

ConstructionSkills Network 2010-2014 North West

LABOUR MARKET INTELLIGENCE





Contents

Labour Market Intelligence



1	Summary and key findings	02
2	The outlook for construction in the North West	04
3	Construction employment forecasts for the North West	10
4	Comparisons across the UK	12

Charts & Tables

1	Regional Comparison 2010–2014	02
2	Annual average construction output growth 2010–2014	03
3	Construction output 1992–2008	04
4	Construction industry structure 2008	04
5	Economic structure	05
6	Economic indicators	05
7	New construction orders growth 1993–2008	06
8	New work construction orders	06
9	Construction output 2010–2011	07
10	Annual average construction output growth 2010–2011	08
11	Annual average construction output growth 2010–2014	09
12	Construction output 2010–2014	09
13	Total employment by occupation	10
14	Annual recruitment requirement by occupation	11
15	Annual average output growth by region	12
16	Annual recruitment requirement by region	13

For more information about ConstructionSkills, please visit our [website](#).

ConstructionSkills is the Sector Skills Council for construction, tasked by Government to ensure the UK's largest industry has the skilled workforce it requires. Working with Government, training providers and employers, it is responsible for ensuring that the industry has enough qualified new entrants and that the existing workforce is fully skilled and qualified, as well as for improving the performance of the industry and the companies within it.



Summary - North West

Between 2010 and 2014, total construction output in the North West is expected to increase at a negligible annual average rate of just 0.1%, significantly below the UK's average of 1.7%. A stronger performance from the new work sector will be the main factor behind this weak growth, with repair and maintenance output forecast to decline each year, on average. Employment in the region is expected to increase to around 217,600 in 2014, 1.5% higher than 2010's level.



Regional comparison 2010-2014

	Annual average % change in output	Growth in total employment	Total ARR
North East	0.6%	4,660	3,190
Yorkshire and Humber	1.6%	7,040	2,220
East Midlands	2.6%	10,220	5,260
East of England	3.8%	20,760	7,350
Greater London	2.0%	3,620	3,300
South East	0.8%	-280	2,330
South West	0.4%	1,480	3,020
Wales	2.5%	10,390	5,030
West Midlands	1.5%	9,460	4,050
Northern Ireland	1.1%	1,380	720
North West	0.1%	3,190	4,100
Scotland	2.8%	21,100	7,220
UK	1.7%	93,010	47,790

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

Between 2010 and 2014, total construction output in the North West is expected to increase at a negligible annual average rate of just

0.1%

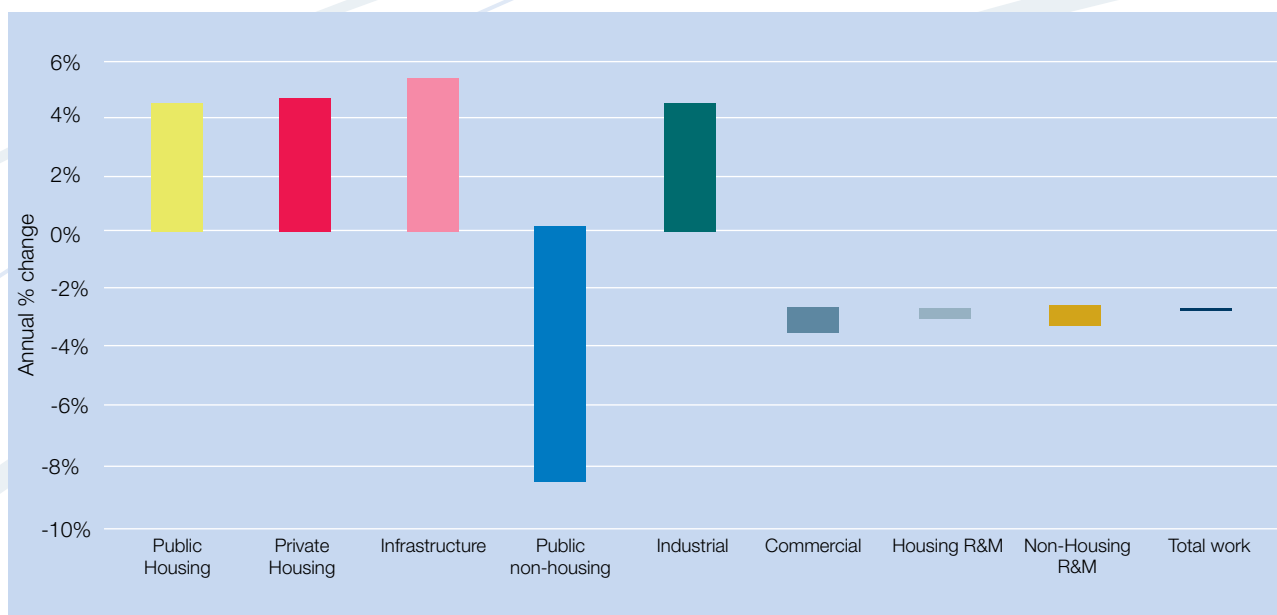
Key findings

The most buoyant sector in the North West is likely to be the infrastructure sector, with an annual average growth rate of 5.2%. The planned Mersey Crossing is due to start in 2011, and this will significantly boost output in the sector. In addition, work on Phase 3a of Manchester Metrolink is underway and due to be completed by 2012, along with a number of projects at Sellafield, including construction of a new facility.

The private housing sector is also expected to fare well over the 2010–2014 period, with growth accelerating towards the end of the period as housing market conditions continue to strengthen. There have been some recent signs of improvement, and these are likely to continue into 2010, as the macroeconomic climate strengthens and consumer confidence picks up. Although there are concerns that recent increases in house prices are more reflective of restricted supply rather than improved demand, this situation will begin to reverse once concerns about job security begin to abate and credit conditions continue to gradually ease.

