

CONSTRUCTION SKILLS NETWORK

Labour Market Intelligence Report



**West
Midlands**

5-year outlook 2022-2026

KEY INFORMATION

WEST MIDLANDS

The volume of construction work in the West Midlands is slightly below the UK forecast of 3.2% at an annual average rate of approximately

2.8%

The biggest gains in output are set to come from

- ↑ **Private Housing
Infrastructure
Repair & Maintenance**

The occupations with the strongest additional recruitment requirement levels

- ↑ **Non-construction professional, technical, IT, and other office-based staff (1,460 per year)**
Other construction professionals and technical staff (860 per year)
Construction process managers (640 per year)

Major projects in the West Midlands

- ⊕ **HS2, major civils contracts signed off (£12bn)**
Light rail extensions (£481m)
- Birmingham Health Innovation Campus (£210m)**
Levelling up funding, 10 schemes (£180m)

The annual recruitment requirement in the West Midlands of 2.7% per year is above the UK average of 2.0% and means an extra 30,050 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 of 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

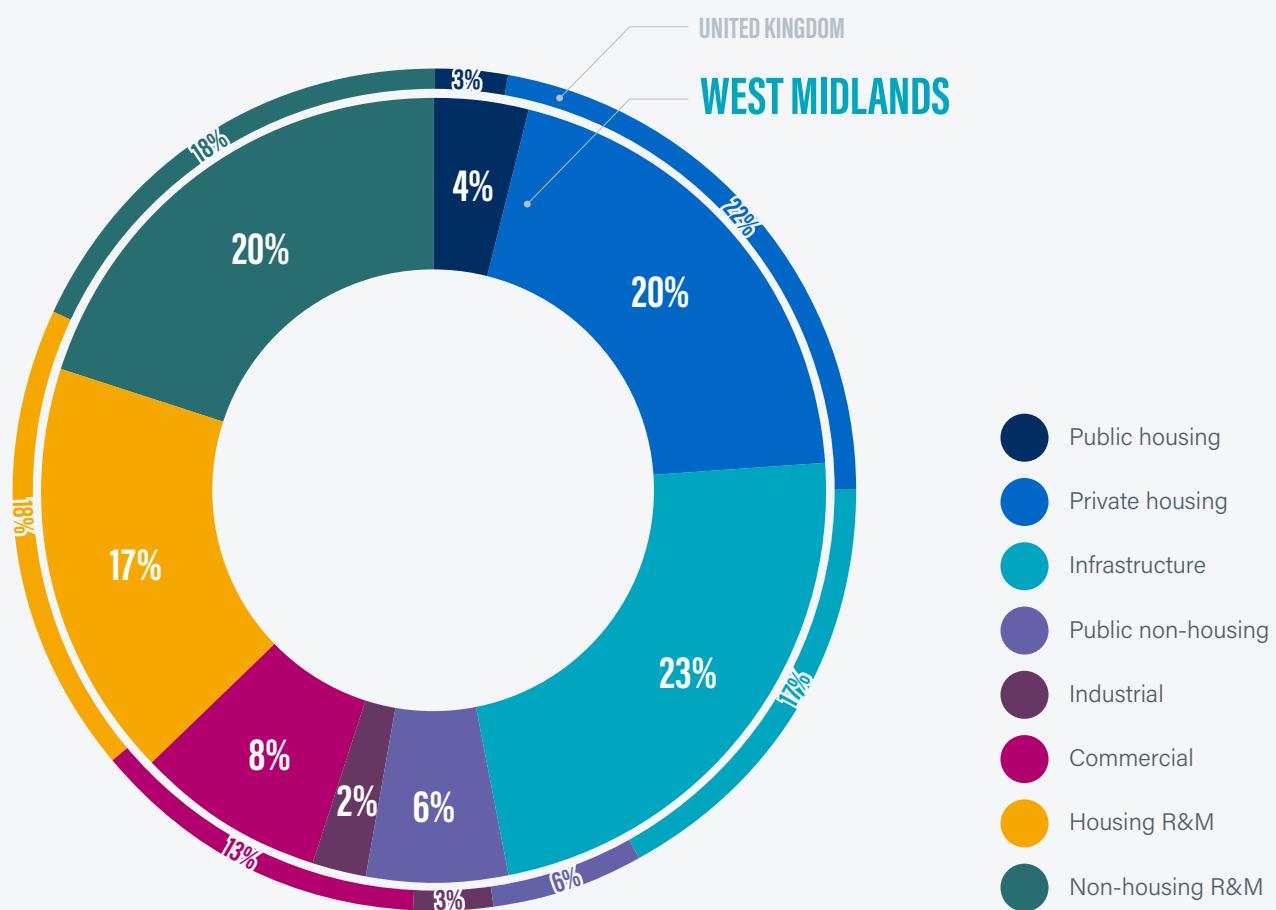
The construction industry in the West Midlands is close to the UK profile with slightly higher shares of infrastructure and non-housing R&M work.

