

CONSTRUCTION SKILLS NETWORK

Labour Market Intelligence Report



South East

5-year outlook 2022-2026

SOUTH EAST

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

↑ **3.4%**

The biggest gains in output are set to come from the

↑ **Private housing
Repair & Maintenance**

The occupations with the strongest additional recruitment requirement levels:

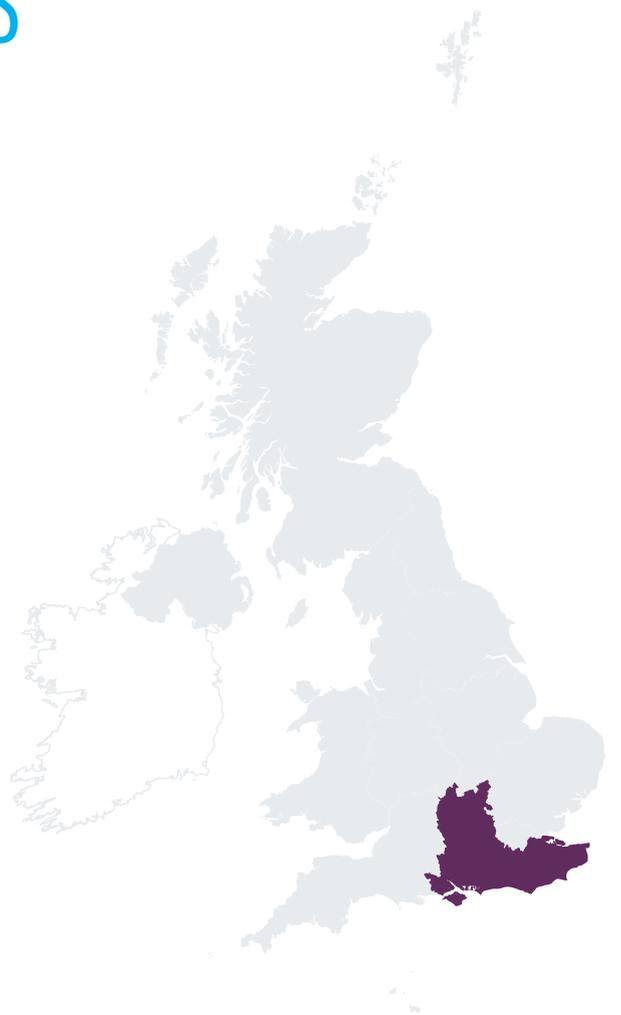
↑ **Non-construction professional, technical,
IT, and other office-based staff** (1,550 per year)
Labourers (560 per year)
Wood trades and interior fit-out (430 per year)
Plumbing and HVAC trades (430 per year)

Major projects in the South East include:

+ **Solent Freeport**
(£2bn investment)
**Manydown Garden
Communities** (£1.2bn)

Aylesbury Garden Town
(16,000 homes)
Ebbfleet Garden City
(£4.5bn)

The annual recruitment requirement in the South East of 1.2% per year is below the UK average of 2.0% and means an extra 23,000 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