Government debt is already beginning to come under increasing scrutiny and public spending cuts are inevitable. This will impact on the public non-housing sector and the North West could be particularly vulnerable to cuts in the Building Schools for the Future (BSF) programme, as it has been one of the main beneficiaries of its early Waves. The public non-housing sector is forecast to fare worst over the 2010–2014 period, with an annual average decline of 8.7%. However, the public housing sector is expected to see average annual growth of 4.7% over this period. This is largely due to strong growth in 2010 and 2011, as work on the 2008–2011 Affordable Housing programme (AHP) continues, in addition to higher levels of government funding in the form of the Kickstart programme. Rates of increase will ease significantly after 2011 as government funding cuts begin to be felt.

Annual average construction output growth 2010-2014 - North West



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

Total construction employment in the North West is predicted to be 217,580 in 2014, 1.5% higher than in 2010, but 20% lower than 2008's level. Wood trades and interior fit-out was the largest trade occupational group in the region in 2008, accounting for 11% of total construction employment, in line with the UK figure. Employment growth between 2010 and 2014 is expected to be strongest for civil engineering operatives nec* (26%) and logistics (25%).

The region's annual recruitment requirement is 4,100, with painters and decorators (620) and logistics (460) expected to be the most in demand.



Liver Building, Liverpool

2 The outlook for construction in the North West

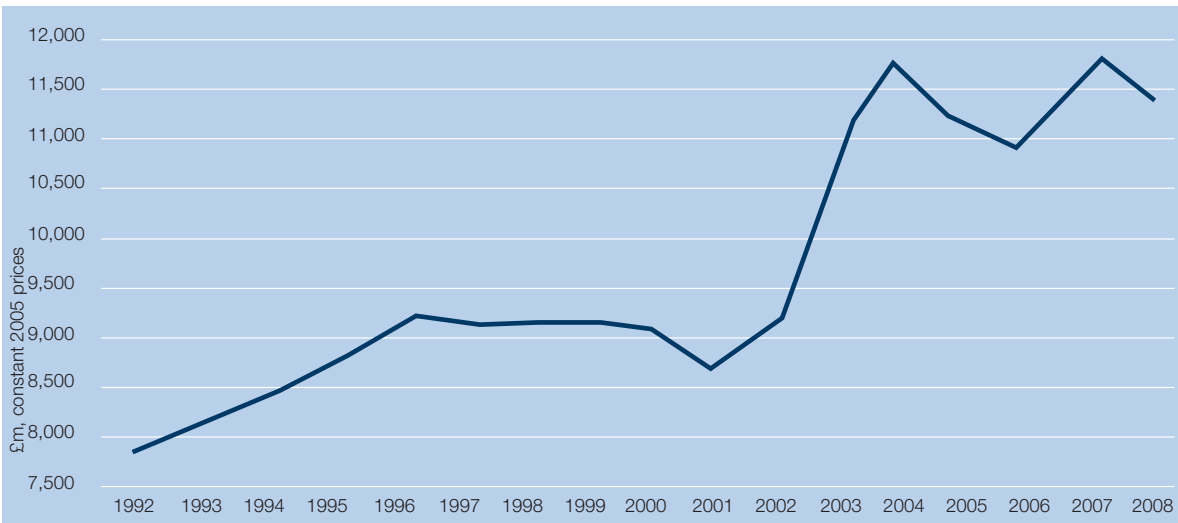
2.1 Construction output in the North West – overview

Construction output totalled £11.4bn, in 2005 prices, in 2008, 3% lower than in the previous year. New work output fell by 7%, whilst the repair and maintenance (R&M) sector saw output rise by 5%.

The most buoyant sector in 2008 was infrastructure, as output jumped 46% to just under £900m. The only other new work sector to see rising output was public non-housing, although the rate of increase was a much more moderate 6%. Rather surprisingly, output

contracted at the most marked rate in the public housing sector, although this followed two years of very substantial growth. Output in this sector totalled just £290m, 30% lower than in 2007. The private housing sector also saw a significant decline in output, though this was to be expected given the dire situation in the housing market, particularly in the second half of the year. The housing R&M sector saw an unexpectedly strong rise of 11% in 2008, taking output to a three-year high of £2.25bn.

Construction output 1992-2008 - North West



Source: ONS
ref. CSN Explained, Section 4, Note 1

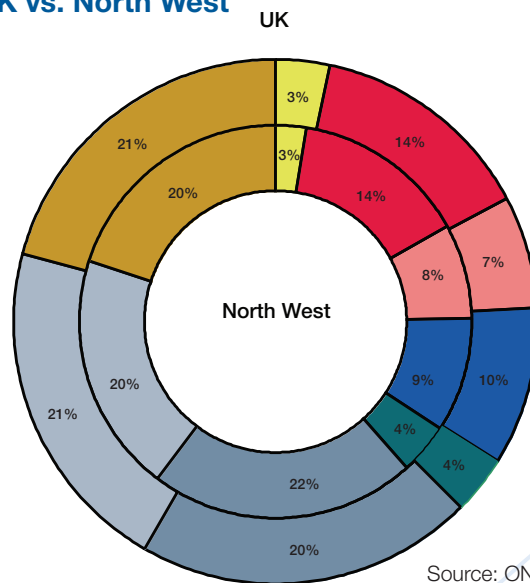
2.2 Industry structure

The diagram, Construction Industry structure 2008 – UK vs. the North West, shows the sector breakdown of the industry in the North West compared to that in the UK. The percentages show what proportion of total construction output each sector accounts for.

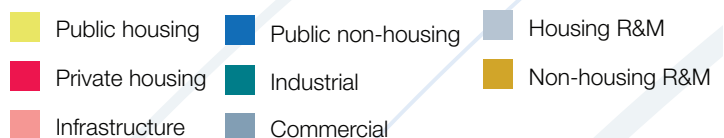
The structure of the construction sector in the North West is broadly similar to that of the UK. The commercial construction sector accounts for a slightly larger proportion of output in the region, 22%, compared to the UK as a whole, 20%.

