

# **The Effect of Employment Status on Investment in Training**

Research Report

prepared for

**CITB and Department for Education and Skills (DfES)**

by

**IFF Research Ltd**

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## 1 Introduction

- 1.1 The Construction Industry Training Board (CITB) is one of only two of the original sector skill bodies set up in the 1960s which retains the power to raise a levy from industry. All firms in the sector, excluding small firms with a wage bill of less than £61,000, pay an annual levy to CITB which is used to fund training of the sector's workforce. The levy rate is currently set at 0.5% of a company's wage bill for 'direct employees' and 1.5% of the net value of payments the firm makes to labour-only sub-contractors.
- 1.2 The reason for this differential levy (i.e. the difference in the rate between direct employees and those employed via a labour-only sub-contractor) is that there is an assumption that the pattern of training activity differs between firms making extensive use of labour-only sub-contractors (LOSCs) and those that do not. In particular it is widely *assumed* that those making extensive use of LOSCs are less likely to invest in training. This is felt to be because of the temporary nature of the relationship firms have with those employed on an LOSC basis and also because those working on an LOSC basis are likely to be more experienced than the 'average worker.' In other words firms are only likely to want to take on someone on a relatively short term LOSC basis if they can do the job from day one.

### Research objectives

- 1.3 The aim of the research was to seek answers to the following questions:
- Does the amount of training provided differ by whether or not a firm uses LOSCs for a significant proportion of its work?
  - Is it the case that firms using both labour employed directly and on a LOSC basis provide different training for the two groups? If so:
    - Is it the case that more training is provided for those employed directly, and how different is the amount and nature of the training for the two types of employees?
    - Why is there this difference (is it circumstantial based simply on different skills sets between the two groups *at the moment* or is it the case that they would never consider training LOSC staff to the same extent)?

- Is it the case that there is a difference between the skill levels (and training needs) of directly employed staff and those employed on a LOSC basis.
- Is there a pattern of employment in the industry whereby significant numbers of workers receive their initial training while directly employed before then moving to working on an LOSC basis (this confirming the reduced training ‘burden’ of those using mainly LOSCs)?

## Methodology

- 1.4 Evidence was needed from both employers and workers, hence both groups were covered in significant numbers. We also involved a small number of recruitment consultants specialising in the construction sector.

### *Construction sector employers*

- 1.5 350 construction sector employers were interviewed. The target number of interviews was structured by size of company and by the relative significance of their LOSC payments<sup>1</sup> to ensure a broad spread of employers. The final profile of achieved interviews was as follows:

<b>Number of employer interviews achieved by size and by significance of LOSC levy payment</b>		
	<b>LOSC payment significant</b>	<b>LOSC payment negligible</b>
Large (250 plus employees)	45	
Medium sized (50-249 employees)	57	48
Small (10-49 employees)	50	51
Micro (up to 9 employees)	49	50

- 1.6 The sample of employers was supplied by the CITB from their levy database.

<sup>1</sup> The definition of a firm’s LOSC payment being ‘negligible’ varied within each size band, and was defined using their absolute LOSC levy payment and the proportion of their total levy payment paid at LOSC rates. For medium sized firms, for example, it was defined as LOSC payment on the CITB’s database being in band 0, 1 or 2, or their LOSC payment as a percentage of their total levy payment as being less than 25%. Within each size band significant was simply defined as ‘not negligible’

- 1.7 Interviewing for the large and medium-sized employers took place face-to-face. Interviews for small and micro companies were undertaken by telephone.
- 1.8 Telephone interviews took place from IFF's telephone centre at our offices in London using Computer Assisted Telephone Interviewing (CATI). The average interview length was 15 minutes. Telephone fieldwork took place from 27 November to 16 December 2002.
- 1.9 Fieldwork for the face-to-face element took place in December 2002 and January 2003. The questionnaire for this work used the same core questionnaire employed for the telephone survey, plus a number of additional questions, most of these open ended questions asking respondents to give explanations of some of their responses. The average interview length was 35-40 minutes.
- 1.10 All interviewers working on the survey were thoroughly briefed by the research team.

*Interviewing of construction workers*

- 1.11 A total of 504 interviews were undertaken with individuals working in the construction sector. These were conducted face-to-face at construction sites around GB. In total workers at 35 sites were covered. In terms of the number of interviews achieved per site, this ranged from 38 at one site to 3 at the smallest.
- 1.12 In the vast majority of cases, access to sites came from asking respondents at the end of the employer survey if we could undertake interviewing of workers at one of their sites. In addition we cold-called some employers.
- 1.13 The interviews were relatively short, averaging about 5 minutes. In most cases we interviewed in a canteen or equivalent at the site.
- 1.14 Fieldwork took place from 15th November 2002 to 16th January 2003.

*Recruitment agencies / consultants*

- 1.15 Ten interviews were conducted with recruitment consultancies specialising in supplying construction workers. These relatively short (c. 10 minute) interviews were conducted by telephone, and took place from 10<sup>th</sup> January to 17<sup>th</sup> January 2003. The sample of companies was supplied by CITB.

## Piloting

- 1.16 A pilot exercise was conducted by IFF Research in late summer 2002 in order to test the approach. In total 54 employers were interviewed, 100 site based workers (across 5 sites) and 2 employment agencies.

## Weighting of the employer data

- 1.17 Because we were interested in being able to comment on differences by size of company, in the sampling of employers we intentionally over sampled large and medium sized employers. In other words more interviews were conducted with these employers than would have been the case if we had simply undertaken a random sample of construction employers. Because of this and to ensure that the data is representative, at the analysis stage we have weighted the data back to the known proportions by size of construction industry employer, as follows:

➤ Micro (up to 9 employees)	92.0%
➤ Small (10-49 employees)	6.4%
➤ Medium (50-249 employees)	1.45%
➤ Large (250 + employees)	0.15%

## The report structure

- 1.18 Following the management summary, the first two chapters focus on the situation among employers. Chapter 3 provides some details about the type of companies interviewed, including the type of work they undertake, the occupations they employ and their use of LOSCs. This is by means of introduction to a discussion of the pattern of training activity, presented in chapter 4. In chapter 5 we examine results among site based workers. Chapter 6 briefly details results from the small number of recruitment consultants interviewed.

## 2 Management Summary

- 2.1 This report summarises the findings of 350 interviews with construction sector employers, 504 interviews with site-based manual workers and 10 interviews with recruitment agencies specialising in the construction sector. The aim of the study was to examine whether some of the key assumptions behind the differential levy are valid, in particular whether it is the case that those with significant use of labour-only sub-contractors (LOSCs) are less likely to invest in training of their staff.

### Use of Labour-only sub-contracting

- 2.2 Almost three in four (73%) employers had used LOSCs over the last 12 months. A significant minority (14%) appeared to rely exclusively or almost exclusively on using LOSC, having no manual workers directly employed at all at the time of interview. Nearly all these firms were micro employers (with less than 10 staff). Overall a majority of firms (59%) have directly employed manual workers as well as using LOSC over the last 12 months.
- 2.3 Employers use labour-only sub-contracting to undertake a wide range of occupational roles. Most (76%) indicate they use LOSC for skilled trades where they do not employ people in those trades, and very few use labour-only sub-contracting mainly for relatively low skilled, general labourer positions.

### Apprentice training

- 2.4 Overall two in five companies (42%) had apprentices or trainees at the time of interview. The likelihood of having any apprentices or trainees does not differ markedly simply by whether a company uses LOSCs or not. However, those companies with greater reliance on labour-only sub-contracting (who say the current number of directly employed manual staff is less than the typical number of LOSCs) are much less likely to have apprentices / trainees than those who rely mainly on directly employed staff. Among the former group of employers 22% had any apprentices, compared with 54% among those employers with more current directly employed staff than their typical number of LOSCs.

### Employer training activity

- 2.5 The majority of employers (58%) had provided training to (non-apprentice) staff over the last 12 months. All the large firms (with 250 plus staff) had done so, as had nearly all (98%) the medium sized firms (with 50-249 staff). Simply whether or not a firm makes use of LOSCs has little effect on whether they undertake any training or not.



2.6 However, there is strong evidence that training is less likely to be provided to LOSCs. In regard to **off-the-job** training, for example:

- 37% of firms who employ manual staff directly provided any off-the-job training to some of their manual staff over the last 12 months, whereas only 20% of those using LOSCs had provided any off-the-job training to LOSCs.
- 181 respondents in our sample had provided off-the-job training in the last 12 months and employed manual staff directly as well as having made use of LOSCs. Half (53%) of these said they only provided off-the-job training to their directly employed staff, and in comparison only 4% said this sort of training had only been given to LOSCs (the remainder had given it to both types of worker).
- Among those employers giving off-the-job training to both types of worker (76 respondents), half indicated that the amount or nature of the training they had provided differed between the two groups. In all cases this was more training being given to their directly employed staff.
- Most telling, overall a much higher proportion of directly employed staff received any off-the-job training. For example, 17% of those employing manual staff directly indicated that *all* their directly employed manual staff had received training over the last 12 months compared with 8% who employed LOSCs saying they had provided off-the-job training to all their LOSCs.

2.7 A greater depth and range of off-the-job training appears to be provided for directly employed staff. For LOSCs, employers mainly provided health and safety off-the-job training. For directly employed staff, while this was also the most likely training to have been provided, job specific training and training on new machinery were also relatively common.