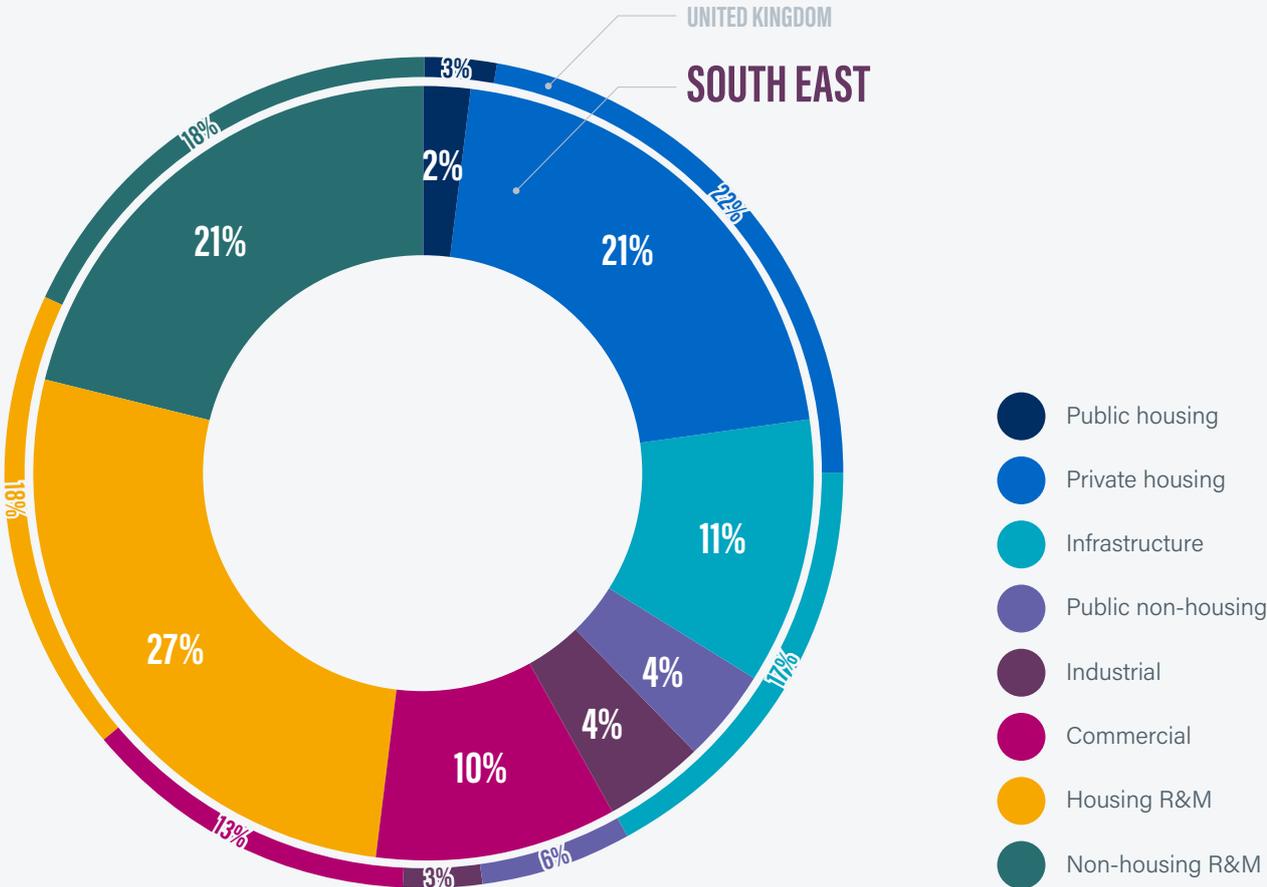
The profile of the construction industry in the South East has a couple of differences when compared to the UK profile.

The South East has higher shares of housing R&M work and a lower share of infrastructure. Housing R&M is the strongest sector in the region, accounting for 27% of total work, with non-housing R&M and private housing following at 21% each. Combined, these three sectors accounted for nearly 70% of total 2021 output in the South East.