The new work sector therefore accounts for a slightly larger proportion of total construction output in the region (60%) than in the UK (58%), with the repair and maintenance (R&M) sectors taking a 40% share.

Construction industry structure 2008 - UK vs. North West



Source: ONS, Experian



Economic structure - North West (£ billion, 2005 prices)

Selected Sectors	Actual	Forecast Annual % change, real terms					
	2008	2009	2010	2011	2012	2013	2014
Public services	26	-0.6	1.4	1.0	0.5	0.4	0.5
Financial and business services	26	-5.7	-0.8	2.3	3.3	3.5	3.6
Transport and communications	8	-6.1	-1.1	1.9	1.9	1.9	2.1
Manufacturing	20	-10.4	1.3	2.8	2.1	1.8	1.7
Distribution, hotels and catering	17	-5.5	-0.5	2.0	2.5	2.8	2.8
Total Gross Value Added (GVA)	113	-5.4	0.6	1.9	1.7	1.7	2.0

Source: Experian

Ref. CSN Explained, Section 4, Note 3

2.3 Economic overview

The expected performance of a regional or national economy over the forecast period from 2010 to 2014 provides an indication of the construction sectors in which demand is likely to be strongest.

2.4 Economic structure

Gross Value Added (GVA) in the North West was £112.6bn, in 2005 prices, in 2008, 0.5% lower than in the previous year. GVA in the North West accounted for 9.5% of the UK total.

The manufacturing sector in the North West accounted for 17% of output in 2008, significantly higher than the 12% share in the UK as a whole. The relative importance of the manufacturing sector to the region's output has been falling since the beginning of the decade, when it accounted for around one-fifth of GVA in the North West.

Consequently, financial and business services are relatively less important to the region than in the UK as a whole. The sector took a 23% share of output in 2008, below the national figure of over 27%. However, in 2000, the financial and business services sector accounted for just 17% of GVA, showing just how rapidly it has grown in importance in recent years.

2.5 Forward looking economic indicators

GVA in the North West is forecast to return to growth in 2010, albeit only weakly, and rise in each year of the forecast period. The annual average growth rate for the 2010 to 2014 period is 1.5%, broadly in

line with the UK figure of 1.6%. The strongest growth is expected in the financial and business services sector, followed by manufacturing and distribution, hotels and catering.

Real household disposable income in the North West is expected to rise by 4.7% between 2010 and 2014, a weaker increase than in the UK as a whole. The growth in household spending is forecast to be stronger, rising at an annual average rate of 1.8% over the 2010–2014 period. The outlook for employment in the North West is not very bright, with an annual average growth rate of just 0.3%. Employment is forecast to continue to decline in both 2010 and 2011, before increasing in the remaining years of the forecast period. The weak prospects for employment are unsurprising considering the rather muted forecasts for GVA.

Data from the Department for Communities and Local Government (DCLG) showed that house prices in the North West fell by 2.7% in 2008, giving an average house price in the region of £157,685. This was slightly stronger than the decline of 1.1% across the UK as a whole. House prices in the North West began to fall, year-on-year, in the second quarter of 2008, although the decline was only negligible. Annual house price deflation accelerated over the following quarters, reaching 11.2% in the three months to June 2009. In the third quarter of the year, house prices fell at a weaker rate of 5.2%.

As across most of the UK, the debt-to-income ratio in the North West has increased substantially since the early years of the decade, reaching 1.4 in 2008. However, households in the region are generally less indebted than in the country as a whole, where the debt-to-income ratio was 1.7 in 2008. Debt levels have begun to decline, and the debt-to-income ratio in the North West is projected to fall to 1.2 in 2014.

Economic indicators - North West (£ billion, 2005 prices - unless otherwise stated)

	Actual	Forecast Annual % change, real terms					
	2008	2009	2010	2011	2012	2013	2014
Real household disposable income	86	0.1	0.9	1.8	0.8	0.7	1.4
Household spending	82	-3.9	-0.1	2.2	2.7	2.3	1.9
Debt:income ratio	1.4	-0.6	-3.1	-5.5	-4.1	-2.2	-1.6
House prices (£'000, current prices)	158	-7.9	1.4	1.5	2.4	2.6	1.6
LFS unemployment (millions)	0.23	28.9	14.4	-5.6	-15.8	-17.8	-12.0

Source: ONS, DCLG, Experian

New work construction orders - North West (£ million, current prices)

	Actual 2008	2004	Annual % change		2007	2008
			2005	2006		
Public housing	188	-6.9	-26.8	150.3	46.8	-41.6
Private housing	795	14.0	32.5	5.8	-10.5	-45.0
Infrastructure	872	-32.5	25.0	-53.3	79.8	57.5
Public non-housing	950	-3.4	8.6	-17.4	17.4	21.7
Industrial	383	-17.4	20.9	3.6	-3.8	0.3
Commercial	1,122	13.4	-9.8	40.2	31.1	-54.2
Total new work	4,311	-0.9	10.6	5.8	17.0	-27.4

Source: ONS
Ref. CSN Explained, Section 4, Note 4

2.6 New construction orders - overview

New work construction orders fell from 2007's record high to total £4.3bn, in current prices, in 2008. This was a decline of 27% on the previous year.

New infrastructure orders jumped 58% in 2008 to reach a record £872m, in current prices. The public non-housing sector also saw orders increase substantially, albeit by a weaker 22%, taking the total to £950m. New orders in the commercial sector fell by more than half to around £1.1bn, the weakest annual outturn for six years. The private housing sector recorded a 45% decline in new orders, taking the total well below the £1bn-mark for the first time since 2002.