### **On the job training (employers)**

2.8 Employers provided a similar picture in regard to on-the-job training. In particular:

- A quarter (23%) of those using LOSCs had provided on-the-job training to any LOSCs over the last 12 months. This compares to 44% of those with directly employed manual staff training this type of worker.
- Among those with both types of workers who had provided any on-the-job training over the last 12 months, half (52%) said they only provided this on-the-job training to directly employed staff.
- Even where on-the-job training had been given to both groups, two in five indicated that the amount or nature given to each type of worker differed. In all these cases this was more training being given to directly employed staff than to their LOSCs.

- Overall, a greater proportion of directly employed staff receive on-the-job training than do LOSCs. For example, 17% of those with directly employed staff said all or nearly all these workers were given on-the-job training. This is twice the level found among employers with LOSCs in terms of the proportion of this type of staff given on-the-job training (9%).

### **Skill levels among LOSC and directly employed staff**

- 2.9 Part of the explanation for less training being provided to LOSCs is that *some* employers see these staff as more highly skilled. Overall half the employers (49%) agreed that LOSCs are generally more skilled and do not need as much training (38% disagreed). However, when asked to indicate the proportion of each type of worker that they would describe as fully skilled, while slightly higher for LOSCs, differences were relatively slight (51% of employers said all their LOSCs were fully skilled, compared with 46% saying this for their directly employed manual staff). Certainly other reasons contribute to less training being provided to LOSC. Two in five (38%) employers who use LOSC agree that it is not an employer's responsibility to train LOSC, and for approaching half (44%) the reason is less to do with their skill levels than the fact it makes no sense to train these staff because they are only employed for a short time.

### **Site workers**

- 2.10 A wide range of occupations was covered within the 504 interviews with manual workers. The sample split roughly 60:40 between those directly employed and those working on an LOSC basis (this includes the self-employed but also agency workers and those hired out by a construction company to another firm).
- 2.11 Confirming employer views of skill levels, LOSCs tended to have worked in the industry somewhat longer than those directly employed and were more likely to feel they had all the skills they needed for their current job (71% of the self-employed felt this, compared with 59% among those employed directly by a construction firm). Matching this the directly employed were more likely to feel they needed more training (38% compared with 27% among LOSCs).
- 2.12 At least in part reflecting a longer time spent working in the industry, more self-employed (48%) had received an apprenticeship than those currently directly employed (42%). However, many more of the directly employed were currently receiving an apprenticeship or were trainees (12%) than was the case among the self-employed (2%). Among those who had only ever worked on a self-employed basis (49 of our respondents) only 18% had ever received an apprenticeship.

- 2.13 This indication that LOSC tend to receive their apprenticeship, if at all, while directly employed is confirmed by the fact that the vast majority (86%) of the self-employed who had received an apprenticeship were directly employed at the time.
- 2.14 Overall two in three (68%) construction workers have some qualification relevant to working in construction. This does not differ between those currently directly employed and the self-employed. However, those who have only ever been self-employed were significantly less likely to hold any qualifications relevant to the industry (49%). Among the 171 respondents who had construction qualifications and who had worked both on an LOSC basis and on a direct basis while in the industry, the vast majority indicated that these qualifications had all (71%) or mainly (10%) been acquired while working as an employee. This is further evidence that qualifications and training tend to be undertaken while in direct employment.
- 2.15 The picture on currently working towards any qualifications confirms this. Overall 17% of workers indicated they were working towards a formal qualification, this much higher among those directly employed (22%) than those in self-employment (10%).
- 2.16 Our survey also shows the extent of the flow of workers from direct employment to self-employment. Among those currently directly employed only a third had ever worked on a self-employed basis or for an agency. Among those currently self-employed, only a quarter had always worked on a self-employed /agency basis. The vast majority (87%) of the self-employed who had worked on a mixed basis started out in the industry working as an employee for a construction company.
- 2.17 In conclusion, there is strong evidence from both employers and construction workers that less is invested in the training of staff who are employed on an LOSC basis. It is also the case that LOSC workers tend to receive their training and qualifications while directly employed.

### 3 Employers: demographics and use of LOSC

3.1 In this chapter we provide brief, general demographic information about our sample of employers, before then focusing on their use of directly employed staff and labour-only sub-contractors. The latter covers:

- The average number of staff directly employed currently
- The proportion of firms with no directly employed staff, using only LOSCs for their manual workers
- The proportion of employers who have made any use of LOSCs in the last 12 months
- The perceived advantages and disadvantages of using LOSCs, and general attitudes to using LOSCs
- The occupations where LOSCs are employed
- How LOSCs are sourced

This is by way of general introduction to the following chapter which focuses on the key issue of training activity and how this differs between different types of company.

#### Details about the employers

3.2 Employers specialised in a range of areas within construction, most commonly general building (mentioned by 27%) and house building (16%). These were the only responses mentioned by more than one in ten of the sample. The following areas were mentioned by between 3% and 9%:

- Painting and decorating (9%), dry lining / partition (8%), joinery (7%), building repair and maintenance (6%), roofing (5%), plant hire (4%), plastering (3%), flooring (3%) and civil engineering (3%).

- 3.3 On balance slightly more employers always or usually operate as the main contractor (52%) than always or usually operate as a sub-contractor (35%). This is summarised on the following table.

<b>Usual means of operating in terms of contracting arrangements</b>		
<i>Base: all employers</i>	Total (350) %	Large (45) %
Always main / lead contractor	39	51
Usually main / lead contractor	13	29
It varies equally between being main and sub-contraction	12	2
Usually sub-contractor	23	11
Always sub-contractor	12	2
Some other contracting arrangement	1	4

- 3.4 Large employers (with 250 or more employees) were much more likely than average to work as the main contractor, indeed half (51%) said this was the way they always worked.

### **Employment status of manual workers**

- 3.5 The vast majority of employers (86%) indicated that they currently had manual workers employed directly, this excluding management and office / admin staff and excluding ‘*anyone who may be working for you on a labour-only sub-contract basis or people working for you via sub-contractors or an agency.*’
- 3.6 Hence overall 14% of employers currently *only* employed manual workers on an LOSC basis. The vast majority of these were micro firms with fewer than 10 employees. No medium or large companies operated in this way.

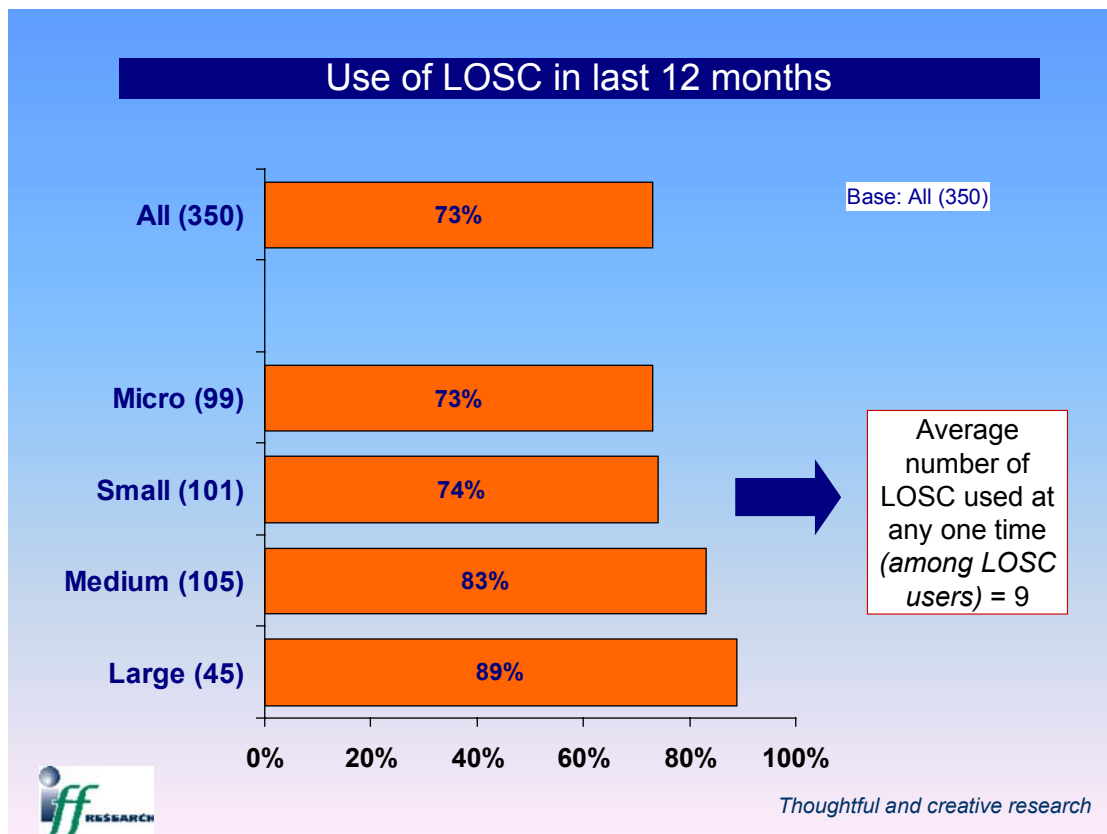
- 3.7 This information is summarised on the following table which also shows the average number of manual staff directly employed at the time of interview (this average includes those saying they had none).

<b>Manual workers directly employed</b>					
<i>Base: all respondents</i>	Total (350)	Micro (99)	Small (101)	Medium (105)	Large (45)
None	14%	15%	3%	-	-
Average number	9	6	16	71	428

- 3.8 The average number of manual workers directly employed was nine. This is very driven by the situation in micro companies (which dominate the industry in terms of the proportion of all employers they represent). In medium sized companies the average was 71 manual workers directly employed, and in those with 250 plus staff the average was over 400.
- 3.9 There was no indication from the survey results that use of LOSC implies less use of directly employed staff. Among those with no LOSCs, the average number of directly employed manual workers was 9, as it was among those using LOSCs currently. In a similar way there was no difference in the average number of directly employed manual staff between those for whom LOSC levy payments are negligible and those for whom they are significant (both 9).