Infrastructure is the strongest sector in the region, accounting for 23% of total work, with non-housing R&M and private housing not far behind at 20% each. These three sectors account for nearly two-thirds of total output in the West Midlands.

Combined infrastructure + private housing

43%

CONSTRUCTION INDUSTRY STRUCTURE 2021 WEST MIDLANDS VS UK



2021 view

Total annual output 2021

£14.1bn

Total estimated output 2022

£14.9bn



2021 saw a strong recovery in construction output in the West Midlands, at just over 27%.

2021 view

However, in 2020, output in the region fell by nearly 30% compared to the 15% fall in output seen across the UK, which was mainly due to fluctuations in infrastructure output. With 2021 output in the West Midlands being around 10% below the levels seen in 2018 and 2019, we forecast that it will be 2023/2024 before output returns to its pre-pandemic levels.

CONSTRUCTION OUTPUT 2003 - 2022 WEST MIDLANDS

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



Output forecast 2022 – 2026

Industrial sector annual average growth rate

In the West Midlands, the volume of work will grow by an annual average rate of 2.8%, which is just below the UK rate of 3.2%. All sectors will see growth over the forecast, with new work being similar to R&M, and most following a pattern of higher growth in the earlier years, which slows down towards the latter years.

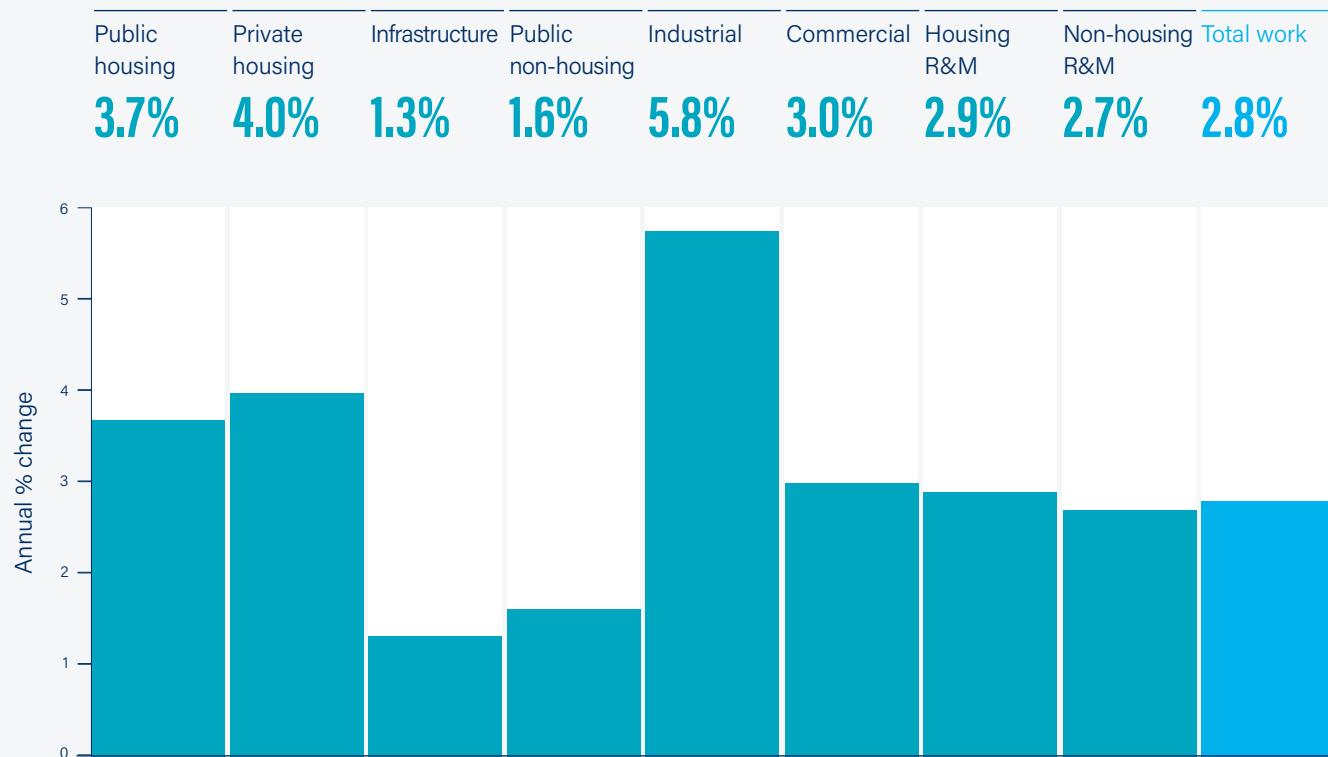
While the industrial sector has the highest annual average growth rate at 5.8%, it has a relatively low share of total output at just over 2%. The biggest gains in output are set to come from the private housing (+£619m), non-housing R&M (+£394m) and housing R&M (+£382m) sectors, accounting for two thirds (67%) of the total output increase.