Housing R&M total output

27%

CONSTRUCTION INDUSTRY STRUCTURE 2021 SOUTH EAST VS UK



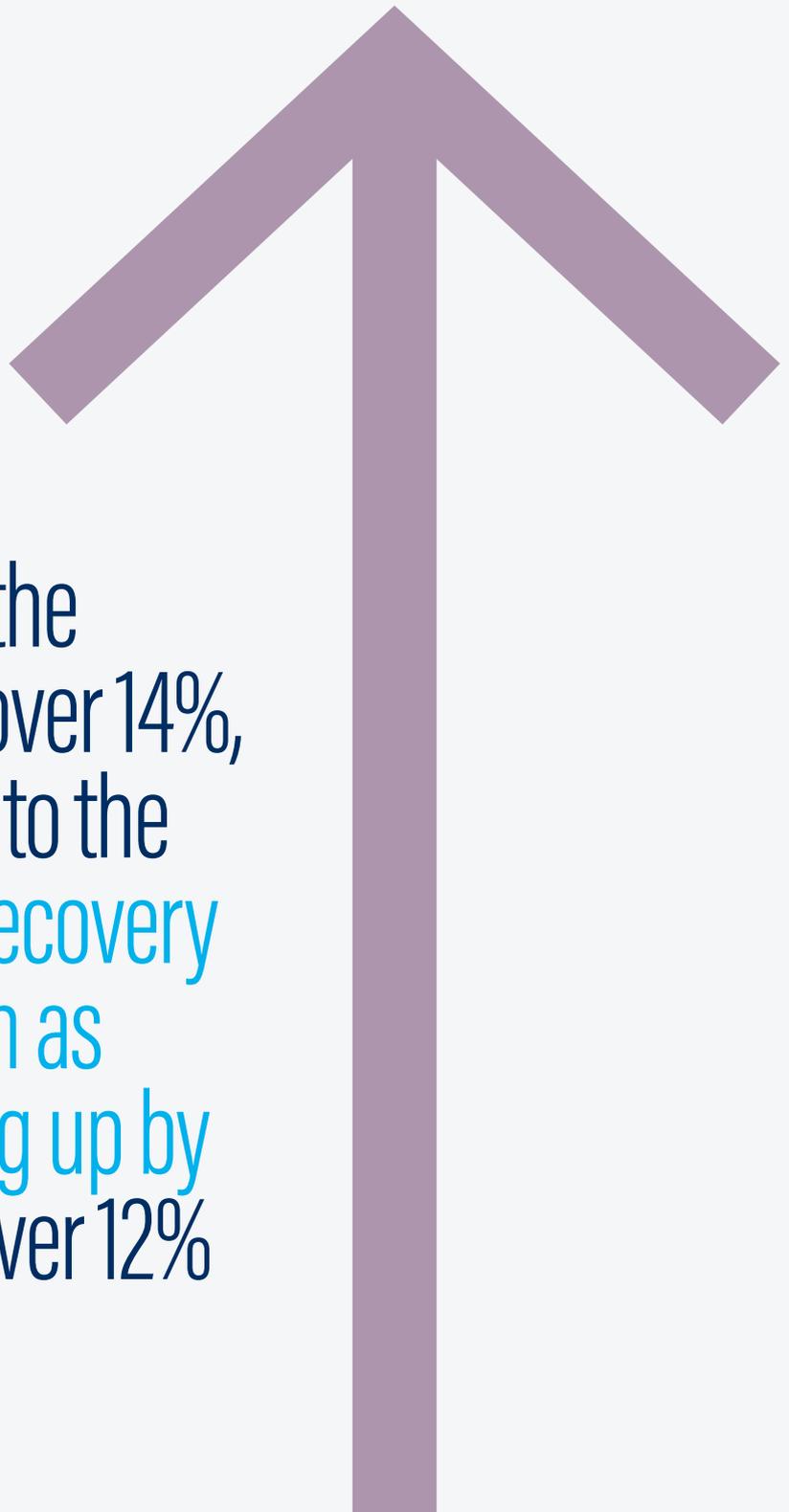
2021 view

Total annual output 2021

£21.9bn

Total estimated output 2022

£22.9bn



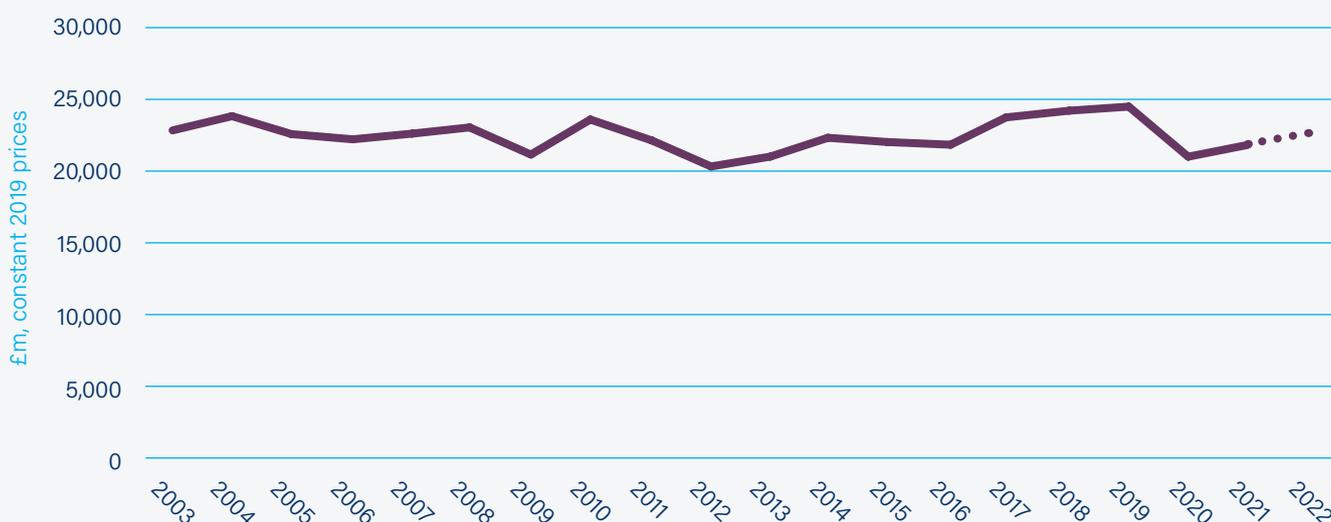
In 2020, output in the region fell by just over 14%, which was similar to the UK, however, the recovery in 2021 hasn't been as strong, only picking up by 4% compared to over 12% for the UK.

2021 view

While some sectors have performed well in 2021, such as housing R&M and infrastructure, growth was held back by weakness in the commercial and public non-housing sectors. This means that 2021 output is around 11% below the levels seen in 2018 and 2019, and we're forecasting that it will be 2023/2024 before it reaches its pre-pandemic level.

CONSTRUCTION OUTPUT 2003 - 2022 SOUTH EAST

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



Output forecast 2022 - 2026

South East average growth rate

In the South East, the volume of work will grow by an annual average rate of 3.4%, which is just above the UK rate of 3.2%. All sectors will see growth over the forecast, with new work slightly stronger than 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 5.9%, it has a relatively low share of total output at just under 4%. The biggest gains in output are set to come from the private housing (+£1,200m), housing R&M (+£1,020m) and non-housing R&M (+£710m) sectors, accounting for more than 70% of the total output increase. The commercial sector also has a relatively strong growth rate of 4.7%, however, it's growing from a low point and by 2026 it will still be about 20% below pre-pandemic level.