### **Use of LOSC**

- 3.10 Three-quarters (73%) of employers had used LOSCs in the last 12 months. This varied somewhat by size of company: with the larger the company the more likely they are to have made some use of LOSCs. Results are summarised in the following table.



3.11 Those using LOSC workers were asked how many they had used over the past 12 months, and how many they typically use at any one time. On average these employers estimated that they had used 35 LOSCs in the last 12 months. This varied by size of employer. It is interesting to see that micro employers have used more LOSC than small employers, suggesting that the very smallest employers can only cope with winning new work by bringing in staff on this basis, where as slightly larger firms have more capacity to deal with increased demand.

- 3.12 The typical number of LOSCs used at any one time over the last 12 months, among those using workers on this basis, was nine. Though much higher among large and medium sized firms, there was little difference between micro and small firms on this measure.

<b>Average number of LOSCs used...</b>		
<i>Base: all using LOSCs in the last 12 months (274)</i>	<b>At all over the last 12 months</b>	<b>At a typical time over the last 12 months</b>
Total	35	9
Micro	35	8
Small	17	9
Medium	84	32
Large	401	305



### Type of occupations for which use LOSC

- 3.13 Those using LOSCs were asked both the specific occupations for which they had used LOSC over the last 12 months, and more generally whether labour-only sub-contracting is used for skilled trades where they currently do not have staff directly employed, the same trades that they directly employ staff currently or relatively low skilled positions. Results on the second of these are shown on the following table.

Types of trade where use LOSC	
<i>Base: all using LOSC in the last 12 months (274)</i>	%
Skilled trades where do not currently employ staff	76
Same kind of skilled trades where staff currently employed	31
Relatively low skilled, general labourer positions	2

- 3.14 The majority of employers (76%) are using LOSCs to provide skilled labour in areas where they do not currently employ staff. This fits in with what was found at the pilot stage, that many smaller employers do not have the volume of work to justify employing some specific occupations on a permanent basis and hence bring in these skills by labour-only sub-contracting on as needed basis. Not surprisingly, micro firms, because of the few staff they have, are particularly likely to use labour-only sub-contracting for this purpose. On the other hand the majority of medium and large firms indicate that they bring in LOSC mainly to top up the numbers that they have available in trades where they already employ staff directly.
- 3.15 Very few LOSC users (2%) are using this method *mainly* to recruit for relatively low skilled, general labouring positions. This is despite the fact that over a quarter of all firms (27%), and over a third (35%) of employers using LOSCs, say they have general labourers employed directly.

- 3.16 The following table lists the occupations where employers say they have taken on manual workers on an LOSC basis in the last 12 months. For comparison we also show the proportion of LOSC employers who say they employ staff in these occupations directly (i.e. on a non-LOSC basis).

<b>Main occupations employed by LOSC employers</b>		
<i>Base: all using LOSC in the last 12 months (274)</i>	<b>On an LOSC basis</b> %	<b>Employed directly</b> %
Carpenter / joiner	35	33
Bricklayer	31	21
Plasterer	19	8
Electricians	18	2
Painter / decorator	17	14
Plumber	14	4
Labourer / general labourer	13	35
Ground workers	11	6
Ceiling fixers	11	5
Roofers	9	2
Dry liners	8	*
Floorers	6	2

- 3.17 Employers are particularly likely to have taken on carpenters / joiners and bricklayers over the last 12 months on an LOSC basis. These are also occupations where these employers are likely to have staff employed directly, suggesting that in these occupations LOSCs are widely used to add to the number of these workers already employed when workloads are busy. The same is true for painters and decorators.

- 3.18 Findings suggest that the trades where LOSCs are particularly likely to be brought in to provide skills not already in-house are: plasterers, electricians, plumbers and dry liners.

### Source of LOSCs

- 3.19 Those using LOSCs in the last 12 months were asked if most of the LOSCs that they had taken on were recruited via an employment agency, were 'on loan' from other construction companies or were self-employed. Employers indicate that typically most LOSC are self-employed. Responses are shown on the following table (figures add to a little over 100% since respondents could give more than one answer if two methods were used equally).

<b>Where most LOSCs used are sourced from</b>	
<i>Base: all using LOSCs in the last 12 months (274)</i>	%
Self-employed	89
Recruited via a recruitment agency	7
'On loan' from other construction companies	5
Some other means	2

- 3.20 There are large differences on this measure by type of employer. Medium and large employers who use LOSCs are much more likely than average to obtain most of their LOSCs via recruitment agencies (29% and 35% respectively). Large employers are also relatively likely to use LOSCs 'loaned' from other construction firms (as many as 20% sourcing most of their LOSCs in this way).

**Advantages, disadvantages and general attitudes to using LOSCs**

3.21 Those who had not made use of LOSCs in the last 12 months (27% of employers) were asked why they had not done so. For two thirds of these employers (67%) it was simply that they had no need and that they had been able to cope with their workloads using simply the staff they employ directly.

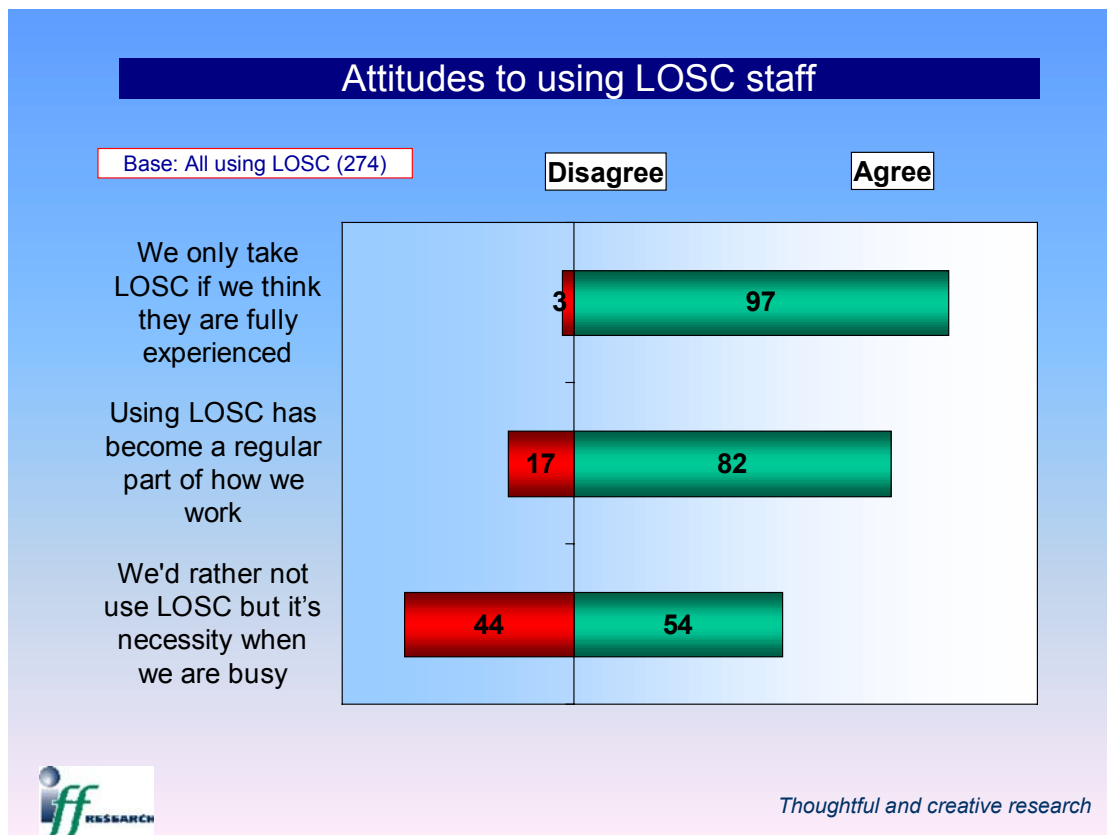
3.22 Other responses given by a minority of non-LOSC users included:

- *It not being appropriate for their line of work (20%).* In the pilot study an example of this response was those hiring out equipment with a driver / operator. Those saying their specialist area was plant hire were particularly likely to give this response (51%, though this is on a small base of six respondents), though it was also mentioned by some in areas where you would not imagine this was a key issue e.g. painting and decorating, and flooring.
- *The expense (8%)*
- *Less loyal / leave for better pay elsewhere (4%)*
- *Have to pay CITB a higher rate levy (4%).*

3.23 In a similar way, one response predominated as to why employers used LOSC as opposed to taking on more staff on a directly employed basis. This was simply that using LOSCs gives them more flexibility, saves them having to hire and fire and is the best way to cope with busy periods, this type of response mentioned by 61% of LOSC users. Other responses included the following:

- *LOSC tend to more skilled and experienced (6%)*
- *LOSCs can work out less expensive (6%)*
- *Using LOSC means staff won't be idle in quiet periods (4%)*
- *It keep overheads low (4%)*
- *There is no need to train LOSCs (4%).*

- 3.24 The following chart shows attitudes to employing LOSCs among those that have taken on such staff in the last 12 months.