5.8%

Forecast

ANNUAL AVERAGE OUTPUT GROWTH BY SECTOR 2022-2026 WEST MIDLANDS

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



CONSTRUCTION OUTPUT - WEST MIDLANDS (£ MILLION, 2019 PRICES)	Actual	Forecast (Annual % change, real terms)						Annual average 2022-2026
	2021	2022	2023	2024	2025	2026		
Public housing	555	5.5%	3.4%	3.6%	3.2%	3.2%	3.7%	
Private housing	2,837	3.3%	4.4%	5.1%	3.7%	3.6%	4.0%	
Infrastructure	3,159	12.7%	4.2%	-6.6%	-2.1%	-0.8%	1.3%	
Public non-housing	873	-1.2%	2.3%	4.1%	1.0%	2.0%	1.6%	
Industrial	319	19.5%	5.4%	4.8%	0.3%	0.3%	5.8%	
Commercial	1,096	0.8%	4.0%	2.9%	3.9%	3.5%	3.0%	
New work	8,838	6.6%	4.1%	0.2%	1.2%	1.8%	2.8%	
Housing R&M	2,453	5.9%	4.6%	2.2%	0.6%	1.6%	2.9%	
Non-housing R&M	2,807	2.6%	3.7%	2.3%	2.9%	1.9%	2.7%	
Total R&M	5,260	4.1%	4.2%	2.2%	1.8%	1.7%	2.8%	
Total work	14,098	5.7%	4.1%	1.0%	1.4%	1.8%	2.8%	

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

The West Midlands should benefit from work on HS2 in the early part of the forecast period, with four major civils contracts with a total value of £12bn signed off.

The design and construction partner has been appointed for the £570m Birmingham Curzon St station, where site clearance has been completed and work began in September 2021 to incorporate the world's oldest railway roundhouse into the new station. The £52m replacement bridge on the Stechford to Aston line, to pave the way for the HS2 approach into Birmingham, is due to complete in late 2022 Q3. Construction of the £370m Birmingham Interchange Station is not planned to start until 2024, with the contractor due to be appointed in September 2022.

Within the light rail sector, work on the £344m 11km extension from Wednesbury to Brierley Hill is due to be completed in 2023 and will link with the £24m Dudley Interchange where work is due to start 2022. Construction continues on the £137m Birmingham Eastside extension to Digbeth.

The West Midlands is set to be one of the main beneficiaries of the first round of levelling up funding, with 10 schemes

across the region receiving around £180m. As in all other regions/devolved nations the industrial construction sector is expected to see strong growth, albeit from a low base, with schemes such as the £100m Phoenix 10 employment park in Walsall.

The public non-residential sector shows a slight drop in 2022 as projects such as Alexander Stadium and the Games Villages reach completion in advance of the 2022 Commonwealth Games in Birmingham. The completion of works at the University of Warwick and delayed completion of the Midland Metropolitan Hospital will add further downward pressure. However, in the longer term, the University of Birmingham and two local NHS Foundation Trusts have teamed up to develop the Birmingham Health Innovation Campus on the former Battery Park in Selly Oak. The £210mn project has already received development funding from Birmingham City Council and the Greater Birmingham and Solihull Local Enterprise Partnership and the first phase is currently set to complete in 2023.

