

The background of the report cover features a close-up photograph of a man with a beard, wearing a grey button-down shirt, focused on drawing architectural plans on a large sheet of paper. He is using a blue pen. The scene is set on a dark wooden table. A large, semi-transparent blue circle is overlaid on the left side of the image, containing the main title text.

MIGRATION IN THE UK CONSTRUCTION AND BUILT ENVIRONMENT SECTOR



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The construction industry will face skills shortages in some key areas if employers can't access migrant workers through the new Points Based Immigration System (PBIS), established in the wake of the UK's departure from the European Union at the end of last year.

For this reason, CITB's fourth annual study on migration in the UK's construction sector is perhaps our most important so far.

In surveys conducted between September and November 2020, we found that 72% of employers believe the end of free movement and introduction of the PBIS will impact on the industry's ability to secure a skilled workforce. Over a quarter of employers and half of recruitment agencies believe this impact will be serious.

This is a burning platform.

And yet only one in ten construction employers say they understand the new migration system. This is concerning, given that more than a quarter currently employ workers from outside the UK. Employers who are aware of the new system, particularly those representing SMEs, are concerned with what they see as its prohibitive costs, with a sponsor having to pay £1,000 for every migrant worker they take on in their first 12 months of employment and £500 for each six-month period thereafter.

Most employers say the introduction of the PBIS will not immediately impact their operations. This is due to a combination of depressed output levels as a result of COVID-19 and continued access to EU migrant workers who have chosen to stay in the UK post-Brexit. However, we believe that the forecast for construction recovery, the updated national infrastructure plan, and the important role that construction will play in meeting the net zero carbon target will drive a significant increase in construction skills demand from the end of 2021.

In the short term, access to migrant labour will remain essential if we are to avoid potential skills shortages, while the industry works with Government to grow the domestic construction workforce. This is particularly the case given both the ageing domestic construction workforce and the risk of a growing number of EU migrant workers returning home in the future.

On a positive note, the Government has listened to industry calls to make certain trades such as bricklaying and carpentry eligible for the new Skilled Visa route. This will allow employers to recruit migrant workers in these professions from around the world. However, employers are concerned that some similar construction roles, such as drylining, do not currently qualify, which could create pinch points in certain occupations. In addition, employers raised concern that the lack of a specific visa route for self-employed non-UK-born construction workers in the new migration system could lead to significant skills gaps across parts of the UK.

The Home Office has undertaken a range of work to introduce the PBIS to industry and to help construction employers understand and engage with it. This has been supported by the Construction Leadership Council's (CLC) own industry guidance. What is clear is that this work needs to be intensified, in partnership with the CLC and other industry stakeholders. In addition, it will be essential that the new PBIS system is regularly reviewed to ensure it attracts the high-skilled workers the construction industry needs to contribute to growth, particularly during a time of unprecedented economic uncertainty.



Methodology

The interviews and surveys on which this report (the fourth since 2017) are based were carried out between September and November 2020. They took place as the Brexit transition period was coming to an end, and with the outcome far from certain.

Whether or not the UK ultimately left the EU with a free-trade deal (an outcome that was unclear as the research for this report was being undertaken) the passing into law of the Immigration Act meant that a PBIS would replace the previous regime, characterised by the freedom of movement of people within the EU.

To paint as broad a picture as possible of the state of play when it comes to immigration in the construction sector, we carried out in-depth interviews with a dozen employers, each of whom has a significant number of non-UK employees, as well as four specialist construction recruitment agencies, and three other industry stakeholders.

This research was supported by 350 telephone surveys with employers and agencies and a review of recent literature and policy documents, including the 2019 Office for National Statistics' (ONS) Labour Force Survey.

This has given us valuable, comprehensive insight as to where our industry is in terms of its reliance on non-UK workers and crucially, an understanding of the work that needs to be done to prepare for a future outside of the EU.

CITB is publishing this report at a time of unparalleled economic and social upheaval for the UK as a whole and the construction industry in particular.

Any impact from the decision to leave the EU was always likely to have a disproportionate effect on construction companies, given their reliance on intricate supply chains for materials and, in many cases, on overseas workforce. Although the Brexit referendum took place four and a half years ago, employers have been uncertain over what leaving the EU would mean for their non-UK employees – both those already in the country and those that could be recruited in future.