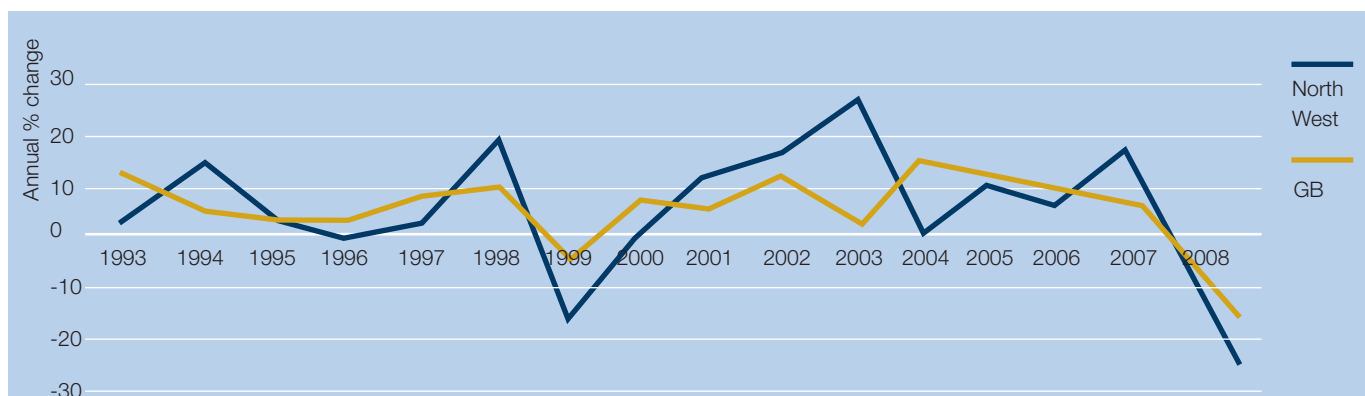
2.7 New construction orders - current situation

The downward trend in new orders continued into 2009, although the rate of decline eased substantially. New orders in the nine months to September 2009 totalled £3.4bn, in current prices, 5% lower than the same period of 2008.

The infrastructure and public non-housing sectors both saw rising new orders in the first three quarters of 2009. New infrastructure orders jumped by 60%, largely as a result of the contract being let for phase 3a of the Manchester Metrolink project. New orders in the public non-housing sector rose by a more modest 21%, reflecting contracts being awarded for BSF projects in the region.

At the other end of the scale, private housing new orders fell by 49% in the nine months to September 2009. This was hardly surprising considering that conditions in the private housing market remain tough, although there has been some evidence in recent months that the situation may have begun to show some improvement. The industrial sector fared little better as new orders dropped by 48% over the same period. The sector has suffered both from the dire effects of the recession on the manufacturing sector and the natural end to the boom in warehouse building.

New construction orders growth 1993-2008 - North West vs. GB



Source: ONS
Ref. CSN Explained, Section 4, Note 4

2.8 Construction output – short-term forecasts (2010–2011)

Regional Office for National Statistics (ONS) output statistics are published in current prices and are thus inclusive of any inflationary effect. At the time of writing, ONS construction output statistics are only available for the first two quarters of 2009.

Construction output in the North West declined by 20% in the first half of 2009, compared with the same period of 2008, and by a slightly weaker 16% when compared with the second half of 2008. Output totalled £5.4bn, in current prices, in the six months to June 2009. New work output declined by 25%, from the first half of 2008, whilst the contraction in repair and maintenance work was a weaker 12%.

The short-term outlook for the construction sector is not particularly good for the North West. Following a decline of 3% in 2010, the sector is expected to return to growth in 2011, although this still gives an annual average decline of 0.2% over the 2010–2011 period.

Over the short term, the public housing sector is expected to see the strongest growth, increasing by 7% in 2010 and 10% in 2011, giving an annual average growth rate of 8.4%. The government has released funding for the Kickstart Delivery programme, which is designed to restart stalled mix-tenure developments and the region benefits from this programme quite strongly. Work on these developments is likely

to be largely complete by 2011. As of the end of November twenty two schemes have received over £48m funding under the Kickstart programme, affecting over 1,500 units. The programme benefits both the public and private housing sectors, hence one of the reasons for the return of some growth to the private housing sector in 2010.

Infrastructure output is also forecast to fare well with average annual growth is expected to be 7.4% in 2010 and 2011. This is largely due to a marked rise in output in 2011 as work gets underway on the planned Mersey Crossing.

Commercial construction output is forecast to see a marked decline in the short term with output in the sector likely to fall by 17% in 2010, before stagnating in 2011. It is the only new work sector to see output contract, on average, over the 2010–2011 period. Demand for office, retail and leisure facilities remains weak, and developers are unlikely to begin work until there are further signs of a sustained recovery.

The R&M sectors are expected to fare much worse than the new work sectors in the short term. Falling output in both the housing and non-housing R&M sectors is followed by stagnation in housing R&M output and only weak growth in non-housing R&M. The annual average decline for the R&M sectors is 2.5%, compared with average growth of 1.4% per year for the new work sectors.