Birmingham Curzon St station

+ £570m

Birmingham Interchange Station

+ £370m

Wednesbury to Brierley Hill extension

+ £344m

Stechford to Aston line bridge replacement

+ £52m

Workforce forecast

The level of output growth in the West Midlands gives an annual average increase of 0.8% in the construction workforce, which is the same as the UK figure. Despite construction output falling in 2020, the region's construction workforce dropped by just over 2% to 227,700, then dropped slightly in 2021 to 226,100. We're expecting to see the workforce pick up to 229,300 in 2022 and then grow to 235,800 by 2026.

TOTAL WORKFORCE BY OCCUPATION - WEST MIDLANDS

	Actual	Estimate	Forecast	
	2020	2021	2022	2026
Senior, executive, and business process managers	20,200	21,600	22,000	20,300
Construction project managers	2,200	2,400	2,400	2,600
Other construction process managers	18,800	17,600	17,800	18,400
Non-construction professional, technical, IT, and other office-based staff	37,400	34,900	35,300	36,900
Construction trades supervisors	3,900	4,200	4,300	4,600
Wood trades and interior fit-out	17,600	18,800	18,900	20,800
Bricklayers	4,700	5,100	5,100	5,200
Building envelope specialists	6,600	6,200	5,900	6,900
Painters and decorators	6,400	6,000	6,100	6,300
Plasterers	3,000	2,800	2,800	3,100
Roofers	4,400	4,100	4,100	4,400
Floorers	1,500	1,600	1,600	1,700
Glaziers	3,500	3,200	3,300	3,500
Specialist building operatives nec*	3,900	4,000	4,000	4,000
Scaffolders	2,000	1,900	1,800	1,700
Plant operatives	2,400	2,200	2,400	2,500
Plant mechanics/fitters	6,300	5,900	6,000	6,100
Steel erectors/structural fabrication	2,700	2,500	2,700	2,900
Labourers nec*	13,300	12,400	12,900	12,800
Electrical trades and installation	15,400	15,900	16,100	16,500
Plumbing and HVAC Trades	11,300	12,200	12,200	11,900
Logistics	3,900	4,100	4,100	3,800
Civil engineering operatives nec*	2,400	2,600	2,900	2,900
Non-construction operatives	2,800	2,600	2,700	2,800
Total (SIC 41-43)	196,800	194,800	197,500	202,500
Civil engineers	2,700	2,900	3,200	3,300
Other construction professionals and technical staff	19,300	19,000	19,100	20,100
Architects	1,500	1,400	1,500	1,600
Surveyors	7,400	7,900	8,000	8,300
Total (SIC 41-43, 71.1, 74.9)	227,700	226,100	229,300	235,800

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

10 * 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 West Midlands is set to average 2.7% per year, based on 2021 workforce levels, which is higher than the UK figure of 2.0%. This means the construction industry would have to increase current recruitment by 6,010 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** (1,460 per year)
- **Other construction professionals and technical staff** (860 per year)
- **Construction process managers** (640 per year).

However, there would also be pressure on occupations, such as construction project managers (4.6%), plasterers (3.9%) and electrical trades (3.8%), 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 - WEST MIDLANDS

	ARR as % of 2021 workforce	ARR value per year
Senior, executive, and business process managers	0.7%	150
Construction project managers	4.6%	110
Other construction process managers	3.6%	640
Non-construction professional, technical, IT, and other office-based staff	4.2%	1,460
Construction trades supervisors	3.3%	140
Wood trades and interior fit-out	0.7%	140
Bricklayers	1.4%	70
Building envelope specialists	1.9%	120
Painters and decorators	1.7%	100
Plasterers	3.9%	110
Roofers	-	<50
Floorers	-	-
Glaziers	-	<50
Specialist building operatives nec*	2.5%	100
Scaffolders	-	<50
Plant operatives	-	<50
Plant mechanics/fitters	3.0%	180
Steel erectors/structural fabrication	-	<50
Labourers nec*	3.6%	440
Electrical trades and installation	3.8%	600
Plumbing and HVAC Trades	2.4%	290
Logistics	-	<50
Civil engineering operatives nec*	1.9%	50
Non-construction operatives	-	-
Total (SIC 41-43)		4,700
Civil engineers	-	<50
Other construction professionals and technical staff	4.5%	860
Architects	-	<50
Surveyors	3.4%	270
Total (SIC 41-43, 71.1, 74.9)		2.7% 6,010

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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, the West Midlands 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, WEST MIDLANDS

Source: EMSI Burning Glass, selected construction occupations, West Midlands



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 West Midlands 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, however, recent England data for Q2 2021/22 shows 20,500 starts, which is back to levels seen in earlier years.

