



CITB ANALYSIS AND FORECASTING

# Construction Skills Network

Labour Market Intelligence Report

5-year  
Outlook

2021-2025

Greater  
London



Is projected to have the strongest regional growth rate averaging 4.8% over the five-year forecast, driven by infrastructure (6.9%) and private housing (6.7%). 17,250 new workers will be required.

The annual recruitment requirement in Greater London

**0.8%**

Amount of new workers that are needed between 2020 and 2025

**17,250**

## Macroeconomic backdrop

The outlook for most of the economy looks much more positive, as confidence rises amid a successful vaccine rollout, declining Covid-19 infection rates and the government continuing to follow its 'roadmap out of lockdown' that involves return to some normality. For instance, YouGov/Centre for Economics and Business Research's Consumer Confidence Index in April 2021 recorded its highest score in almost three years, at 108.5. The index score of above 100 suggests that more consumers are confident than not, and this is being driven by recent business activity in the workplace as the economy gradually reopens. Rising confidence should result in greater prospect for spending and therefore expediting economic recovery from the recession.

Construction is no exception to optimism about the future, with IHS Markit/CIPS' Construction Future Activity Index averaging a score of 73.4 in the first three months of 2021. A score of above 50.0 suggests that the construction industry expects growth over the coming 12 months. Most of this optimism results from continued resumption of works that

were previously paused during previous lockdown restrictions and an expected rise in sales, as the economy continues to reopen and lockdown restrictions ease. As construction output keeps recovering in 2021 the industry's confidence should remain positive.

These positive points could reduce the risk of business insolvency in the near-term. Ernst & Young's 2020 Profit Warnings report suggests that most of construction's 33 'profit warnings', when a publicly listed company reports profits materiality below expectations, came from the commercial sector. Structural changes impacted commercial work during 2020, with reduced demand for office space arising from remote working and an ongoing shift towards online shopping impacting retail space, and these changes pose near-term uncertainty for this sector. The risk for the commercial sector is that its number of insolvencies could rise as government support winds down in 2021.

A swift recovery could present a risk of price pressures for construction and the wider economy. Although inflation is currently low (0.4% in February 2021), we expect inflation to rise to 2% by the end of 2021 as pent-up demand pushes up prices. Construction has recently faced rising material prices, also driven by:

- Difficulties in obtaining materials during the pandemic
- Import tariffs
- Depressed sterling rates.

While some of these factors could be temporary, ongoing price pressures for construction are likely, especially due to potential supply shortages. The Royal Institute of Chartered Surveyors forecast that construction materials prices will rise by 22% between Q3 2020 and Q3 2025, which could pose some challenges for the industry, e.g., through uncertainty about future profits and costs that in turn impact investment levels.

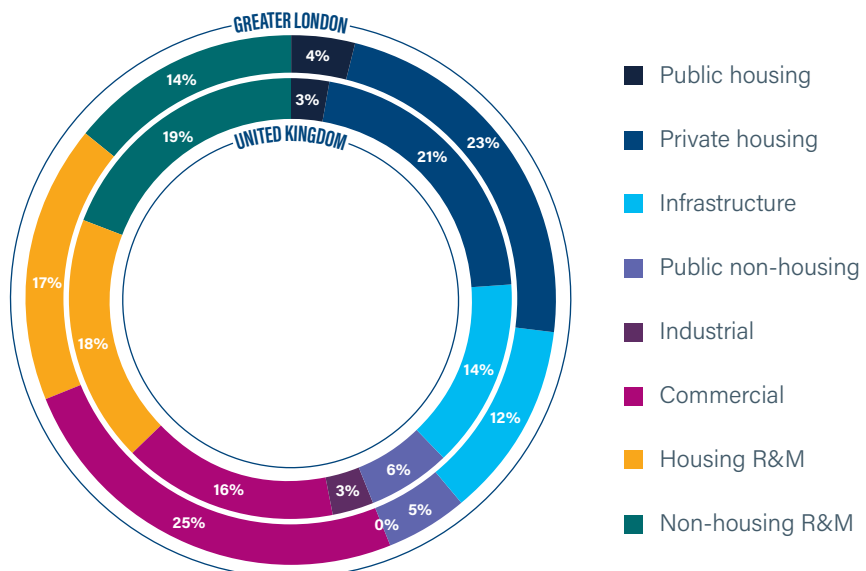
Lastly, there are non-economic challenges for the wider economy and several industries, including construction. These include a potential third wave of Covid-19 infection rates resulting from relaxed social distancing restrictions during summer 2021 and increased international travel that might result in further Covid-19 variants. Such challenges could also lead to additional lockdown measures during autumn 2021 and onwards, which could create a dent in wider economic and construction recovery.