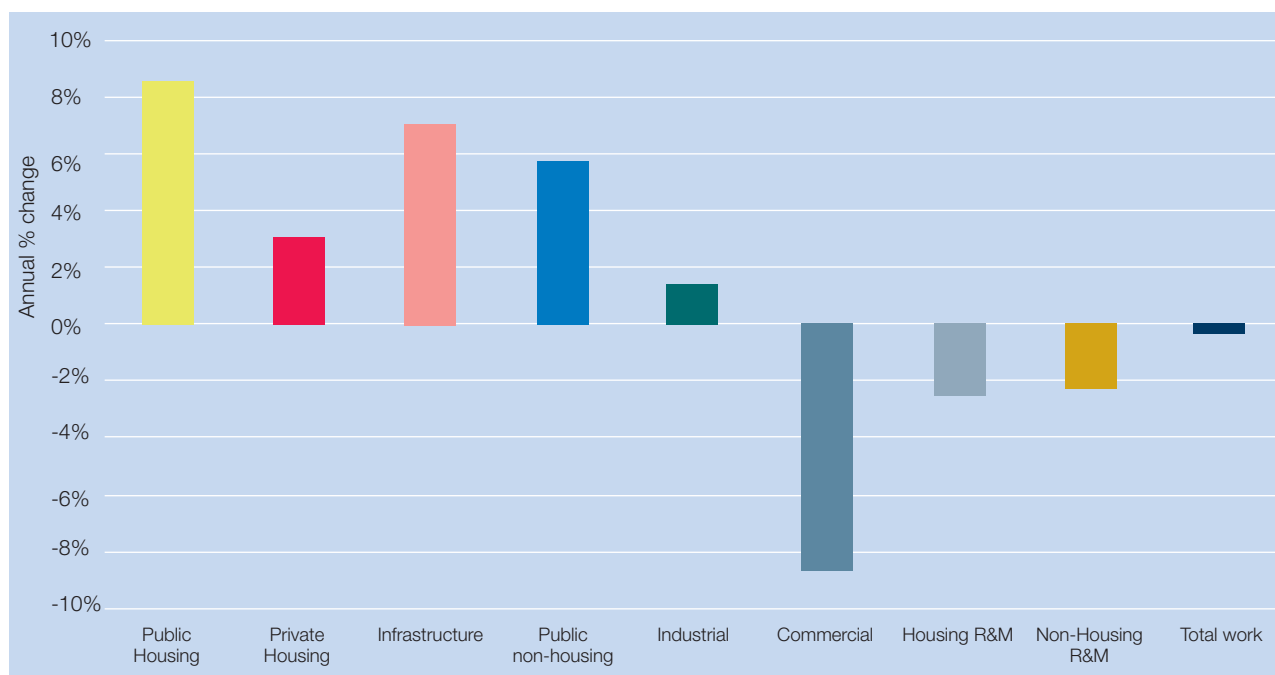
Construction output - North West (£ million, 2005 prices)

	Actual	Forecast annual % change			Annual average
	2008	2009	2010	2011	2010-2011
Public housing	290	-16%	7%	10%	8.4%
Private housing	1,633	-33%	3%	3%	3.2%
Infrastructure	897	0%	3%	12%	-7.2%
Public non-housing	1,074	29%	11%	0%	5.7%
Industrial	499	-26%	-1%	5%	1.7%
Commercial	2,499	-37%	-17%	0%	-8.8%
New work	6,892	-19%	-1%	4%	1.4%
Housing R&M	2,248	-16%	-5%	0%	-2.7%
Non-housing R&M	2,292	-14%	-6%	2%	-2.3%
Total R&M	4,540	-15%	-6%	1%	-2.5%
Total work	11,432	-18%	-3%	3%	-0.2%

Source: Experian

Ref. CSN Explained, Section 4, Notes 1 and 2

Annual average construction output growth 2010-2011 - North West



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

2.9 Construction output – long-term forecasts (2010–2014)

The longer term outlook for construction in the North West is muted. The annual average growth rate for the 2010–2014 period is just 0.1%, significantly below the UK figure of 1.7%. While new work output is forecast to rise at an average rate of 0.5% per year, R&M work is expected to see an annual average rate of decline of 0.5%. Overall, output in 2014 in real terms, is expected to be around 17% below its level in 2008.

The public non-housing sector is expected to see the sharpest fall in output over the forecast period, as is the case across most of the UK. Double-digit declines are expected in each year from 2012 to the end of the forecast period, giving an annual average decline of 8.7% between 2010 and 2014. The North West is due to benefit from around £1.2bn of conventional public funding for waves 1 to 4 of the BSF programme, the highest level after Greater London. Given that this is around the level of the total annual public non-residential output for the region, a more constrained education construction programme going forward will exert significant downward pressure on activity in the North West.

The commercial sector is expected to have an annual average decline of 0.7% over the 2010–2014 period, although this is largely due to a marked fall in 2010 and stagnation of output in 2011, with output growth forecast for the remaining years of the period. The current situation is not particularly encouraging for developers, with most likely to wait until there are further signs of improvement before opening up mothballed sites and starting new developments.

The public and private housing sectors are both expected to see annual average growth rates of 4.7% over the forecast period to 2014, although the growth profiles are rather different. The public housing sector is likely to fair well in the short term, with the AHP in full swing, as well as other government investment measures, such as the Kickstart development programme. However, with government expenditure under increasing pressure and funding cuts inevitable, the next AHP is highly unlikely to see any increase in investment, and thus public housing output growth is expected to be much more moderate towards the end of the forecast period.

The private housing sector will see much weaker growth in the shorter term, as the sector slowly begins to recover. The tentative signs of improvement that have been seen recently in the housing market are likely to strengthen in 2010 and there will be a more sustained recovery in demand. Housebuilders are likely to remain cautious as the forecast is that output growth will accelerate in the latter years of the period with household formation providing only a moderate impetus. As a region, the North West is below the 2006 to 2016 household formation projections for England as a whole.

On the R&M side, both the housing and non-housing sectors are expected to put in a lacklustre performance over the 2010–2014 period. The housing R&M sector will, on the private side, benefit from an improving macroeconomic climate, an uptake in consumer confidence, and an abatement of unemployment fears, meaning that homeowners are more likely to be in a position to spend on home improvements. However, on the public housing side, there is unlikely to be any significant funding available for R&M work after the Decent Homes for All deadline in 2010, with the exception of some possible investment in energy efficiency measures. This will lead to only very modest growth in housing R&M output.