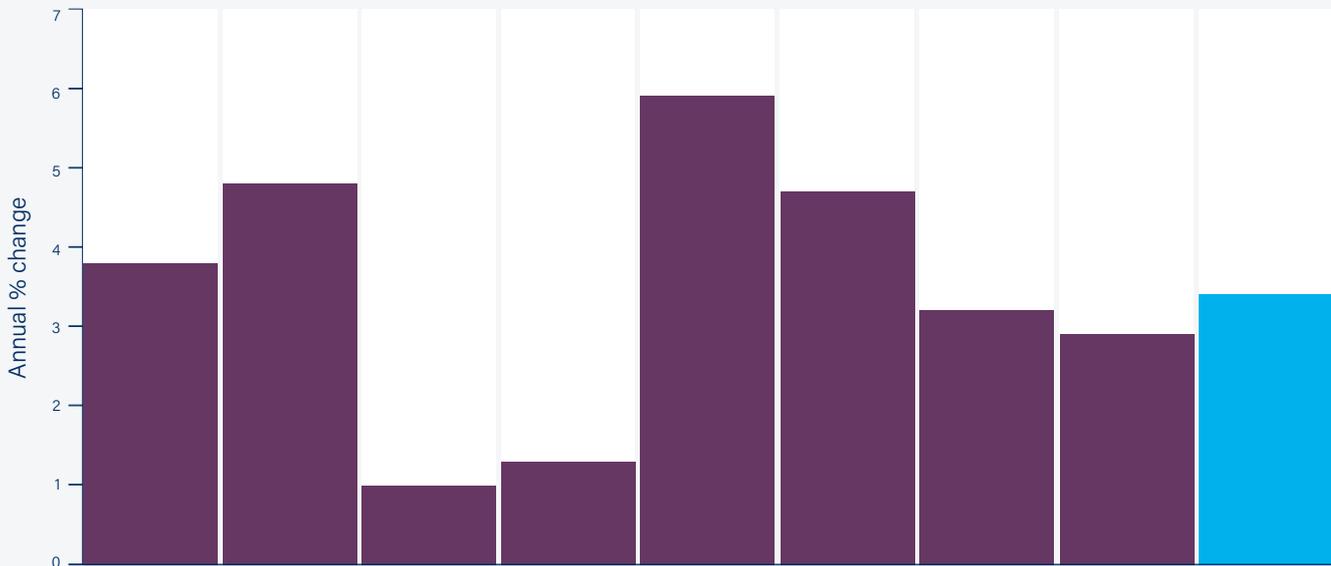
3.4%

Forecast

ANNUAL AVERAGE OUTPUT GROWTH BY SECTOR 2022-2026 SOUTH EAST

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
3.8%	4.8%	1.0%	1.3%	5.9%	4.7%	3.2%	2.9%	3.4%



CONSTRUCTION OUTPUT - SOUTH EAST (£ MILLION, 2019 PRICES)

	Actual	Forecast (Annual % change, real terms)					Annual average
	2021	2022	2023	2024	2025	2026	2022-2026
Public housing	312	2.6%	3.0%	5.0%	4.1%	4.1%	3.8%
Private housing	4,542	3.3%	5.4%	6.1%	4.7%	4.6%	4.8%
Infrastructure	2,441	8.7%	4.2%	-4.7%	-1.1%	-1.4%	1.0%
Public non-housing	920	-3.9%	3.3%	4.5%	1.0%	2.0%	1.3%
Industrial	840	12.3%	6.4%	6.9%	2.3%	2.3%	5.9%
Commercial	2,234	6.5%	6.0%	3.8%	3.9%	3.5%	4.7%
New work	11,289	5.2%	5.1%	3.2%	2.8%	2.8%	3.8%
Housing R&M	5,959	4.9%	3.4%	3.2%	1.8%	2.8%	3.2%
Non-housing R&M	4,661	1.6%	3.7%	2.3%	3.9%	2.9%	2.9%
Total R&M	10,620	3.4%	3.5%	2.8%	2.7%	2.8%	3.1%
Total work	21,909	4.3%	4.3%	3.0%	2.8%	2.8%	3.4%

The Manydown development in Basingstoke, was granted planning permission in 2020 and the proposed £1.2bn development, will help support the housing sector.

There are also plans for a number of major housing developments across the South East from Welborne and Aylesbury for Garden Villages, through to Ebbsfleet Garden City, the regeneration of the Hoo Peninsula, and Otterpool Park Garden Town.

Approval of the proposal for the Solent Freeport will also be a boost to construction work as it looks to attract investment of up to £2bn. This would create high quality employment space, specifically targeted at growth sectors and ground-breaking approaches to decarbonisation.

In the infrastructure sector, the East-West Line now has funding to enable the £760m Bicester to Bletchley / Milton Keynes section to be completed by 2025

and following installation of the innovative Bletchley flyover, track laying will now take place. The sector may also be boosted by the Gatwick Airport five-year Capital Investment Programme (CIP) which had a spend of £1.1bn. However, £570m of capital expenditure planned over 2020 to 2022 has been paused or deferred until air traffic has picked back up. Public consultation on the £500m plan to upgrade the airport's emergency northern runway to routine short-haul use was took place in autumn 2021. It envisages the core airfield works running from 2024 to 2029, peaking in 2026/27, subject to planning approval.