The West Midlands has performed slightly differently to the overall England profile for starts in the last couple of years. There was an increase in starts during 2019/20 of around 4% followed by more of a drop in 2020/21 of nearly

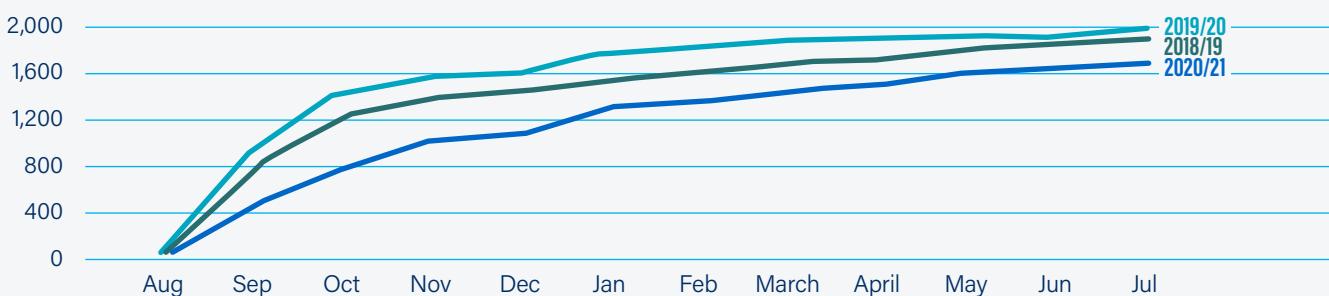
13%. This results in 2020/21 starts being 10% lower than the 2018/19 levels in the region, which is similar to the view across England.

For learners achieving construction qualification in England, there was a 19% drop in achievements in 2019/20, which has picked back up in 2020/21, although not to the level seen in 2018/19. The West Midlands again performed differently with a 12% drop in 2018/19 which increased slightly in 2019/20 then recovered strongly in 2020/21 to above 2017/18 levels.

Both charts point to a different profile of training trends in the West Midlands, which has partly returned to pre-covid levels for further education learners, though not for apprenticeships. However, the increasing demand for workers and vacancies being posted indicates that there is some work to do to get construction training to a level that meets current and future demand.

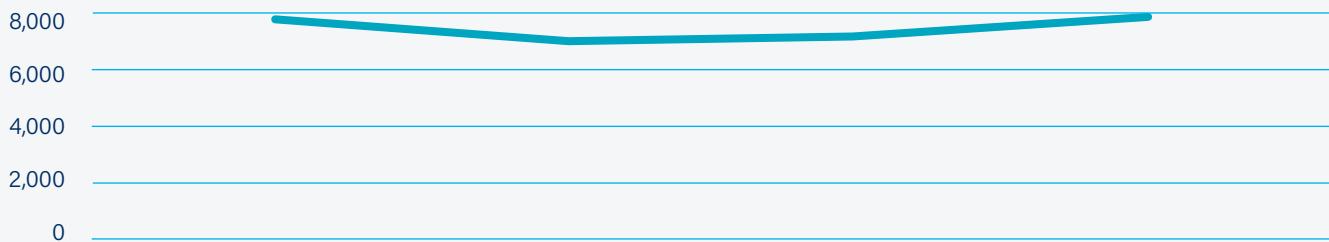
WEST MIDLANDS, CUMULATIVE MONTHLY APPRENTICESHIP STARTS, CONSTRUCTION, PLANNING AND THE BUILT ENVIRONMENT SECTOR SUBJECT AREA, 2018/19 – 2020/21

Source: Department for Education



CONSTRUCTION SECTOR QUALIFICATION ACHIEVEMENTS, LEVEL 2+, WEST MIDLANDS, 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