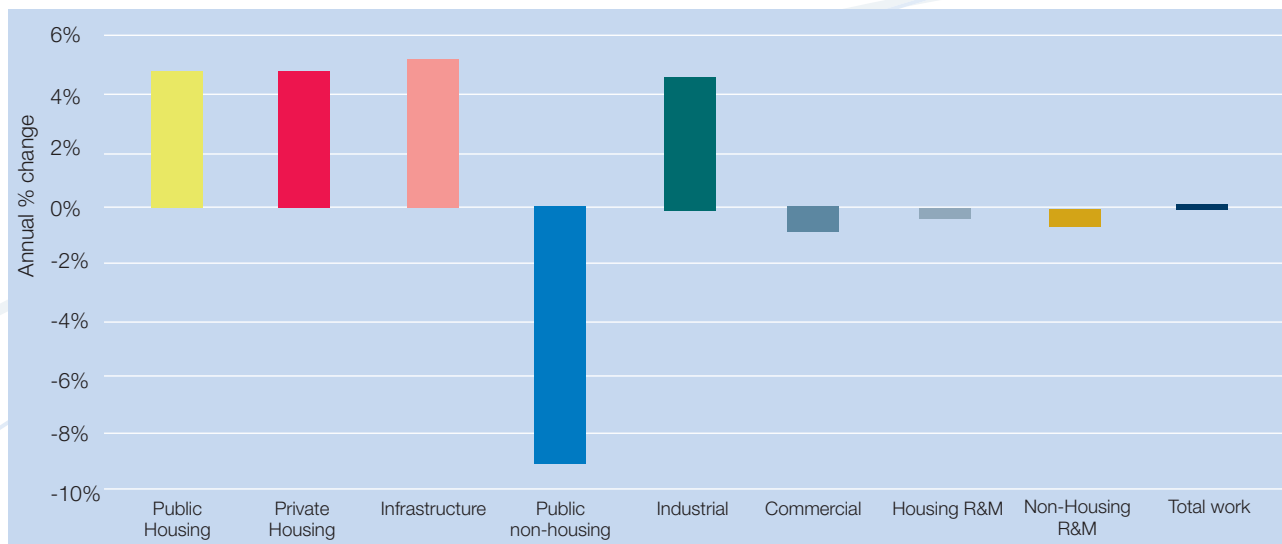
Construction output - North West (£ million, 2005 prices)

	Estimate	Forecast annual % change					Annual average
	2009	2010	2011	2012	2013	2014	2010-2014
Public housing	243	7%	10%	2%	3%	3%	4.7%
Private housing	1,091	3%	3%	7%	7%	4%	4.7%
Infrastructure	898	3%	12%	3%	4%	5%	5.2%
Public non-housing	1,388	11%	0%	-20%	-18%	-13%	-8.7%
Industrial	368	-1%	5%	6%	7%	6%	4.4%
Commercial	1,572	-17%	0%	3%	4%	8%	-0.7%
New work	5,562	-1%	4%	-2%	0%	2%	0.5%
Housing R&M	1,890	-5%	0%	2%	1%	1%	-0.4%
Non-housing R&M	1,974	-6%	2%	1%	1%	0%	-0.6%
Total R&M	3,864	-6%	1%	2%	1%	0%	-0.5%
Total work	9,426	-3%	3%	-1%	0%	1%	0.1%

Source: CSN, Experian

Ref. CSN Explained, Section 4, Note 2

Annual average construction output growth 2010-2014 - North West



Source: CSN, Experian

Ref. CSN Explained, Section 4, Note 2

3 Construction employment forecasts for the North West

3.1 Total construction employment forecasts by occupation

The table presents actual construction employment (SIC 45 and 74.2) in the North West for 2008, the forecast total employment in 26 occupational groups and in the industry as a whole between 2010 and 2014. A full breakdown of occupations is provided in Section 5 of CSN Explained.

Construction employment, including SIC 45 and 74.2, in the North West is forecast to reach 217,580 in 2014. This is just 1.5% higher than the projected total for 2010, and 20% lower than 2008's figure. This is unsurprising given the very weak outlook for construction output over the period to 2014. Construction employment in the region began to decline in 2008, and is expected to continue falling until 2010.

Wood trades and interior fit-out was the largest trade occupational group in 2008, accounting for 11% of total construction employment in the North West, in line with the UK figure. Employment in the occupational group is expected to fall by 3.8% between 2010 and 2014, however it will still remain the largest trade grouping in 2014.

Employment growth among construction-specific occupations between 2010 and 2014 is expected to be for civil engineering operatives nec* (26%) and logistics (25%). However, in absolute terms labourers nec* are expected to see a significantly higher increase, followed by civil engineering operatives nec*. Considering the very weak performance of the construction sector over the 2010–2014 forecast period, it is unsurprising that that employment is expected to decline in twelve of the occupational categories over this period. Plasterers and dry liners are likely to see employment fall by 10.5% by 2014, whilst the decline in roofing employment in the North West is predicted to be 7.6%.

Total construction employment forecasts by occupation	Actual 2008	2010	2014
Senior, executive, and business process managers	10,880	8,330	8,580
Construction managers	24,200	19,020	19,750
Non-construction professional, technical, IT, and other office-based staff	33,580	26,020	25,470
Wood trades and interior fit-out	30,080	23,640	22,740
Bricklayers	7,470	6,390	6,180
Building envelope specialists	7,800	6,300	6,140
Painters and decorators	15,600	12,120	11,540
Plasterers and dry liners	7,740	5,250	4,700
Roofers	5,270	3,700	3,420
Floorers	5,060	4,180	3,960
Glaziers	4,440	3,740	3,660
Specialist building operatives nec*	4,620	3,910	3,910
Scaffolders	3,730	2,310	2,550
Plant operatives	5,430	4,560	5,580
Plant mechanics/fitters	4,360	3,950	4,060
Steel erectors/structural	3,430	2,630	2,540
Labourers nec*	13,200	9,810	11,830
Electrical trades and installation	18,640	16,620	16,300
Plumbing and HVAC Trades	18,640	14,650	14,060
Logistics	3,260	2,570	3,150
Civil engineering operatives nec*	6,800	4,990	6,280
Non-construction operatives	4,290	3,380	4,210
Civil engineers	6,540	4,780	4,860
Other construction professionals and technical staff	17,920	13,600	13,690
Architects	2,530	2,190	2,430
Surveyors	6,040	5,720	5,990
Total (SIC 45)	238,520	188,070	190,610
Total (SIC 45 and 74.2)	271,550	214,390	217,580

