration from the EU to the UK turned negative for the first time since 1991. This trend is reflected in the construction industry where the number of EU migrants fell by 16% however the number of non-EU migrants only fell by 4%.

"It's actually getting very competitive out there. We're finding there's a lot of poaching going on... people are being offered amazing amounts of money and are jumping from one place to the other. There is a lot of demand out there and a lot of jobs to fill."

**Construction employer
in the South East**



Methodology

This report is based on a review of ONS Labour Force Survey statistics for 2020 related to migration and the UK construction sector, undertaken alongside two group discussions held with MDs, owners, and directors of medium and large companies.

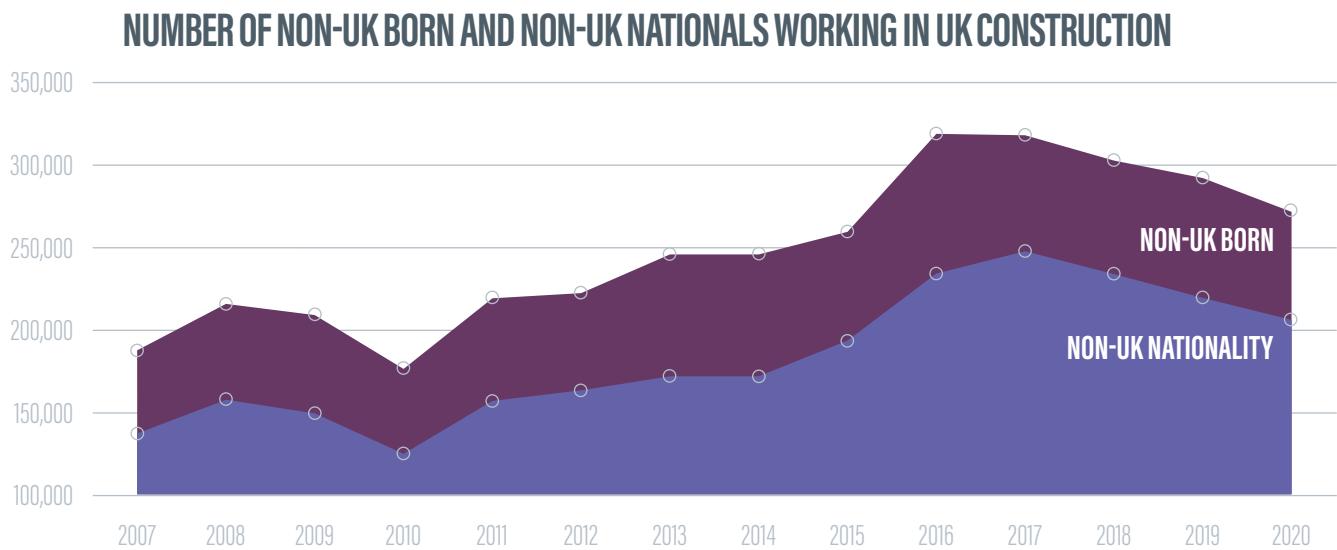
Key statistical trends

The size of the non-UK born workforce in construction is reducing

The number of non-UK born workers in the construction industry fell from 305,000 to 280,000 people between 2019 and 2020, at the height of the pandemic. However, this is broadly in line with employment trends throughout the industry over the same period, when the overall number of workers in construction aged 16 to 64 fell by 175,000. So the proportion of the construction workforce represented by non-UK born workers was unchanged at 13.4% in 2020, having been 13.5% in 2019.

Over the longer term, this represents a slight drop in the representation of migrant workers in the sector. The proportion of non-UK-born workers in construction increased from 7.5% in 2007 to a peak of 14.2% in 2016, when the vote to leave the EU took place, before falling back to 13.4% in 2020.

There is massive regional variation when it comes to the migrant construction workforce in the UK. In 2020, half of workers in London were born outside the UK. The proportion was next highest in the East of England (16%) and South East England (13%).