## Structure

The construction industry in Greater London has a similar variation in structure when compared to the UK view, with commercial having a larger share, whereas industrial has a smaller share. However, infrastructure, housing and commercial are all important sources of new work, while repair and maintenance accounts for almost a third of all construction work in Greater London.

## CONSTRUCTION INDUSTRY STRUCTURE 2020, GREATER LONDON VS UK

Source: ONS, Experian

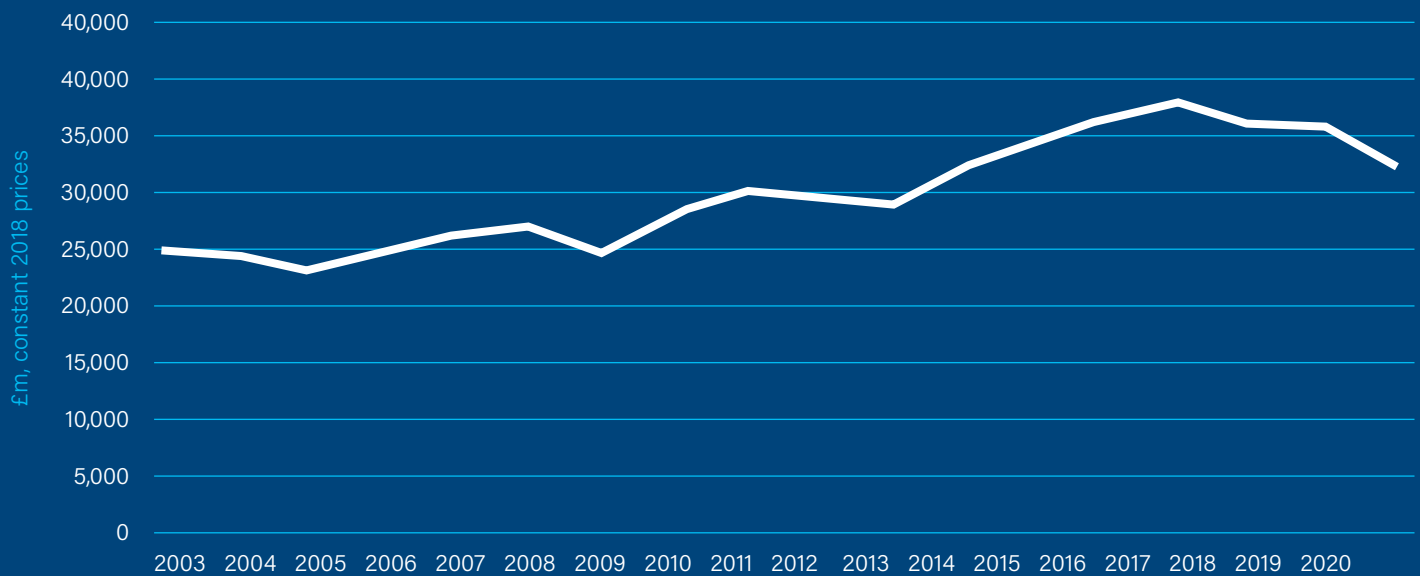


# 2020 view

2020 has been a challenging year for construction in Greater London, with annual output dropping by around 11% when compared to 2019. We expect to see a steady recovery in output from 2021, although this depends on the success in controlling Covid-19.