- 3.25 It is interesting to see that just over half of LOSC users (54%) say they would rather not use LOSCs but that it is a necessity when they get busy. However, for the vast majority it is clear that using LOSC is anything but the exception: 82% of employers using LOSC say this way of working has become a regular part of the way their company operates.
- 3.26 Almost all these employers (97%) say that they only take on LOSC staff if they think they are fully experienced. This supports findings from the pilot stage that employers are really only interested in using such workers if they can make an impact from day one. This clearly has implications for the perceived need to train such staff, which we cover in the next chapter.

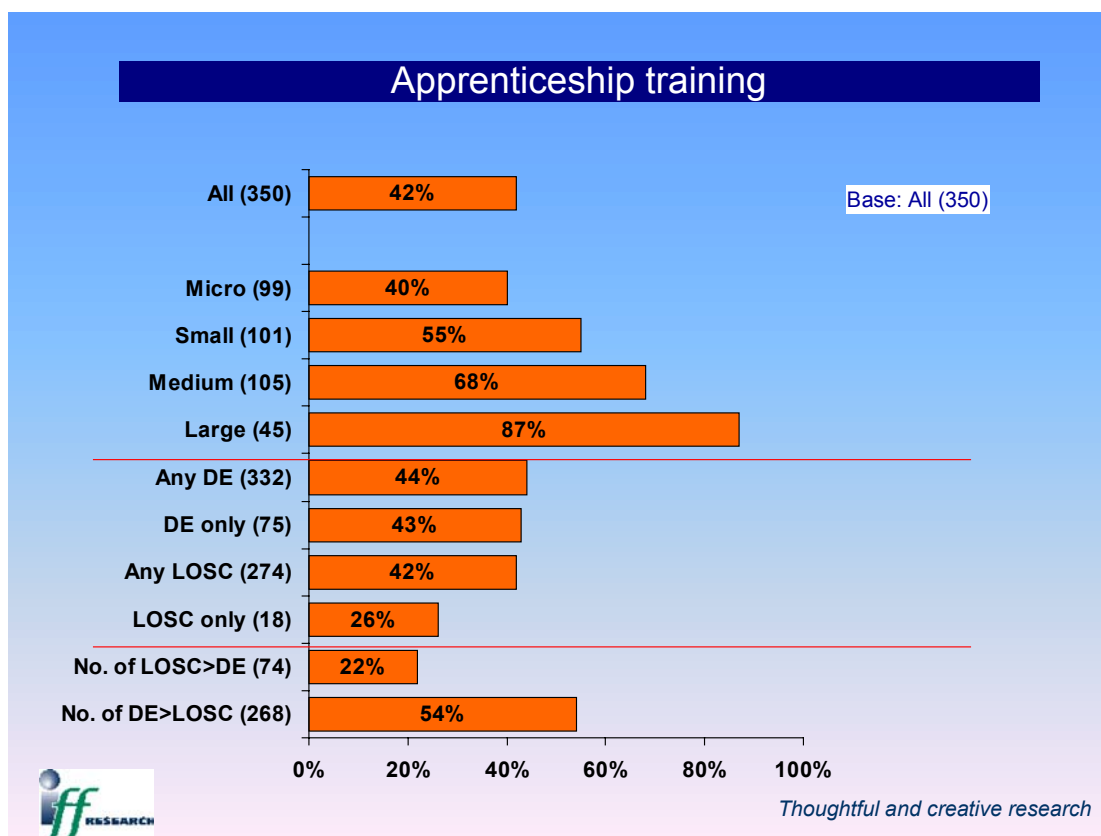
- 3.27 LOSC users were also asked if they specified the level of experience required on the first occasion they used a LOSC, just over half (54%) said they always did, and two in three (68%) said they always or usually did so. The fact that some rarely or never actually specify the level of experience expected for LOSCs is not in itself contradictory to the finding described in the previous paragraph. For example, many self-employed LOSCs are taken on by word of mouth or by recommendation and in these situations the experience required would often not be formally specified. We also asked employers how often LOSCs were ex-employees. Just under a third of LOSC users indicated this was frequently (17%) or sometimes (13%) the case. Again clearly, for these workers employers would not need to specify the experience they required.
- 3.28 What is clear though is that employers are much more interested in experience than qualifications. Only a quarter of LOSC users indicated that they always specify the qualifications they require for LOSC workers, and just over half (54%) said they *never* make this part of their specification.

## 4 Employer Training Activity

4.1 In this chapter we look at the extent and nature of training undertaken by employers, and examine how this differs by whether or not a firm employs LOSCs, and, among firms employing staff both directly and on an LOSC basis, whether the training varies for these different types of staff. We look first at apprenticeship training, before then examining on and off-the-job training for other (i.e. non-apprentice) staff.

### Apprenticeship training

4.2 Just over two in five employers (42%) currently have staff who are formally designated trainees or apprentices. The likelihood of having trainees or apprentices varies widely by size of company, with nearly all (87%) of large companies having such staff. This is summarised in the following chart. This also shows how results vary by whether a company has directly employed staff ('any DE'), only directly employed staff (i.e. no LOSCs used in the last 12 months – this 'DE only' on the chart), whether they have used LOSC in the last 12 months and whether they have no directly employed staff currently ('LOSC only'). We also show results for those companies that say they have more LOSC at any typical one time than they have directly employed staff currently, and vice versa.

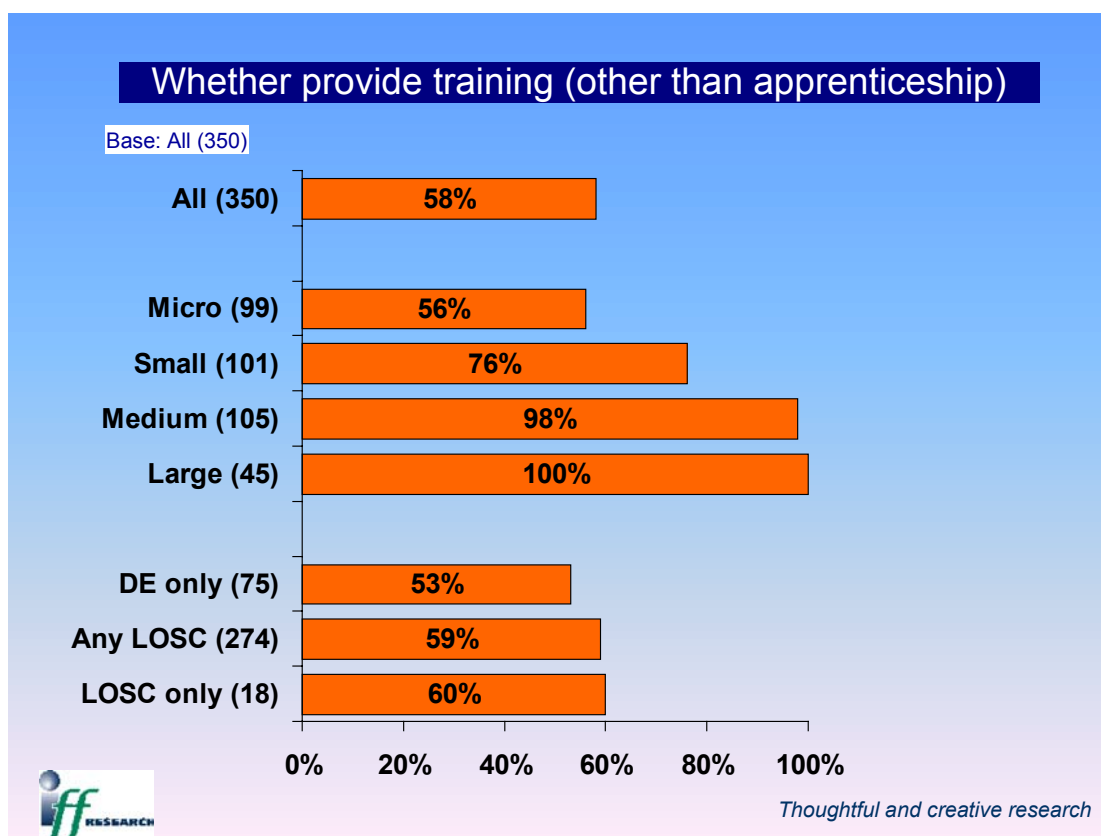


- 4.3 Simply being a company that uses LOSC does not in itself appear to reduce the likelihood that they will take on apprentices / trainees. (The figure is lower for those who say they *only* have LOSC staff and no directly employed manual staff currently, but this is on a very low base. Indeed it is may be considered surprising that any of these employers say they have apprentices / trainees, though they may be meaning that they are using LOSCs who are not fully experienced.)
- 4.4 However, those companies who are particularly reliant on LOSCs (who say they have more LOSCs working for them at any one time than they have directly employed staff currently) are significantly less likely to have apprentices / trainees than the majority of employers who have more directly employed staff currently than they typically have LOSCs.
- 4.5 Those who had apprentices currently and who used LOSCs were asked if they ever placed their trainees with their LOSCs. A third indicated that this happened frequently (19%) or sometimes (14%). This was much higher among those employing more LOSCs than directly employed manual staff (82%, this based on 32 such employers interviewed). It was much lower among those who mainly use LOSC for low skilled positions (4% on a base of 28 such employers), indicating that here there would not be appropriate LOSCs with whom to place an apprentice.

#### **Training of other (non-apprentice) staff**

- 4.6 The majority of employers (58%) say they had provided training to staff (excluding any trainees or apprentices). Again there is a clear size effect, with larger firms much more likely to train. All of those with 250 plus staff had provided training in the last 12 months, as had nearly all medium sized firms (98%).