The new immigration system may have been trialled for some time but our research suggests that many employees have not engaged with it or with the EU settlement scheme that could help them retain some of their existing workforce.

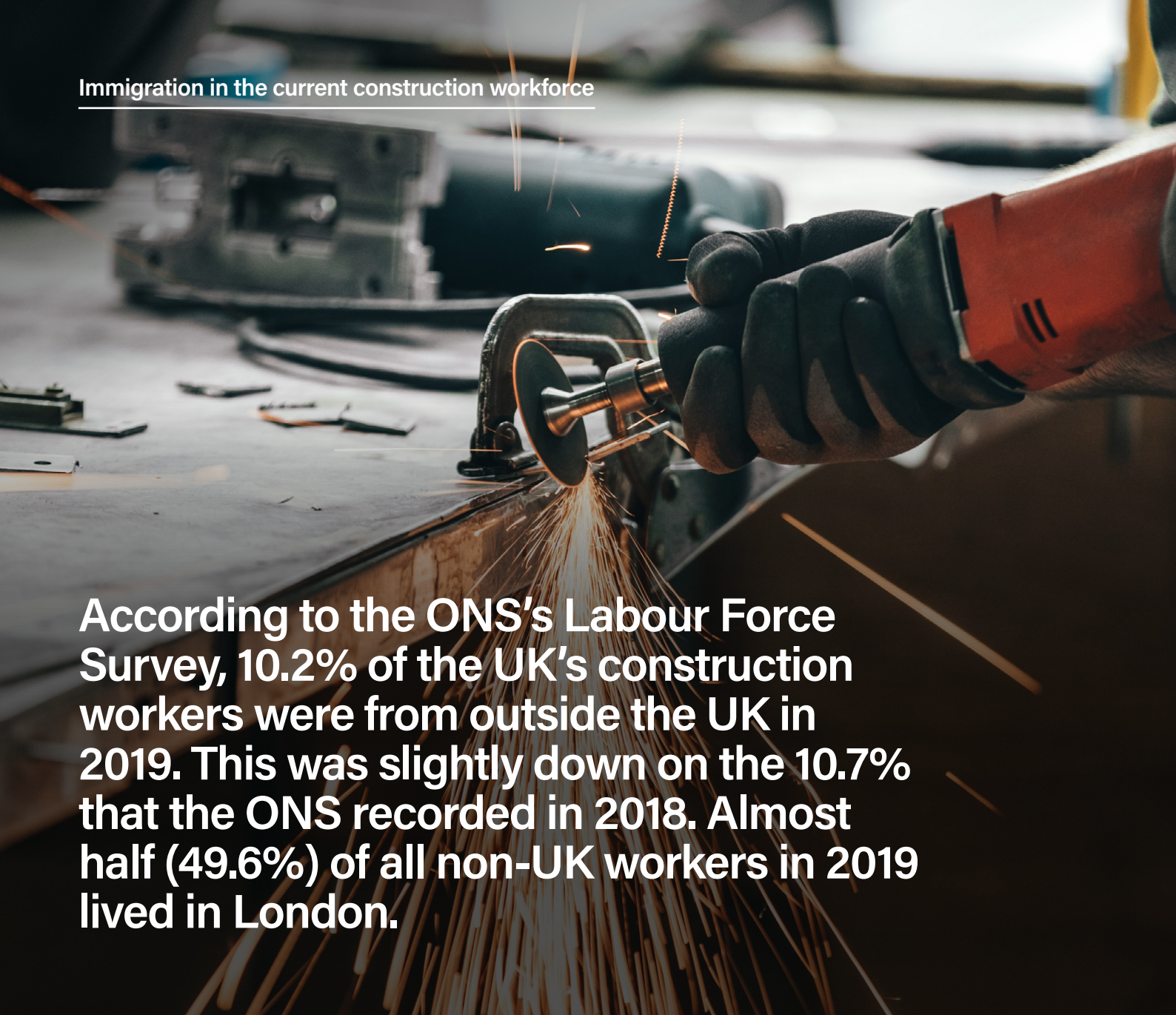
This could, in part, be because of a lack of certainty in what the final arrangements were likely to be. In addition, the COVID-19 pandemic has been a distraction from post-Brexit arrangements for many employers.