Aylesbury Garden Town new homes by 2033

+ **16,000**

East-West Line

+ **£760m**

Gatwick Airport Capital Investment Programme

+ **£1.11bn**

Workforce forecast

The level of output growth in the South East gives an annual average increase of 1.0% in the construction workforce, which is just higher than the UK figure of 0.8%. Although construction output in the South East underperformed compared the UK, the region's workforce has help up. In 2020 there was a slight drop in the workforce of just under 1% to 382,500, dipping slightly to 381,500, which was similar to the UK. In 2022 we expect the workforce to pick up to 387,800 and then continue to grow to just over 400,000 by 2026.

TOTAL WORKFORCE BY OCCUPATION - SOUTH EAST

	Actual	Estimate	Forecast	
	2020	2021	2022	2026
Senior, executive, and business process managers	31,800	29,800	29,600	29,400
Construction project managers	9,600	9,000	8,900	8,800
Other construction process managers	25,400	25,700	26,200	27,700
Non-construction professional, technical, IT, and other office-based staff	56,600	61,000	61,800	64,200
Construction trades supervisors	4,700	5,100	5,300	5,000
Wood trades and interior fit-out	34,900	36,800	36,800	36,800
Bricklayers	8,700	8,100	8,300	9,200
Building envelope specialists	13,700	12,800	13,600	15,300
Painters and decorators	14,800	14,400	14,800	16,200
Plasterers	4,700	5,100	5,200	5,400
Roofers	9,300	8,800	8,700	8,700
Floorers	3,900	3,600	3,700	3,700
Glaziers	3,100	3,300	3,300	3,200
Specialist building operatives nec*	5,900	5,500	5,600	5,600
Scaffolders	2,600	2,400	2,500	2,400
Plant operatives	4,700	5,100	5,500	5,100
Plant mechanics/fitters	4,900	4,600	4,800	5,100
Steel erectors/structural fabrication	2,000	2,200	2,400	2,300
Labourers nec*	23,100	21,700	22,100	22,500
Electrical trades and installation	22,600	24,400	24,300	24,700
Plumbing and HVAC Trades	26,500	25,700	25,700	25,400
Logistics	3,300	3,500	3,600	3,700
Civil engineering operatives nec*	1,600	1,500	1,700	1,700
Non-construction operatives	2,800	3,000	3,100	3,100
Total (SIC 41-43)	321,300	323,100	327,500	335,100
Civil engineers	6,600	7,100	7,700	7,600
Other construction professionals and technical staff	40,700	38,100	39,000	42,400
Architects	4,300	4,100	4,200	4,900
Surveyors	9,700	9,100	9,300	10,300
Total (SIC 41-43, 71.1, 74.9)	382,500	381,500	387,800	400,300

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 South East is set to average 1.2% per year, based on 2021 workforce levels, which is lower than the UK figure of 2.0%. This means the construction industry would have to increase current recruitment by 4,600 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** (1,550 per year)
- **Labourers** (560 per year)
- **Wood trades and interior fit-out** (430 per year)
- **Plumbing and HVAC trades** (430 per year).

However, there would also be pressure on scaffolders (3.8%) and civil engineers (3.7%) 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 - SOUTH EAST

	ARR as % of 2021 workforce	ARR value per year
Senior, executive, and business process managers	-	-
Construction project managers	-	<50
Other construction process managers	-	-
Non-construction professional, technical, IT, and other office-based staff	2.5%	1,550
Construction trades supervisors	1.6%	80
Wood trades and interior fit-out	1.2%	430
Bricklayers	2.5%	200
Building envelope specialists	1.4%	180
Painters and decorators	1.0%	150
Plasterers	1.2%	60
Roofers	-	<50
Floorers	-	<50
Glaziers	-	-
Specialist building operatives nec*	1.3%	70
Scaffolders	3.8%	90
Plant operatives	2.7%	140
Plant mechanics/fitters	-	<50
Steel erectors/structural fabrication	-	-
Labourers nec*	2.6%	560
Electrical trades and installation	-	<50
Plumbing and HVAC Trades	1.7%	430
Logistics	-	<50
Civil engineering operatives nec*	-	<50
Non-construction operatives		
Total (SIC 41-43)		3,940
Civil engineers	3.7%	260
Other construction professionals and technical staff	0.2%	80
Architects	2.5%	100
Surveyors	0.7%	60
Total (SIC 41-43, 71.1, 74.9)	1.2%	4,600

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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 South East 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 a number of 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, SOUTH EAST

Source: Burning Glass, construction vacancies, South East



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 South East 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 an 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.