- 4.7 There is no evidence that those employing LOSCs are less likely to have provided any training, indeed figures suggest that if anything the reverse might be true. Clearly, simply providing ‘any training’ is a relatively crude measure, and the following sections examine the type of training and the number of staff for whom this is provided.

### Off-the-job training

- 4.8 Off-the-job training was introduced to respondents as follows: ‘*by off-the-job training I mean to include all training away from the immediate work position. It can be given at your premises or elsewhere. It includes all sorts of courses and training sessions - full or part time; correspondence or distance learning; Health and Safety training, and so on - as long as it is funded or arranged by you.*’ Overall, just over a third of employers (36%) had provided off-the-job training to any staff over the last 12 months. However, there are clear indications that off-the-job training is less likely to be given to LOSC staff than directly employed manual staff. In particular:
- 37% of those who employ manual staff directly had provided off-the-job training to any manual staff in the last 12 months, but
  - Only 20% of those who used LOSC over the last 12 months had provided any off-the-job training to any LOSCs.

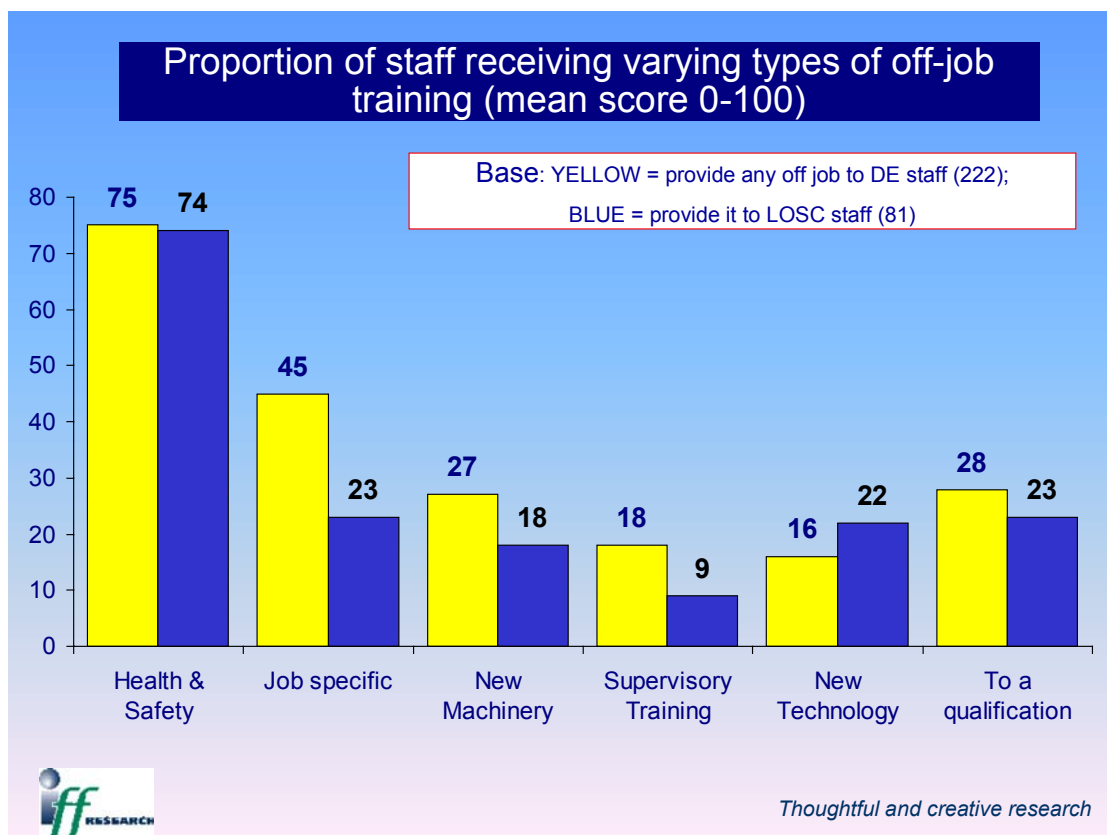
- 4.9 Confirming this finding, among those who have provided any off-the-job training in the last 12 months and who employ manual staff both directly and via labour-only sub-contracting (some 181 respondents), half (53%) only provided this training to their directly employed staff. With most of the remainder saying this training has been provided to both types of staff, only a very small proportion (4%) have provided this training just to their LOSCs.
- 4.10 The same finding emerges when employers were asked what proportion of directly employed staff and LOSC staff they provided off-the-job training to. Results are shown in the following table. The first column shows the proportion of directly employed staff who receive off-the-job training (based on those employers with directly employed manual staff). The second column shows the proportion of LOSC to whom employers using such staff had provided off-the-job training.

<b>Proportion of manual staff provide off-job training for</b>		
	<b>To DE</b> Base: All employing DE (332)	<b>To LOSC</b> Base: All employing LOSC (274)
All /nearly all	17%	8%
Vast majority	8%	2%
About half	7%	3%
Minority	4%	3%
Very few	2%	4%
None	63%	80%

 *Thoughtful and creative research*

- 4.11 A higher proportion of directly employed staff receive off-the-job training. One in four with directly employed manual staff say the vast majority of these staff have received off-the-job training in the last 12 months (indeed 17% say they provided it to all or nearly all such staff), while only one in ten using LOSCs staff say the vast majority of these staff received off-the-job training.

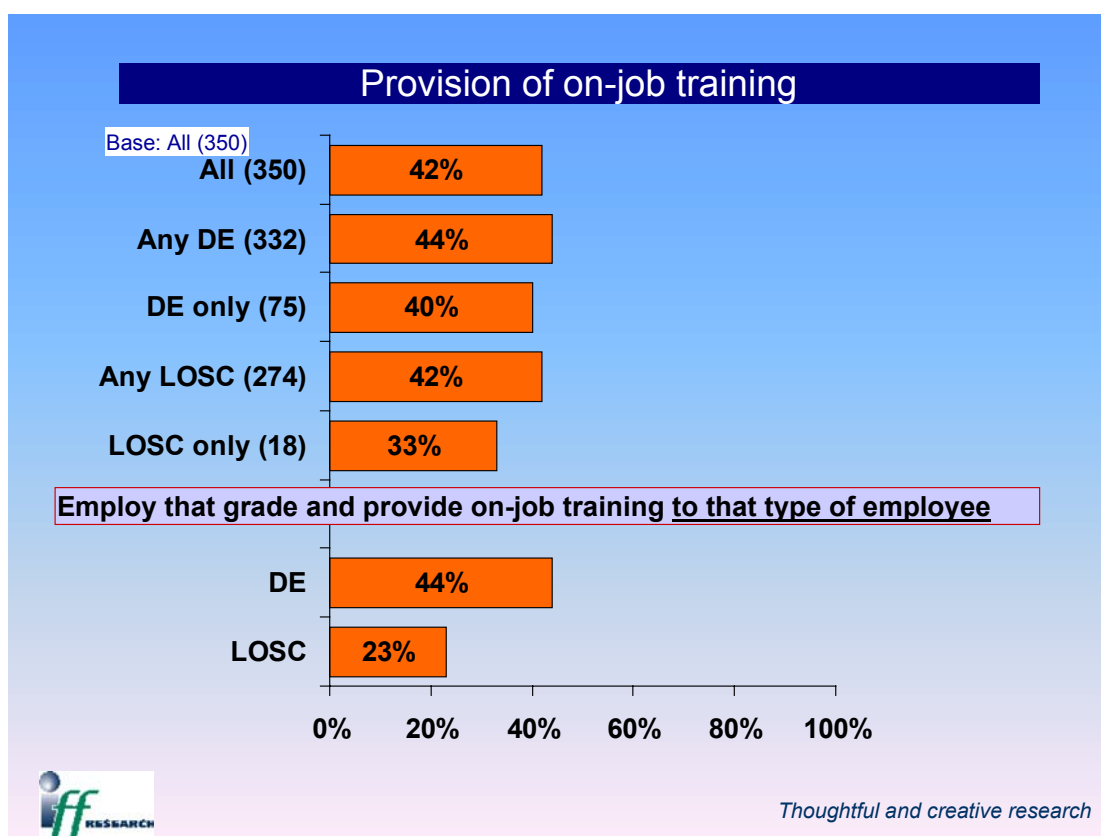
- 4.12 A further indication that directly employed staff tend to receive more off-the-job training than LOSCs comes from those employers who provide off-the-job training to both directly employed and LOSC staff (76 respondents). Half of these employers indicated that the amount of training they provide for these two types of staff differed – in all these cases this was more training for those directly employed.
- 4.13 The type of off-the-job training provided is shown in the following table. This shows mean scores such that a mean score of 0 would indicate no staff received this training and a mean score of 100 that all staff received such training. (It is worth noting that the mean score denotes the average response, and should not be read as providing an estimate of the proportion of staff receiving each type of training. This is because we have not tried to take account of the size of the firm. In other words if a very large employer said none received this training and a small employer said all its staff did, the mean would be 50. It would also show 50 if the small company had said none and the large all, despite the fact that numerically a very different number of staff would have been trained.) Figures are based on those providing off-the-job training to directly employed staff (left hand bars) and those providing off-the-job training to LOSCs (right hand bars).



- 4.14 The most common type of off-the-job training provided to staff is health and safety, this provided in equal degree to LOSC and directly employed staff. Firms providing off-the-job training to each type of staff say on average that three quarters of their staff received this type training over the last 12 months. However, for most of the other types of training discussed (such as job-specific training, training on new machinery and supervisory training), this was typically provided to a higher proportion of directly employed manual staff than LOSCs.