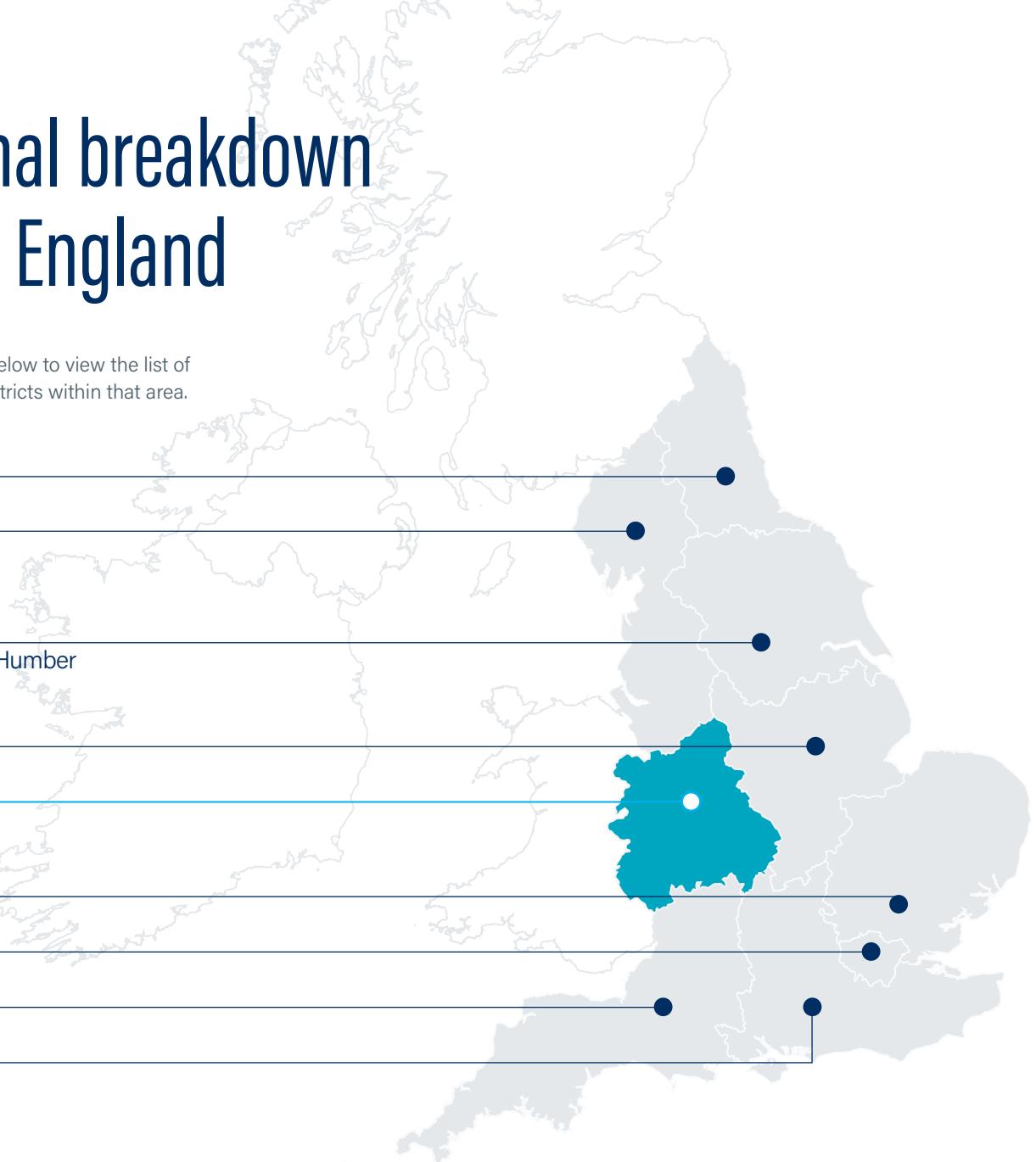
West Midlands

East of England

Greater London

South West

South East



West Midlands

Birmingham
Bromsgrove
Cannock Chase
Coventry
Dudley
East Staffordshire
Herefordshire, County of
Lichfield
Malvern Hills
Newcastle-under-Lyme
North Warwickshire

Nuneaton and Bedworth
Redditch
Rugby
Sandwell
Shropshire
Solihull
South Staffordshire
Stafford
Staffordshire Moorlands
Stoke-on-Trent
Stratford-on-Avon

Tamworth
Telford and Wrekin
Walsall
Warwick
Wolverhampton
Worcester
Wychavon
Wyre Forest

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