Some employers believe that any skills shortages or recruitment difficulties brought about by Brexit could be offset by the economic impact of the pandemic. An increase in overall levels of unemployment and limited opportunities in sectors that have traditionally competed with construction for new entrants certainly represents an opportunity for the industry. But this situation only serves to reinforce the need for employers, training providers and other stakeholders to provide good information on career opportunities in construction and to create simple pathways for joining the sector.

Evidence from our research suggests that a good proportion of employers are already responding to this need, with 41% planning to upskill their UK workforce and 30% looking to create more PAYE jobs for domestic workers.

Government can also play a part in helping industry develop the right skills at the right time. Although output in construction has been depressed by the pandemic, this is a temporary setback. The updated national infrastructure plan, the levelling-up agenda and the net zero target all create a groundswell of demand to improve the skills of the construction workforce over the long term. By publishing detailed delivery plans and supporting associated skills interventions, Government can give employers and training providers confidence in the training and development of domestic skills, as well as how much labour they will need to recruit from abroad.





According to the ONS's Labour Force Survey, 10.2% of the UK's construction workers were from outside the UK in 2019. This was slightly down on the 10.7% that the ONS recorded in 2018. Almost half (49.6%) of all non-UK workers in 2019 lived in London.

Most of this overseas workforce comes from EU workers. In fact, 8.2% of all workers were from EU countries in 2019, although this was down on the figure of 8.6% in 2018. Brexit is likely to have been just one factor in this fall, with an improved exchange rate with the pound and increasing opportunities in migrant workers' home countries also probably playing a part.

The ONS found that non-UK workers tend to be younger than UK workers. While just over a third of UK workers are under 35 years of age (33.6%), that proportion jumps to 40.9% for their non-UK counterparts.

Critically, the survey also revealed that workers born outside of the UK were much more likely to be self-employed, with just under half (48.7%) working for themselves compared to 37.9% for UK-born workers. There is no current route for self-employed workers under the PBIS, the situation these workers face should be closely monitored as a sudden exodus of skills could be damaging.

According to our survey, more than a quarter of firms (26%) directly employed workers from outside the UK in 2020. Some 5% of all direct employees of the firms we surveyed were non-UK passport holders, up from 4% in 2019.

As before, larger companies are more likely to employ workers from overseas. Regionally, those in London and the South East of England most commonly employ non-UK workers, with 39% doing so compared to just 2% of firms in Wales.

Although the proportion of firms using overseas workers seems to have largely held steady, the use of these employees has waned over the last 12 months. When questioned on their use of non-UK workers, most employers responding to our survey (85%) said it was unchanged. However, more reported a fall in use (13%) compared to a tiny proportion (2%) that reported an increase.

In what seems like a similar trend, respondents from firms that directly employ overseas workers claimed to be less reliant on them than they were a year ago. Only a third of employers (33%) said they were 'quite' or 'very' dependent on non-UK workers in 2020 compared to 43% in 2019. However, the proportion that declared themselves 'very' dependent on this group of workers rose from 7% to 20%.

Furthermore, there seems to have been an increase in reliance when it comes to firms employing overseas workers non-directly. Among this group, more than a quarter (26%) said they were 'very' dependent, while 18% said they were 'quite' dependent. This corresponds to 14% and 19% respectively in 2019.

Indirect employment helps firms that need flexibility when it comes to hiring workers with specific skills. The new immigration system is a clear threat to this flexibility and could easily create pinch points in certain sub-sectors, despite employers' efforts to invest in training domestic workers.



The Points Based Immigration System (PBIS) came into force as the UK left the EU at the end of 2020. Replacing freedom of movement, the PBIS means that any worker coming into the country from overseas, whether from an EU or non-EU country, must be sponsored by an employer and fulfill a distinct set of criteria.

Given that the vast majority of immigrant labour in the sector is from the EU, the introduction of the PBIS is potentially the biggest change to employment legislation for the construction industry in a generation. However, our research suggests that most employers may not be up to speed with the new system.

Although most respondents to our survey (71%) said they were aware of the PBIS, that still means that a worryingly large proportion of businesses, almost a third, were not. When it comes to understanding the implications of the new system, only 9% rated their knowledge of it as 'very' or 'fairly' good, while 41% described it as 'poor.'