### On-the-job training

- 4.15 On-the-job training was described to respondents as being ‘*training at the place where the person usually works. Typically, this kind of training is planned in advance, with no, or very little, useful output whilst the training is being undertaken*’.
- 4.16 Overall two in five (42%) employers had provided on-the-job training in the last 12 months.



- 4.17 As with off-the-job training, simply using LOSC does not significantly affect the likelihood of providing any on-the-job training to some staff. However, there are large differences in the proportion of employers training each of the two types of staff. This is shown in the last two bars of the previous chart. As with off-the-job training, it is clear that employers are more likely to give on-the-job training to their directly employed staff. This is shown by the fact that:
- 44% of employers with directly employed staff provided on-the-job training to some of these directly employed staff over the last 12 months, whereas:
  - Only 23% of those using LOSCs in the last 12 months provided on-the-job training to any of these LOSCs.
- 4.18 This conclusion that employers are less likely to give on-the-job training to LOSCs is confirmed when looking specifically at those employers who train staff on-the-job and who employ manual staff both directly and on an LOSC basis. Among these employers (170 respondents), while half (48%) said they had provided on-the-job training to both groups, the remainder (52%) indicated that this training had been given *only* to their directly employed workers. Two main reasons were given for providing on-the-job training to directly employed staff but not their LOSC: that the LOSC that they use are fully experienced (55%) or that they do not feel it is their job to train LOSCs (34%). Attitudes to training LOSCs are discussed later in this chapter.
- 4.19 Further, even among those who provided on-the-job training to both directly employed manual staff and LOSCs, two in five indicated that the amount or nature of the on-the-job training that they gave differed between the two groups. In every case this was directly employed staff receiving more on-the-job training than LOSCs.

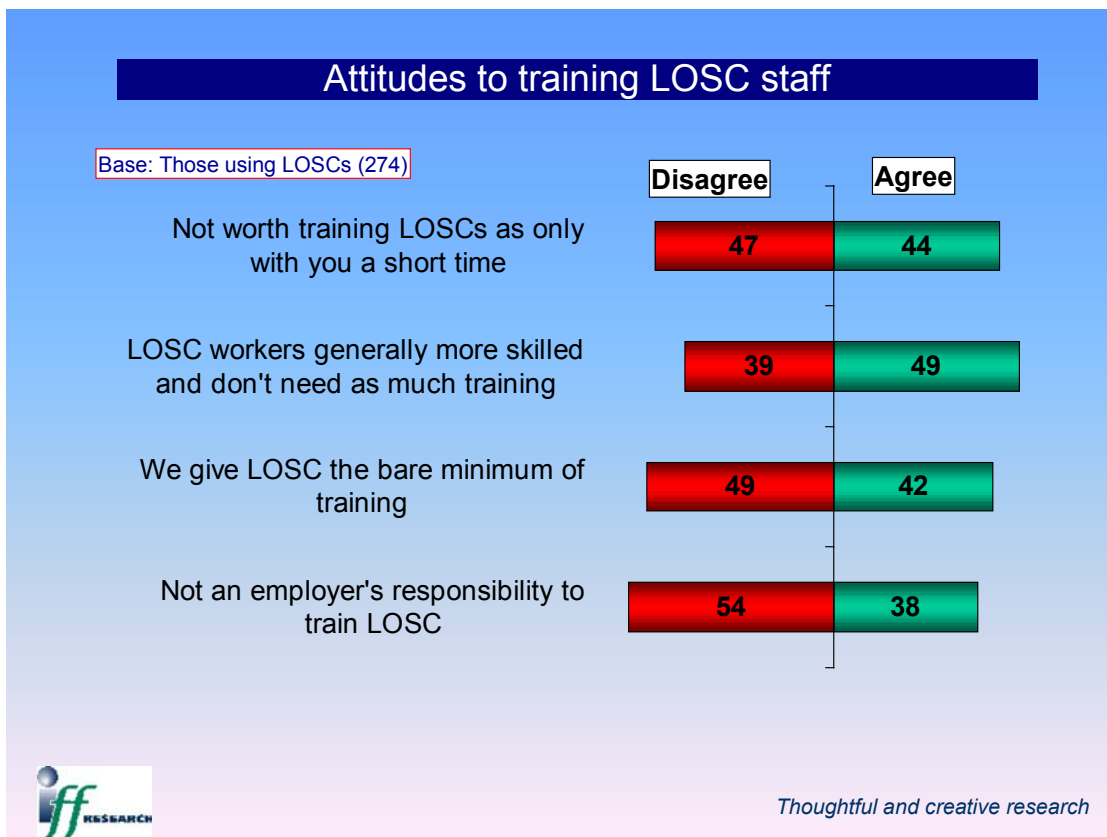
4.20 Further evidence that less on-the-job training is being provided to LOSCs comes in the proportion of each type of staff employers say they provide this training for. Results are shown in the following table. The first column of data is based upon those employers with directly employed staff, the second on those who have used LOSCs over the last 12 months.

<b>Proportion of each type of staff provided on-the-job training for in the last 12 months</b>		
<i>Base: all employing each type of staff</i>	Directly employed staff (332) %	LOSCs (274) %
All / nearly all	17	9
Vast majority	6	2
About half	9	4
A minority	4	3
Very few	9	5
None	56	77

4.21 Almost one in four (23%) employers with directly employed manual staff provided on-the-job training to the vast majority (or all) of these staff. The equivalent proportion for those with LOSC staff was one in nine (11%).

### Attitudes to training LOSC

4.22 We have seen that employers are less likely to provide LOSCs with training, whether this be on or off-the-job. As well as collecting factual information about their training activity we also collected information on their attitudes to training LOSCs. Results on these measures are summarised in the following chart, which shows the proportion who agreed or disagreed with each statement. Figures do not add to 100% since we do not show those who neither agree nor disagree, nor those who replied ‘don’t know’. Figures are based on those using LOSCs at all over the last 12 months.



4.23 Two in five (42%) employers who use LOSC admit that they give these workers the bare minimum of training (this is typically a short induction session and health and safety training), and a similar proportion (38%) feel it is not an employer’s responsibility to train LOSCs.

4.24 The reason for not being prepared to invest significantly in the training of LOSCs is often the short term nature of the relationship. Over two in five (44%) agree that it is not worth training LOSCs since they are only with you for a short time. In many cases though part of the reason for investing less in the training of LOSCs is that they are felt to be more skilled than directly employed staff and hence in less need of training. Half (49%) believe this to be the case. The final section of this chapter looks specifically at employer views of the skill levels of their directly employed staff and their LOSCs used over the last 12 months. Results are shown on the following table.

<b>Proportion fully skilled</b>		
<i>Base: all employing each type of staff</i>	Directly employed staff (332) %	LOSC (274) %
All	46	51
Nearly all	11	8
The majority	25	30
About half	10	4
A minority	9	3
Don't know	*	4

4.25 Differences are relatively slight, but on balance employers judge a higher proportion of LOSC as fully skilled compared with directly employed manual workers. Overall, around half say all their directly employed staff or LOSC are fully skilled, and three in five feel all or nearly all these workers are fully skilled.



## 5 Site workers

5.1 In this chapter we look at the circumstances of the 504 site based workers interviewed, concentrating on their training and skill levels, and how this differs between those employed directly and those employed on an LOSC basis. Our key aim here is to see the extent to which the pattern of training described by employers is confirmed or not by workers themselves.

### Demographic information

5.2 As a means of introduction, we provide information about our sample of site based manual workers, looking at their occupations, age and length of time they have worked in the industry. (In terms of gender, only one female was interviewed).

5.3 A wide variety of occupations were covered within the 504 interviews. Carpenters and joiners were the most commonly encountered, indeed almost a quarter (23%) of those interviewed categorised themselves in this occupation. The main occupations were as follows:

- Carpenters / joiners (23%)
- Labourers (13%)
- Bricklayers (9%)
- Groundworkers (9%)
- Electricians (9%)
- Scaffolders (4%)
- 3% of our sample consisted of each of the following: plumbers, roofers, painters / decorators and plasterers.