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

* nec - not elsewhere classified

3.2 Annual recruitment requirements (ARR) by occupation

The ARR is a gross requirement that takes into account workforce flows into and out of construction, due to such factors as movements between industries, migration, sickness, and retirement. However, these flows do not include movements into the industry from training, although robust data on training provision is being developed by ConstructionSkills in partnership with the public funding agencies, Further Educations, Higher Education and employer representatives. Thus, the annual recruitment requirement provides an indication of the number of new employees that would need to be recruited into construction each year in order to realise forecast output.

The annual recruitment requirement (ARR) between 2010 and 2014 for the 26 occupational groups within the North West's construction industry is illustrated in the table. The ARR of 4,100 is indicative of the average requirements per year for the industry, as based on the output forecasts for the region. This takes into account 'churn', flows into and out of the industry, excluding training flows.

Painters and decorators (620) are forecast to have the largest ARR in the North West, followed by logistics (460) and electrical trades and installation (430). As a percentage of 2010 employment, logistics is the group that is by far the most in demand with an ARR of 18%. The ARR for painters and decorators is around 5% of 2010 employment in that trade.

Please note that all of the ARRs presented in this section are employment requirements and not necessarily training requirements. This is because some new entrants to the construction industry, such as skilled migrants or those from other industries where similar skills are already used, will be able to work in the industry without the need for retraining.

Non-construction operatives is a diverse occupational group including all of the activities under the SIC 45 and SIC 74.2 umbrella that cannot be classified elsewhere, such as cleaners, elementary security occupations nec and routine inspectors and testers. The skills required in these occupations are highly transferable to other industries and forecasting such movement is hazardous given the lack of robust supportive data. Therefore the ARR for non-construction operatives is not published.

Finally, for certain occupations there will be no appreciable requirement over the forecast period, partly due to the recession creating a 'pool' of excess labour.

ARR by occupation	2010-2014
Senior, executive, and business process managers	80
Construction managers	200
Non-construction professional, technical, IT, and other office-based staff	-
Wood trades and interior fit-out	240
Bricklayers	210
Building envelope specialists	60
Painters and decorators	620
Plasterers and dry liners	170
Roofers	170
Floorers	410
Glaziers	190
Specialist building operatives nec*	<50
Scaffolders	-
Plant operatives	140
Plant mechanics/fitters	230
Steel erectors/structural	-
Labourers nec*	<50
Electrical trades and installation	430
Plumbing and HVAC Trades	-
Logistics	460
Civil engineering operatives nec*	350
Non-construction operatives	-
Civil engineers	-
Other construction professionals and technical staff	-
Architects	120
Surveyors	-
Total (SIC 45)	3,980
Total (SIC 45 and 74.2)	4100

Source: CSN, Experian
Ref. CSN Explained, Section 4, Notes 5 and 6

* nec - not elsewhere classified

4 Comparisons across the UK

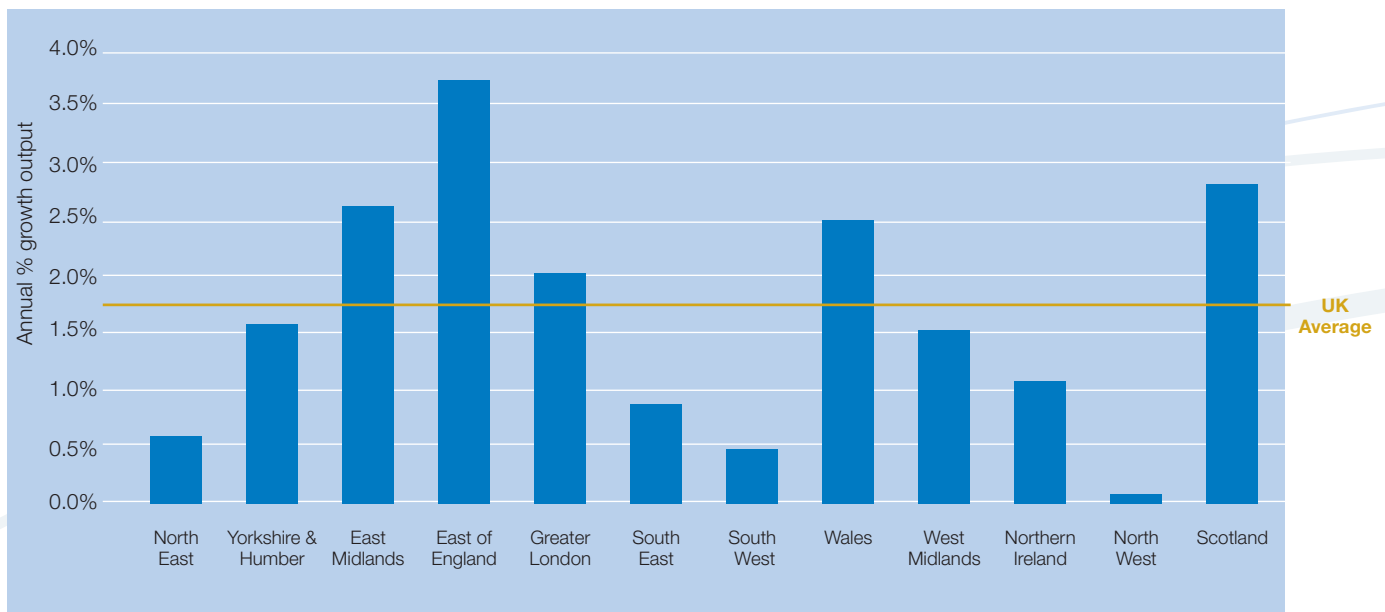
Construction output is forecast to rise across all of the regions and devolved nations between 2010 and 2014. The North West is the worst performing of all the regions and nations, with an annual average growth rate of just 0.1%, significantly weaker than the projected UK figure of 1.7%.