## CONSTRUCTION OUTPUT 2003 - 2020 GREATER LONDON

Source: ONS



## Output forecast 2021 - 2025

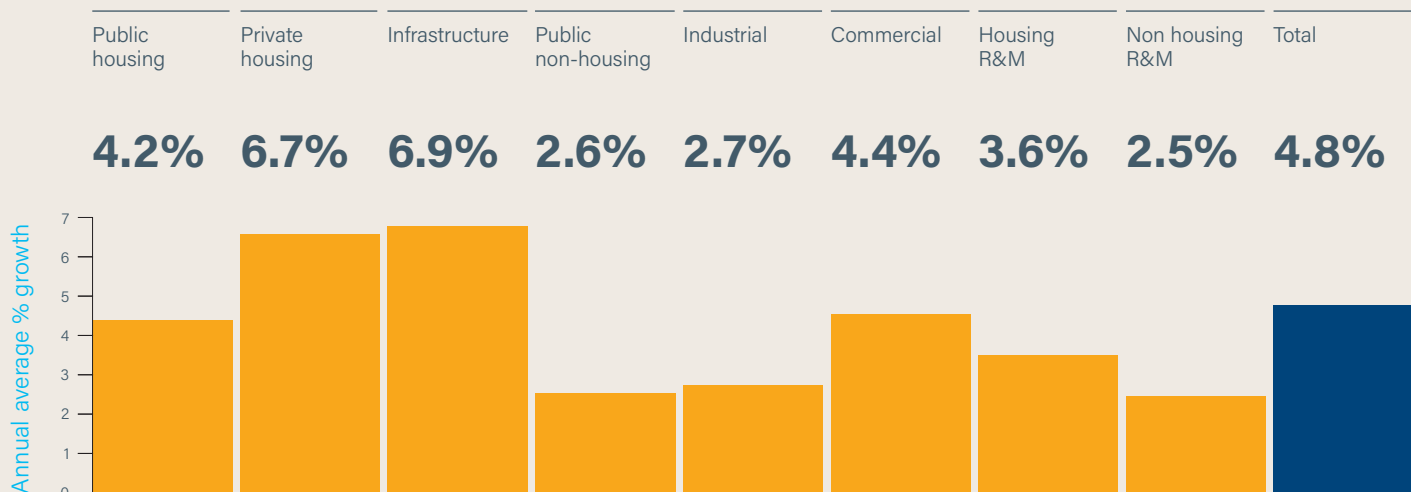
Greater London is forecasted to have the strongest regional annual average rate, at 4.8%, which is above the UK forecast of 4.4%. Infrastructure (6.9%) and private housing (6.7%) are expected to have the fastest sector growth and we forecast for this region's construction output to achieve its pre-Covid-19 levels by 2022.

Greater London average growth rate

# 4.8%

# Forecast

## FORECAST ANNUAL AVERAGE OUTPUT GROWTH BY SECTOR 2021-2025 GREATER LONDON



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

## CONSTRUCTION OUTPUT - GREATER LONDON (£ MILLION, 2018 PRICES)

	Actual	Forecast (Annual % change, real terms)					Annual average 2020-2025
		2020	2021	2022	2023	2024	
Public Housing	1,130	9.5%	3.1%	3.5%	2.9%	2.2%	4.2%
Private Housing	7,035	21.1%	3.5%	3.2%	3.3%	3.6%	6.7%
Infrastructure	3,691	18%	3.7%	5.2%	4.3%	4%	6.9%
Public Non-housing	1,497	5.4%	1.7%	2.1%	2.9%	1%	2.6%
Industrial	117	7.1%	2.8%	2.2%	1.2%	0.2%	2.7%
Commercial	7,476	5%	4.5%	4.8%	4.9%	2.9%	4.4%
<b>New Work</b>	<b>20,946</b>	<b>13%</b>	<b>3.7%</b>	<b>4.1%</b>	<b>4%</b>	<b>3.2%</b>	<b>5.5%</b>
Housing R&M	5,094	8.1%	1.8%	3.2%	2.7%	2.5%	3.6%
Non-housing R&M	4,054	3.3%	2%	3.1%	2.4%	1.6%	2.5%
<b>Total R&amp;M</b>	<b>9,148</b>	<b>6%</b>	<b>1.9%</b>	<b>3.2%</b>	<b>2.6%</b>	<b>2.1%</b>	<b>3.1%</b>
<b>Total Work</b>	<b>30,093</b>	<b>10.8%</b>	<b>3.2%</b>	<b>3.8%</b>	<b>3.6%</b>	<b>2.9%</b>	<b>4.8%</b>

The annual average growth rate is the rate of growth between the end of 2020 and the end of 2025, i.e., five-year period.

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

Infrastructure growth is mainly being driven by HS2 works. The six-year £750m London Power Tunnels 2 project to remove or decommission 44km of oil-filled cables that is due to complete in 2026, will also drive growth in this sector. However, in the near term, there are some downward pressures as Heathrow cancels or pauses over £650m of capital projects and Transport for London suspends plans for the development of

Crossrail 2. Demographic as well as cost pressures in the capital have meant strong demand for new and affordable housing, particularly for rent. In addition to the £288m the Mayor of London, Sadiq Khan, pledged last year, a further £200m for the capital's Affordable Homes Programme (AHP), which he has urged the government to match. This is part of the initiative to meet his target

of 116,000 new affordable homes in the next four years and recently the deadline for work on housing projects to start has been extended by a year to March 2023. The Mayor also announced a new £4bn, which runs from 2021-26. Both this and the 2016-23 AHP will provide a boost to housing provision for the social sector.