The migrant construction workforce is far younger than the domestic construction workforce

Migrant construction workers are far more likely to be aged 25-49 than UK nationals, and far less likely to be aged 50+. However, the proportion of migrant construction workers with non-UK nationality aged under 25 fell significantly over the course of the year, from 9% of this cohort of workers to just 3%.

The proportion of migrants operating as self-employed workers has fallen

Approximately 44% of migrant workers are self-employed, compared to 37% of the domestic workforce. However, in 2020 the proportion of the migrant workforce working as full-time employees increased by five percentage points with the proportion identifying as self-employed falling by the same proportion. This marks a significant shift in the employment status of migrant construction workers.

The employer experience

Wage increases are being experienced by construction employers due to skilled labour shortages.

The majority of employers we spoke to in London and the South East of England reported that they were experiencing rising skill shortages and wage costs. One described the hourly rate for skilled workers as "going through the roof".

ONS data shows year-on-year wage rises peaked at +13.4% nationwide in May 2021, backing up anecdotal evidence that labour shortages are driving up prices. A further problem for employers is uncertainty as to whether workers, both UK and migrant, will return to the industry post-COVID.

The employers we interviewed believe that the twin problem of wage increases and skilled worker shortages were directly related to three macro factors, the end of free movement, the pandemic, and strong demand in the recovery from the pandemic.

Issues cited by employers include:

- **Wages going up so fast that they are losing money on some jobs. This is a problem starting to particularly affect larger employers working on long-term projects that had been costed prior to the rises**
- **Turning work down because of the difficulty of attracting and retaining staff, something they had never done before**
- **Making greater use of recruitment agencies to meet their labour demands, bringing significant cost implications. "It's costing us an absolute fortune in agency fees," said one, with another describing agency fees as being "extortionate"**
- **One employer is considering changing their business model to 'management-only' and sub-contracting out the non-management elements**
- **Another employer described high labour turnover with workers changing jobs for an extra £2-3 an hour.**



"The impact will be that I can't take on as many jobs and I've got to let my clients down. I've already turned down three jobs this week, and we never turn away work...I think that's going to be the reality going forward. We are a small fish in a big pond, but I think you are going to see that across the board, people are going to struggle to source the labour for their projects."

Construction employer in London

Increasing demand

The IHS Markit/CIPS UK Construction PMI (Purchasing Managers Index) hit a 24 Year high earlier this year, rising to 66.3 following a lull in activity caused by the pandemic.

This signalled the strongest rate of output growth since June 1997. House building activity increased at the fastest pace since November 2003 and commercial work output rose the most since March 1998. Civil engineering activity growth also remained strong. Total new orders increased for a 13th consecutive month, while the pace of job creation was among the fastest seen over the past seven years and suppliers' delivery times lengthened to the greatest extent since the survey began.

Similarly, ONS data on new orders in the construction industry showed them increasing by 17.6% in Q2 2021 compared to Q1 2021 and by 135% compared to Q2 2020. Looking ahead, business confidence eased to its lowest since January, in part reflecting concerns about labour availability and the sustainability of the recent surge in demand.

In the 2021 Budget and Spending Review, the Government acknowledged the challenge faced by the construction industry in meeting this huge uptick in demand and set out a range of ways it would help construction employers access the skilled workforce it needs. Measures include more funding to increase apprenticeship numbers, develop employer backed routes such as T-Levels and Traineeships, and improve adult upskilling through new Skills Bootcamps.



"I'm probably paying 30% more [in wages] than I was 12-18 months ago. Even just for an unskilled labourer... The more people that don't come back, the smaller that pool gets, and it just drives the costs up."

Construction employer in London

Points Based Immigration System

Though overall employers say that their reliance on migrant workers has fallen, it is important that construction employers are still able to use the new Points Based Immigration System (PBIS) when they need them.