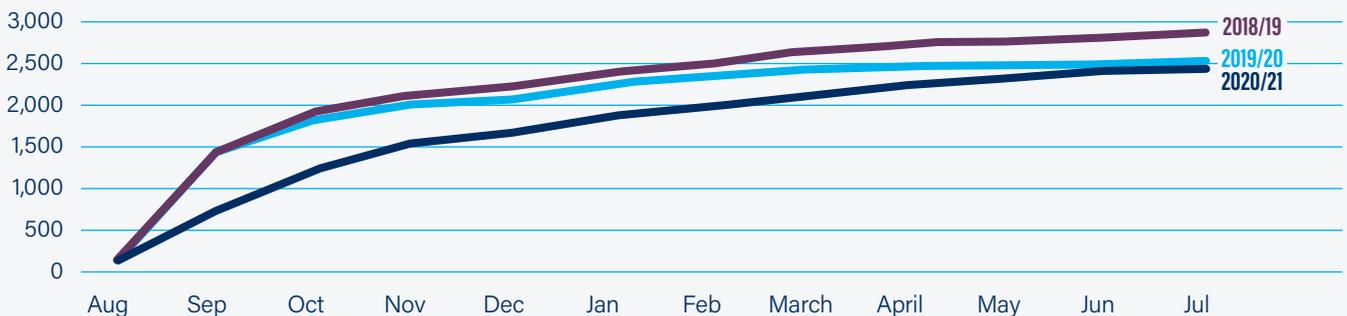
The South East has followed a similar pattern, with starts in 2019/20 dropping by nearly 13%, followed by a further fall of 3% in 2020/21. This results in 2020/21 starts being 15% lower than the 2018/19 levels in the region, which is slightly lower than the England figure.

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 South East also showed a drop in 2019/20, however, it didn't pick up in 2020/21.

Both charts point to a profile of training trends in the South East, which hasn't returned to pre-covid levels for further education learners, or apprenticeships. 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 in the region.

SOUTH EAST, CUMULATIVE MONTHLY CONSTRUCTION APPRENTICESHIP STARTS, 2019 - 2021

Source: Department for Education



TITLE: FURTHER EDUCATION, CONSTRUCTION SECTOR QUALIFICATION ACHIEVEMENTS, LEVEL 2+, SOUTH EAST, 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

South East

Adur

Arun

Ashford

Basingstoke and Deane

Bracknell Forest

Brighton and Hove

Buckinghamshire

Canterbury

Cherwell

Chichester

Crawley

Dartford

Dover

East Hampshire

Eastbourne

Eastleigh

Elmbridge

Epsom and Ewell

Fareham

Folkestone and Hythe

Gosport

Gravesham

Guildford

Hart

Hastings

Havant

Horsham

Isle of Wight

Lewes

Maidstone

Medway

Mid Sussex

Milton Keynes

Mole Valley

New Forest

Oxford

Portsmouth

Reading

Reigate and Banstead

Rother

Runnymede

Rushmoor

Sevenoaks

Slough

South Oxfordshire

Southampton

Spelthorne

Surrey Heath

Swale

Tandridge

Test Valley

Thanet

Tonbridge and Malling

Tunbridge Wells

Vale of White Horse

Waverley

Wealden

West Berkshire

West Oxfordshire

Winchester

Windsor and Maidenhead

Woking

Wokingham

Worthing

For more information about the Construction Skills Network, contact:

Ian Hill

Industry Insight Manager

Ian.Hill@citb.co.uk