The level of output growth in Greater London gives an annual average increase of 1.2% in the construction workforce, which exceeds the UK-wide equivalent at 1.0%. This means that the estimated workforce of 415,800 at the end of 2020 is set to increase to 442,300 by the end of 2025, which exceeds its 2019 levels by 3.3%.

## TOTAL WORKFORCE BY OCCUPATION - GREATER LONDON

	Actual	Estimate	Forecast	
	2020	2021	2022	2025
Senior, executive and business process managers	34,700	34,700	34,800	35,500
Construction Project Managers	16,200	16,300	16,400	16,800
Other construction process managers	34,400	34,500	34,900	36,000
Non-construction professional, technical, IT and other office-based staff	71,000	72,700	73,600	75,400
Construction Trades Supervisors	10,100	10,500	10,700	11,400
Wood trades and interior fit-out	32,300	32,500	32,800	33,800
Bricklayers	6,400	6,700	6,800	6,900
Building envelope specialists	20,100	20,900	21,300	22,200
Painters and decorators	15,100	14,900	15,000	15,100
Plasterers	3,300	3,300	3,300	3,400
Roofers	2,400	2,400	2,400	2,300
Floorers	3,000	3,000	3,000	3,000
Glaziers	3,800	3,700	3,700	3,700
Specialist building operatives nec*	12,600	12,100	11,900	11,500
Scaffolders	1,300	1,200	1,200	1,200
Plant operatives	5,900	6,300	6,600	6,900
Plant mechanics/fitters	3,000	3,100	3,100	3,200
Steel erectors/structural fabrication	2,300	2,400	2,600	2,700
Labourers nec*	13,200	13,700	14,000	14,400
Electrical trades and installation	23,600	23,800	24,200	25,400
Plumbing and HVAC Trades	20,100	19,700	19,700	19,600
Logistics	3,500	3,600	3,600	3,700
Civil engineering operatives nec*	1,500	1,600	1,700	1,800
Non construction operatives	6,300	6,500	6,600	6,900
<b>Total (SIC 41-43)</b>	<b>345,800</b>	<b>349,800</b>	<b>353,700</b>	<b>362,600</b>
Civil engineers	9,400	10,100	10,700	11,400
Other construction professionals and technical staff	32,000	33,200	33,600	34,900
Architects	14,700	15,700	16,100	17,100
Surveyors	14,100	15,000	15,400	16,200
<b>Total (SIC 41-43, 71.1, 74.9)</b>	<b>415,800</b>	<b>423,700</b>	<b>429,400</b>	<b>442,300</b>

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

\* Not elsewhere classified

# Annual Recruitment Requirement (ARR)

**Greater London is below the UK on the level of annual average recruitment requirement based on 2020 workforce levels, at 0.8% per year. This means the Greater London construction industry would have to increase current recruitment by 3,450 new workers each year to deliver the expected work between the end periods of 2020 and 2025.**

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

- Non-construction professional, technical, IT, and other office-based staff (700 per year)
- Senior, executive, and business process managers (350 per year)
- Other construction process managers (350 per year).

For occupations that have no value, indication is that recent levels of recruitment will be able to meet future need if they are maintained.

## ANNUAL RECRUITMENT REQUIREMENT BY OCCUPATION - GREATER LONDON

	ARR	ARR as % of 2020 workforce
Senior, executive and business process managers	350	1%
Construction Project Managers	150	1%
Other construction process managers	350	1%
Non-construction professional, technical, IT and other office-based staff	700	1%
Construction Trades Supervisors	100	1%
Wood trades and interior fit-out	300	1%
Bricklayers	50	1.1%
Building envelope specialists	<50	-
Painters and decorators	50	0.5%
Plasterers	-	-
Roofers	<50	-
Floorers	<50	-
Glaziers	<50	-
Specialist building operatives nec*	100	0.7%
Scaffolders	<50	-
Plant operatives	50	1%
Plant mechanics/fitters	<50	-
Steel erectors/structural fabrication	<50	-
Labourers nec*	100	0.8%
Electrical trades and installation	250	1%
Plumbing and HVAC Trades	150	0.7%
Logistics	<50	-
Civil engineering operatives nec*	<50	-
<b>Total (SIC 41-43)</b>	<b>2,750</b>	
Civil engineers	100	1%
Other construction professionals and technical staff	300	1%
Architects	150	1%
Surveyors	150	1%
<b>Total (SIC 41-43, 71.1, 74.9)</b>	<b>3,450</b>	<b>0.8%</b>

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

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Note: values may not sum to totals due to rounding

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