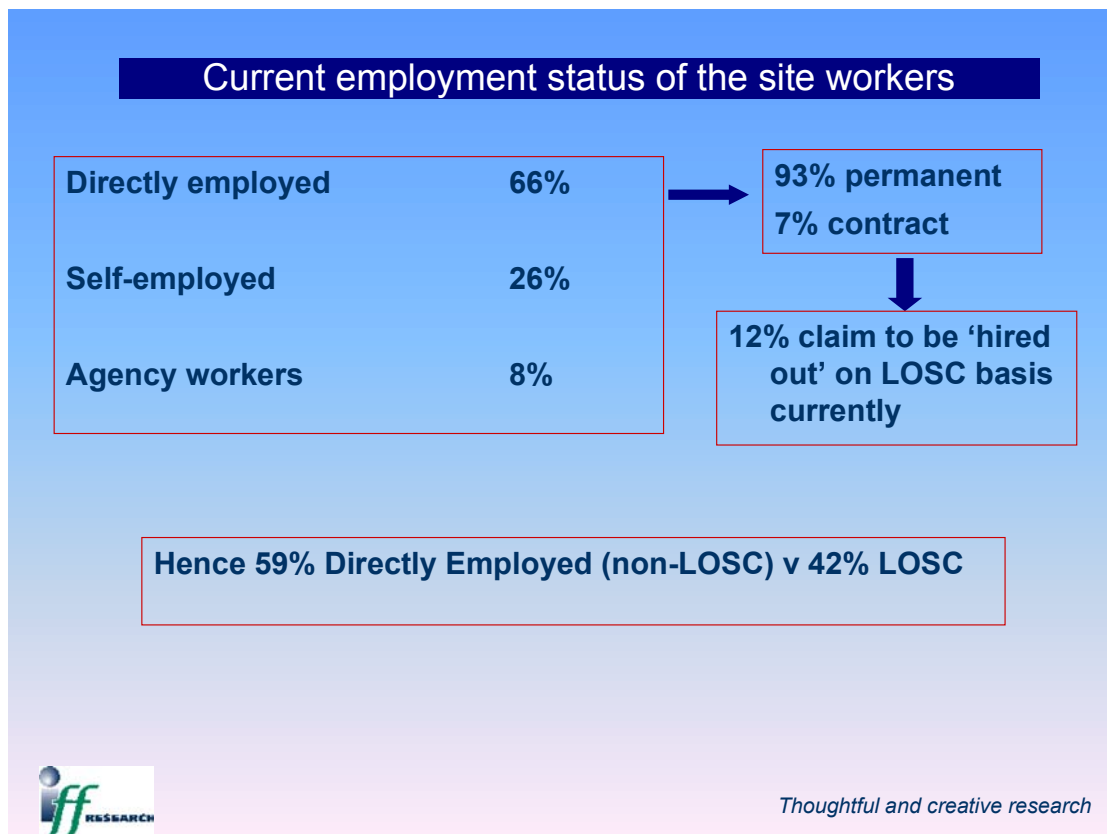
5.4 As a lead in to asking about their experience and how long they had worked in the industry, respondents were asked their age. Half our sample (49%) were aged 25-44. One in five (21%) were under 25, leaving a significant minority (30%) aged 45 or older.

5.5 The mean average number of years that our sample had worked in the construction industry was 17 years. A few were very recent entrants to the sector (6% had worked in construction for less than a year), but most had worked in the industry for a very long period of time, indeed over a third (36%) had worked in construction for more than 20 years.

- 5.6 Although base sizes are relatively small, results suggest workers in some occupations are particularly experienced in terms of their years working in the industry. Three in five plasterers (62%) had worked in construction for over 20 years, and the figure was also higher among supervisors / managers (50%) and carpenters / joiners (47%).
- 5.7 The self-employed tended to have worked in the construction industry for longer than those directly employed, though still the vast majority of those working for a construction firm had worked in the industry for significant periods (69% for more than five years). This is discussed in more detail in 5.12 and 5.13, after we discuss the proportion of our sample falling into either category.
- 5.8 Working for a long time in the industry does not necessarily equate to workers having experience in their particular occupation. Overall a quarter (26%) indicated that they had changed the type of construction work they do during their time in the industry. Other than for 16-17 year olds (where the figure was very low) this varied very little by age.
- 5.9 There was no discernible pattern in the occupational changes that these workers said had taken place. It was not the case for example that workers always moved to more skilled positions. Nor was the direction of the flow one-way towards particular occupations. For example, we encountered cases of carpenters who had been bricklayers but also bricklayers who had been carpenters, and we encountered labourers who had been scaffolders and vice versa. Because carpenters were the most common occupation among our sample, we gained most information on the previous occupations of carpenters. These included: plumbers, bricklayers, dry liners, electricians, labourers and painter / decorators.

### **Employment status**

- 5.10 The following table shows responses on the employment status of our site based workers in terms of whether they were employees of a construction firm, self employed or working for an agency. For those who were working directly for an employer we also show the proportion with a permanent contract, and the proportion who indicated that they were being hired out to another construction company by their main employer.



- 5.11 Overall two thirds (66%) of our workers were employed directly by a construction employer. Around one in eight (12%) of these claimed to be hired out to another employer, hence overall our sample splits approximately 60:40 between those working directly for their employer and those working on an LOSC basis. LOSC here includes the self-employed, agency workers and those hired out to another employer.

5.12 We have seen that a significant proportion of employers using LOSC (49%) indicate that these workers tend to be more skilled and less in need of training (39% of these employers disagreed with this view). There is evidence to support this from workers themselves, both in terms of the amount of time they have worked in the industry and in the extent to which they believe they have the skills they need to undertake their current job. We look at the first of these on the following table.

<b>Years spent working in construction by current employment status</b>			
	Directly Employed <sup>2</sup>	LOSC	Self-employed
Base: all	(295) %	(209) %	(132) %
A year or less	8	4	-
1-2 years	6	8	5
2-5 years	17	11	10
More than 5 years	69	78	86

5.13 Just over three-quarters (78%) of LOSCs have worked in construction for over 5 years, this rising to 86% among specifically those who work on a self-employed basis. This is somewhat higher among those Directly Employed<sup>2</sup>. One noticeable difference was that none of the self-employed had been in the industry for less than a year, though as many as 8% of those Directly Employed were new entrants to the industry.

5.14 Following on from this, significantly more self-employed than those employed by a construction firm believe they have all the skills needed to do their current job (71% compared with 59%). Hence it also no surprise to find that significantly more of those employed by a construction firm feel they still need more training (38%) than was found among the self-employed (27%).

<sup>2</sup> Where we refer to those Directly Employed with capital letters this excludes those employed by a company but who are hired out to another construction firm. Hence everyone is either Directly Employed or a LOSC on our definitions.

### Flow between direct employment and self-employment

5.15 A key assumption behind the differential levy is that a large proportion of workers receive most of their training while directly employed after which point they move to self-employment and other forms of labour-only sub-contracting. In this way the burden of training workers in the industry falls on those employers with a larger reliance on direct employment. Put another way, those making significant use of LOSC are benefiting from taking on workers who have received their training while directly employed (hence the higher rate on labour-only sub-contracting).

5.16 We look at the extent of this movement from one mode of working to the other in this section. The following table shows the proportion who have worked on a mixed basis or only as an LOSC or only in direct employment.

<b>Employment status while working in construction</b>			
	All workers	Currently employed by a construction firm	Currently self-employed
<i>Base: all</i>	(504) %	(334) %	(132) %
Only ever an employee	44	66	-
Only ever self-employed / agency	10	-	25
Mix	47	34	75

5.17 Almost half the sample (47%) had worked both self-employed / for an agency and as a direct employee. This was much higher among those currently self-employed (75%) than those currently directly employed (34%), indicating the flow from direct to self-employment. This is confirmed by the fact that the vast majority (87%) of those now self-employed who have worked in both ways started out in the industry as a direct employee. We look later in this chapter at when workers acquired their skills but, to anticipate these findings, this was usually when directly employed.

5.18 Clearly having worked both as a direct employee and on a self-employed /agency basis can cover situations where people have only had very short spells in one or other of these modes of working. Hence we asked those who had worked on a mixed basis whether they had worked mainly as an employee, mainly self-employed /agency, or an equal mix of each.

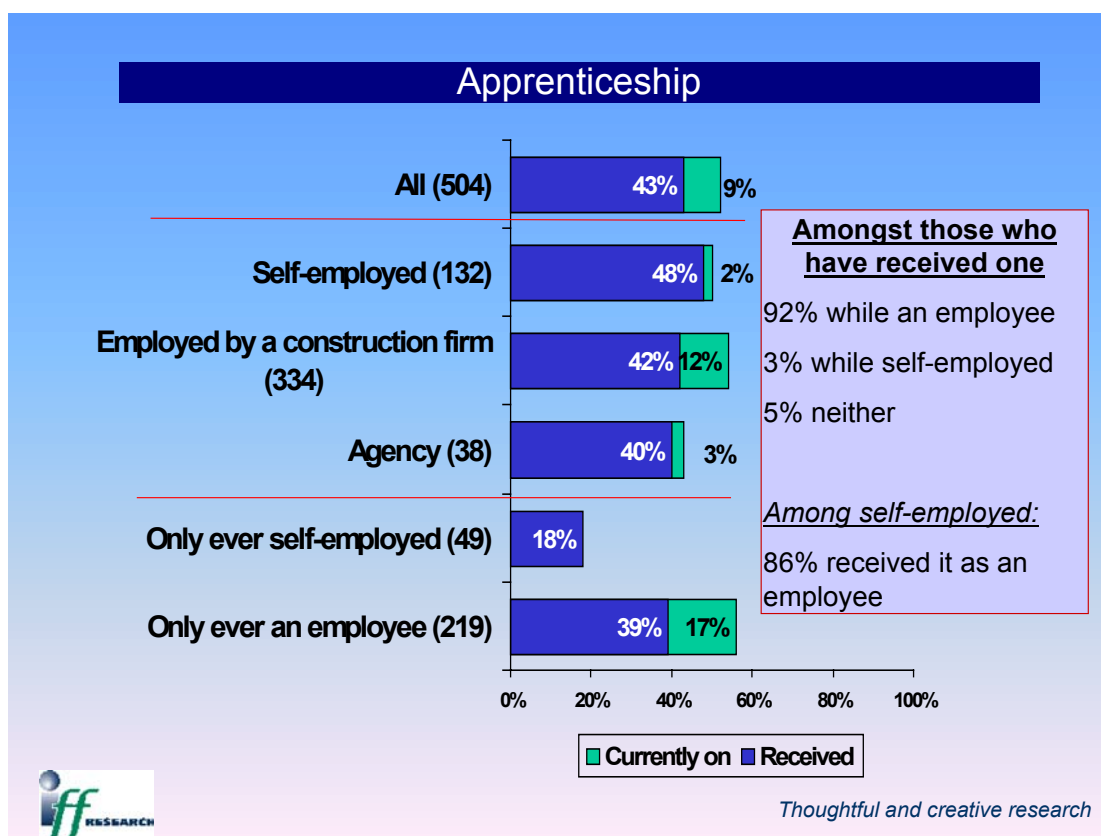
<b>Main mode of working while in construction</b>		
	Currently directly employed	Currently self-employed
<i>Base: those who have worked both directly and on self-employed / agency basis</i>	(115) %	(99) %
Mainly employee	55	27
Mainly self-employed /agency	13	55
Equal mix	32	16

5.19 A slight majority (55% in each case) had mainly worked in the way they currently do. However, it is noticeable that the self-employed were much more likely to have worked mainly as an employee (28%) than vice versa (13%).