However, latest UK Visas & Immigration data shows that only 654 construction employers were licensed to use the system in October 2021. CITB estimates that in total 90,000 construction firms employ non-UK workers.

Some construction SMEs are unwilling or unable to engage with the PBIS due to the cost and time taken to sponsor a skilled worker. Sponsoring a single non-UK born currently incurs the following costs for a small employer using the Skilled Visa Route:

- **Sponsor licence (£536)**
- **Certificate of sponsorship (£199)**
- **Immigration Skills Charge (£364 and £182 every further six months)**
- **Immigration Health Surcharge (£624 a year)**
- **Application Fee £610 for up to three years (£1,220 for up to five years plus £624 for each further year).**

Employers interviewed reported that it took eight to ten weeks to sponsor a migrant worker through the system, and that this was too long to meet their recruitment needs.

Employers also voiced concern that key trades with skills shortages do not qualify for the Skilled Visa Route. Omissions include dryliners, asbestos workers, and insulators, despite them appearing to meet the qualification criteria. In addition, they are unsure about how to raise these concerns.

CITB and the Construction Leadership Council (CLC) have worked with government to get occupations facing shortages on the Skilled Visa Route. Successes include

bricklaying, carpentry, and plastering. However, the employers were consistent in their calls for the system to be cheaper, flexible and quicker to access to enable them to use it, until the domestic workforce can be expanded.

Those employing non-skilled migrant workers were more critical of the system. They felt that significant labour shortages would emerge because there were not enough workers in the UK wanting to take on lower skilled roles.

Interviewees generally felt that the minimum salary thresholds they must pay migrant workers to work in the UK are reasonable. However, employers have a range of concerns about other elements of the PBIS. These include:

- **The level of English required excludes potential workers with English good enough to get by onsite**
- **The inability of employers to identify if qualifications from other countries are suitable for a non-UK national to be sponsored**
- **The absence of a route for employers to take on non-UK workers on a self-employed basis**
- **The cost of converting self-employed positions to PAYE roles. In addition, it was felt that most of the non-UK workers prefer to work on a self-employed basis, because it allows them to go home for the whole of the summer**
- **The system does not account for short-term, temporary worker needs in construction. Some employers pointed out that agencies would not be able to bring in these staff from outside the UK as the sponsor has to be the end employer.**

Employer engagement with skilled worker route

Though overall, employers say that their reliance on migrant workers has fallen, it is important that construction employers are still able to use the new Points Based Immigration System (PBIS) when they need them.

Employers highlighted specific roles they want added to the Skilled Visa Route, believing they meet the criteria. These roles include dryliners, asbestos workers and insulators. In addition, employers wanted to understand how the Skilled Visa Route and Shortage Occupation

List would respond to changes in the labour market and skills demand, to ensure the migration system worked effectively in the future.



"It is one of two ways. Either the shortfall will be made up of English apprentices through all the new schemes, or after a couple of years the government will react to whatever shortages the construction industry highlight and change the quotas, so it is easier to bring people in from the specialities they are missing. So, if we can't get enough asbestos workers, they will put them in the top list so we can get buildings built."

**Construction employer
in the South East**

Employer hesitancy over license scheme

Employers seeking to hire workers from the EU must become approved licensed sponsors to do so. The rate of uptake of licenses in the industry is still very low. None of the employers interviewed had signed up to become a licensed employer, though some were considering joining the scheme.

The barriers dissuading employers from signing up include paperwork, expense (especially if the worker leaves after a short time), and inexperience in recruiting this way. This was particularly the case for those employers that had only previously recruited non-UK nationals already in the UK.

"We actually looked into this recently because we had an applicant who was Portuguese, and it was £1,600 for the application, and then I think it was £1,000 a year. But you spend that money, and you can't guarantee that person is going to stay. A bigger thing for us was it could take eight to ten weeks, and we did not have that time for that person's application to be approved."

Construction employer in the South East

"It is something we're aware of but as and when. The shortage of workers...we are just concentrating on that. But it is something we need to sort out."