The infrastructure sector should be the best performing market in new work in the UK. Greater London's infrastructure output growth is predicted to be especially strong driven by work on Crossrail, Thameslink, and the Thames Water programme. The East of England is also set to have double digit growth rate as well. In the North West, one of the main drivers of output growth in the sector is the proposed Mersey Crossing, due to start in 2011, in addition to Phase 3a of the Manchester Metrolink project. However, the North West's 5.2% annual average output growth rate for this sector is only moderate when compared to many other regions and devolved nations.

The sharp growth in public debt and consequent public expenditure cuts to control it are likely to substantially affect the public non-housing sector, particularly programmes of work such as BSF. All regions and devolved nations are likely to be affected and how badly will depend on their exposure to such programmes, like BSF, relative to the overall size of their public non-housing market. In the case of the North West, the impact is likely to be quite severe as it is one of the main beneficiaries of the early waves of the BSF programme. Only the North East has a higher projected level of decline in the sector over the forecast period.

The housing market is expected to start recovery from 2010 across the UK as a whole, as economic conditions improve and demand increases. However, some regions and devolved nations where demographic factors are stronger, such as the East Midlands and the East of England, are expected to experience high levels of household formation over the long term and will experience stronger growth than others. However, the North West will see one of the lower annual average growth rates in private housing, not least because it is projected to have a fairly modest rate of household formation through until 2016.

Annual average output growth by region 2010 - 2014



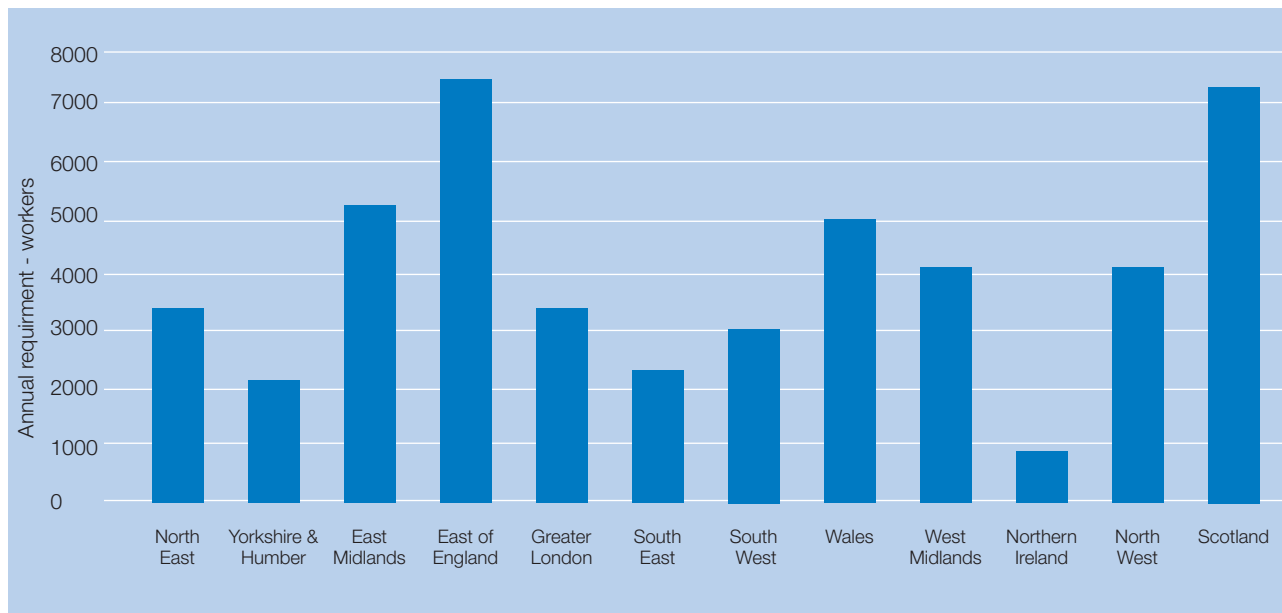
Source: Ref. CSN Explained, Section 4, Note 2.

The North West is the worst performing of all the regions and nations, with an annual average growth rate of just

0.1%.

The North West is forecast to see one of the weakest increases in employment between 2010 and 2014, which is not unexpected given the lacklustre performance of the construction sector over that time. Employment levels are expected to increase by just 3,190 over the forecast period. In fact, given the weakness of the projected output forecasts for the region, it is a surprise that there will be any growth in employment at all. However, the region's ARR is one of the larger ones at 4,100, which reflects a relatively high level of net workforce outflows in the region.

Annual recruitment requirement (ARR) by region 2010 - 2014

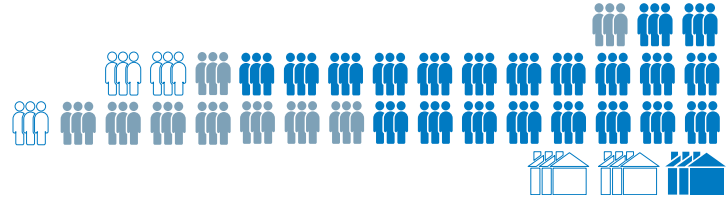


Source: CSN, Experian



The North West is forecast to see one of the weakest increases in employment between

2010 and 2014



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