5.20 Not surprisingly the vast majority (82%) of those working on a mixed basis started out in the industry working directly for an employer, this even higher among those currently working on a self-employed basis (87%). This flow from direct employment to self-employment (and other labour-only sub-contracting) would not in itself have implications for the differential levy, unless patterns of training were different. This issue is examined in the remainder of the chapter, looking at apprenticeship and training received, and their employment status when they acquired any qualifications relevant to working in construction.

### **Apprenticeships**

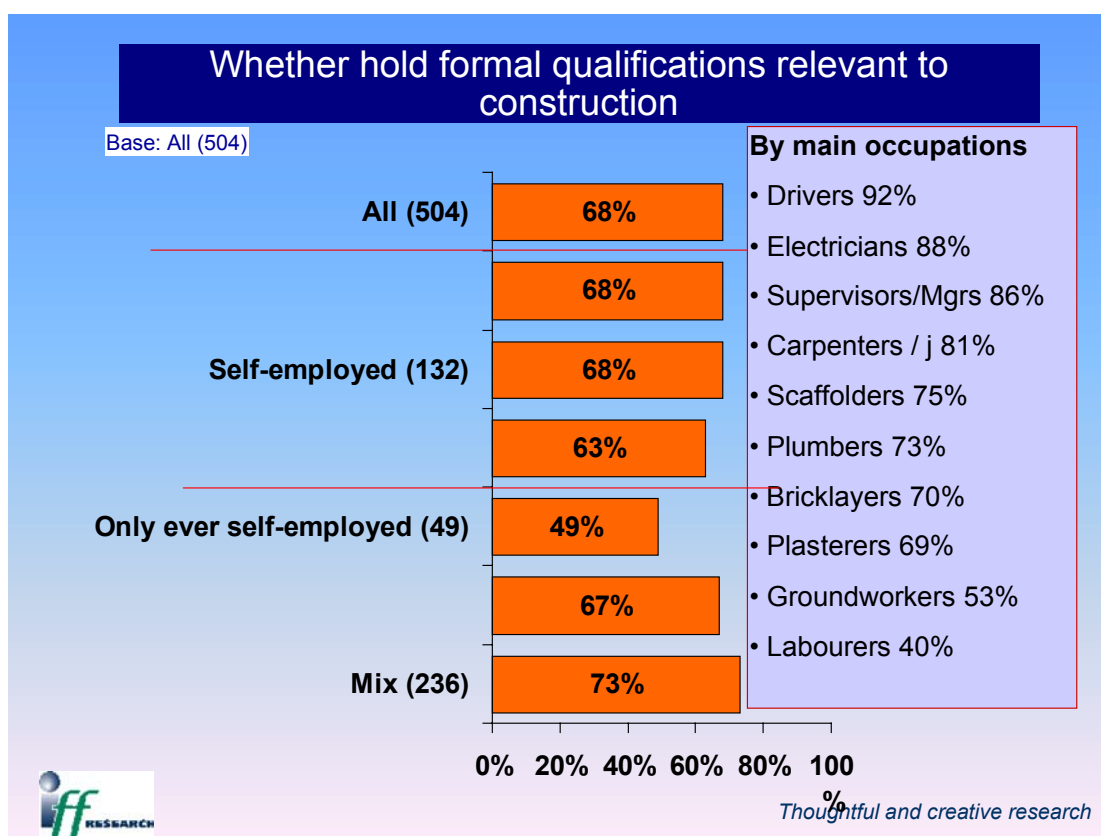
5.21 We have seen in chapter 4 the proportion of employers with current apprentices or trainees. Here we look at the same issue from the view point of the workers. The following chart shows the proportion who say they received a formal apprenticeship as well as the proportion who say they are currently receiving one.



- 5.22 Overall 43% of workers say they received a formal apprenticeship and 9% are currently receiving one. The self-employed were more likely than average to have received an apprenticeship (48%), though only a small proportion (2%) were receiving one currently. Those directly employed were less likely to have received an apprenticeship (42%) but as many as 12% were undertaking one at the time of interview.
- 5.23 There are clear differences between those who had only ever worked in one mode. Among those who had only ever worked on a self-employed basis (49 respondents) only 18% had received an apprenticeship, less than half the figure compared against those who had only ever worked as a direct employee (39%). As further confirmation, 92% of those who had received an apprenticeship indicated this took place while directly employed, and among those currently self-employed who had received an apprenticeship, 86% said this took place while directly employed. Hence clearly the vast majority of apprenticeships training in the industry is taking place while staff are directly employed.
- 5.24 Respondents were generally describing some formal apprenticeship programme. Half (51%) of those receiving an apprenticeship said this had been part of a City and Guilds programme, and 7% had undertaken a Modern Apprenticeship. Seven per cent also mentioned an apprenticeship via CITB. That some were undertaking a relatively informal apprenticeship is clear in that while most had completed their apprenticeship (88%), fewer (77%) said they had gained a qualification as a result of the apprenticeship.

## Formal qualifications relevant to construction

5.25 Clearly it is possible to hold qualifications relevant to working in construction without going through a formal apprenticeship. The following chart shows the proportion of workers who hold any qualification or certificates relevant to construction (they were asked to exclude Health and Safety or First Aid certificates). This could include qualifications those gained via an apprenticeship.



5.26 Two in three workers (68%) say they hold a qualification relevant to construction. This does not vary between those directly employed by a construction firm and those self-employed, though is a little lower among those working for an agency (63%). However, there are again large differences between those who have *only* ever been self-employed and those who have *only* ever worked as an employee, indicative of the fact that the only ever self-employed are less likely to have received formal qualifications.

5.27 There were clear differences by specific occupation. Drivers / machine operators, electricians and carpenters were all more likely than average to hold qualifications (four in five or more of each occupation).



### When qualifications were acquired

- 5.28 In total 171 respondents in our sample held qualifications relevant to construction and had been both self-employed and directly employed while working in the industry. These workers were asked when they acquired their qualifications.

When acquired qualifications	
<i>Base: all who have worked on a self-employed basis and directly for an employer and who hold construction qualifications</i>	(171)
	%
All acquired when an employee	72
Mainly acquired when an employee	10
Mainly when self-employed / working for an agency	4
All when self-employed / working for an agency	9
Other	5

- 5.29 A very clear finding is that for the vast majority of those with construction qualifications who have worked in the industry in different modes, these qualifications are generally gained while working directly for an employer. Almost three in four (72%) of this group said all their qualifications were acquired while working in this way, and 10% said they were mainly acquired when directly employed.

### Currently working towards qualifications

- 5.30 One in six of our sample (17%) indicated that they were currently working towards (further) qualifications. This varied widely by employment status, with 22% of those directly employed working towards formal qualifications compared with 10% among those self-employed and none of those working for an agency.
- 5.31 In the vast majority of cases an employer was paying for this training (82%). Most were working towards NVQs (64% - mainly level 2 and level 3). Other qualifications that were being worked towards include City and Guilds qualifications (9%) and CSCS cards (8%).

## 6 Recruitment agency interviews

- 6.1 The final component of the research was a small number of telephone interviews (10) conducted with recruitment agencies who supply workers to construction companies. The purpose was to get an understanding of skills and training issues among those supplying this particular group of LOSCs.
- 6.2 We spoke with 9 managers / company directors and one company secretary in agencies across the country. Agency size varied; the number of workers they had placed in jobs in the last 12 months ranged from 8 to 350.
- 6.3 It was interesting to see that a number of the recruitment agencies (4 of the 10) said they had provided training themselves. This tended to be at a relatively low level although one respondent said he wanted to see an apprenticeship scheme at agency level giving workers more substantial training.

The most common types of training that agencies had provided were forklift and scissor-lift tickets, plant machinery courses and health and safety training.

- 6.4 When asked about the types of training that the companies who took agency staff provided for these workers, all except one was aware of construction companies having provided training for some agency workers. The same types of training were mentioned as the agencies had provided themselves, and concentrated on CSCS and CITB tickets. However, most felt that the vast majority of the agency workers they had on their books had gained their skills and qualifications while directly employed.
- 6.5 The level of qualifications, skills and experience specified by employers taking on agency workers tended to vary, usually depending on the occupation of the worker being hired. As indicated by employers themselves, there is a focus on experience and ability rather than qualifications. Agencies indicated that companies rarely wanted the people to have specific ‘paper’ qualifications beyond CSCS cards and CITB tickets, but all employers expected competent staff who were “up to the job” and who had the skills needed to carry out the jobs for which they were being hired.
- 6.6 All of the agencies interviewed were aware that a levy was paid by construction companies to the CITB but only one was aware that this differed depending on whether staff were employed directly or on an LOSC basis. The only comment made by this respondent on the issues was that some employers had questioned why it was they who paid the levy rather than the agency.