Construction employer in London



Engagement with the EU settlement scheme

Medium and large employers generally felt familiar with the EU Settlement Scheme and reported having worked hard to encourage and help their non-UK workers sign up to the scheme. This included talking to their staff directly about it, providing information and guidance as well as workshops and access to legal advice.

Employers reported worker suspicion, their level of understanding of it, and its ease of use as all limiting sign up. However, most large and medium sized employers interviewed felt they had had good or reasonable success in persuading their non-UK national workforce to sign up.

A key change for EU citizens coming to work in the UK long-term under the immigration system from 2021 is that their immigration status depends on remaining employed until they accrue five years of continuous residence and successfully apply for permanent settlement. Free movement provided more flexibility to spend periods out of the country, something that is likely to have become more important in the context of the pandemic. Employers were concerned that this would mean many non-UK nationals working in the industry would end up losing the right to live and work in the UK.

"With our guys, the uptake wasn't awful, something in the region of 80% got their settlement and pre-settlement status. So, they can stay here and that's brilliant, but we all know that isn't enough. The construction industry is getting busier and busier, and that's great for the economy but we have always relied on that constant stream into the country that's not going to come."

Construction employer in London



CITB support for the expansion of the domestic workforce

This plan has focused on creating better routes into the industry, growing apprenticeship starts and completions and creating better linkages between further education and work.

Since then, the pandemic has grown the size of the challenge as migrant workers have left the UK and the UK has seen a fall in apprenticeship starts. However, the overall focus of the plan remains the same and through close work with government and the CLC, we have seen the plan start to deliver and to be developed further.

Key elements of progress include:

- **Go Construct**, the industry's careers portal has attracted over 520,000 people in the first half of 21/22, already up on the 2020-21 full year total of 500,000 visitors. Users now have a next step to progress onto the matching service for entering construction which showcases opportunities for work experience, apprenticeships and jobs.
- **Onsite Experience Hubs**. The government-funded and CITB-managed Construction Skills Fund has prepared over 6000 new entrants, from a wide variety of backgrounds, to work in construction with some 2934 in construction jobs three months later. CITB has since invested in onsite hubs in England and Wales which will generate in excess of 11,000 employment and site ready new entrants by 2025. Hubs in Scotland will add to this total following procurement in 2022.

Working with FE

CITB has worked with FE bodies and government to create occupational traineeships that provide learners with a combination of work experience and training that will prepare them for a job or apprenticeship

in construction. Based on a bricklaying standard developed by CITB, a pilot programme with 20 students at Hartlepool College saw 64% of learners who completed the Occupational Traineeship move from FE into a job or apprenticeship in construction compared to 41% with existing construction-related FE courses. Based on the success of the pilot, CITB is working with partners to develop further standards in Carpentry & Joinery, Plastering, and Painting & Decorating and to expand the existing one. As well as directly raising the number of FE learners going into construction traineeships will create a platform for employers and FE to work together to create better ways to prepare leaners for work.

Apprenticeships

The number of apprenticeships starts, which was falling before the pandemic hit, is now recovering and we expect it to hit pre-pandemic levels by autumn 2022. CITB has a programme of support for apprenticeships including preparing learners for them; linking up learners, providers and employers; supporting apprenticeships to ensure they complete the programmes; grant funding attendance and completion of apprenticeships and covering long-distance travel costs; and raising the quality of apprenticeships and addressing gaps in it. This ensured that in the pandemic only 24 out of 11,000 CITB apprentices lost their jobs during the worst economic crisis in our lifetimes.

We have built on this by working with government in all three nations to modernise apprenticeships, accelerate the transfer of apprenticeship levy funds to employers who need and develop more flexible apprenticeship models, including those that recognise the learning that apprentices have already completed.

CITB has supported 66,000 apprenticeships in construction over the past five years. We provide up to £14,500 in grants for every apprentice a construction employer takes on.

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