From our in-depth interviews, it seems that one of the main sources of confusion is how to assess the criteria for allowing the entry of migrant workers. These include skills or qualification level, salary and English language ability.

A respondent from a large recruitment agency in the North West of England described how the criteria around salary would make hiring non-permanent staff problematic:

"It's quite tricky because they are on an hourly or daily rate mostly. The market is not salaried. They may not work full-time

in January or February. I know the new system is designed to work on a salary basis, but these guys are not salaried. The Government are going to want evidence to prove it [a salary]. CIS returns could be used but I don't know how this is possible prior to actually doing the job."

One large employer from the South East, an area with high levels of EU workers in the sector, said the PBIS "looks unnecessarily complicated". They told us:

"When we're so used to freedom of movement anything is going to look more complicated. I think the lack of clarity about the entry level, whether it's on salary or skill, or a combination of both, is a potential issue. It doesn't seem to be clear, concise and consistent."

Other interviewees raised the issue of the cost of the system, which will involve a sponsor paying £1,000 for every migrant worker for the first 12 months and £500 for each six-month period thereafter. A medium-sized South-East employer said the charge "will go down like a lead balloon", while a London-based small employer described it as their "biggest concern".

Most respondents to our survey fear that the new PBIS will have a negative impact on the sector's skills needs as a whole,



with the majority predicting that their own firm will be relatively unaffected. Only 16% of those employers we asked expect the PBIS to have anything beyond a minimal impact on their firm, with just 4% expecting a 'serious' impact. But 72% expect there to be an impact on the sector overall, and 27% expect that impact to be serious. Half of the agencies surveyed expect a serious impact from the introduction of the PBIS. This is even more worrying as agencies often have a better overview of the sector as a whole.

A relaxed attitude being displayed by many employers to the PBIS and the EU settlement scheme is also a cause for some concern. Only 38% of those that employ non-UK workers say they have discussed these with their employees. This was described by one interviewee as a "head in the sand technique".

Our findings suggest that engagement with the PBIS is low, in part because of employers' understandable focus on the impact of COVID-19, but also because they believe that the new system won't affect existing EU workers who may have settled status in the UK. Given that nearly three quarters (73%) of directly employed EU workers have been in their role for more than a year, that assumption may seem fair. Our qualitative research

also made clear that employers did not always trust information on the new system, partly because of the highly politicised nature of the Brexit debate. Understandably, they did not want to invest time and money preparing for something that still had the potential to change at the last moment.

Employers also told us that they expect fewer migrant labourers to build long-term careers in the UK post-Brexit. Furthermore, when it comes to non-directly employed overseas workers, most firms did not know how long they had been in the UK or, therefore, whether they were eligible for settled status.

The potential loss of such a large cohort of workers, whether in the long, short or medium term, is likely to lead to a squeeze on skills.

Anecdotal evidence from our in-depth interviews suggests that many employers believe that any skills shortages coming as a result of constraints imposed by the PBIS might be mitigated by the economic effect of COVID-19 making it easier to recruit new domestic workers into the sector.

This may be true in terms of overall numbers (although it is far from proven), but that does not mean that lost workers in specific occupations can be so easily replaced.

The PBIS could pose a risk to certain roles that may not meet the new criteria for migrant workers to be sponsored by domestic employers. In response to our survey, employers voiced particular concern regarding general labourers and groundworkers, with qualification levels for these roles below the requirement for the new Skilled Visa route. Interestingly, the other roles where employers voiced most concern were plasterers, bricklayers and scaffolders, who all qualify for the Skilled Visa route. This gives a further sense of the ongoing confusion among construction employers about what occupations now can and cannot now be supported through the immigration system.

Given that many workers in some of these roles are employed on an indirect or part-time basis, some firms are likely to face major disruption. As one small employer based in London told us: "It could end up being a major issue for the big businesses that we contract for, specifically in terms of impacting on their ability to get lower-skilled operatives on site."

Whilst some trades need relatively little training, others are more specialised. With, for example, labourers and groundworkers, the issue is about attracting more people to these occupations if

there is a deficit of overseas workers. However, when it comes to occupations such as drylining, fit-out and interior work, the industry must make sure longer-term training pathways are put in place.

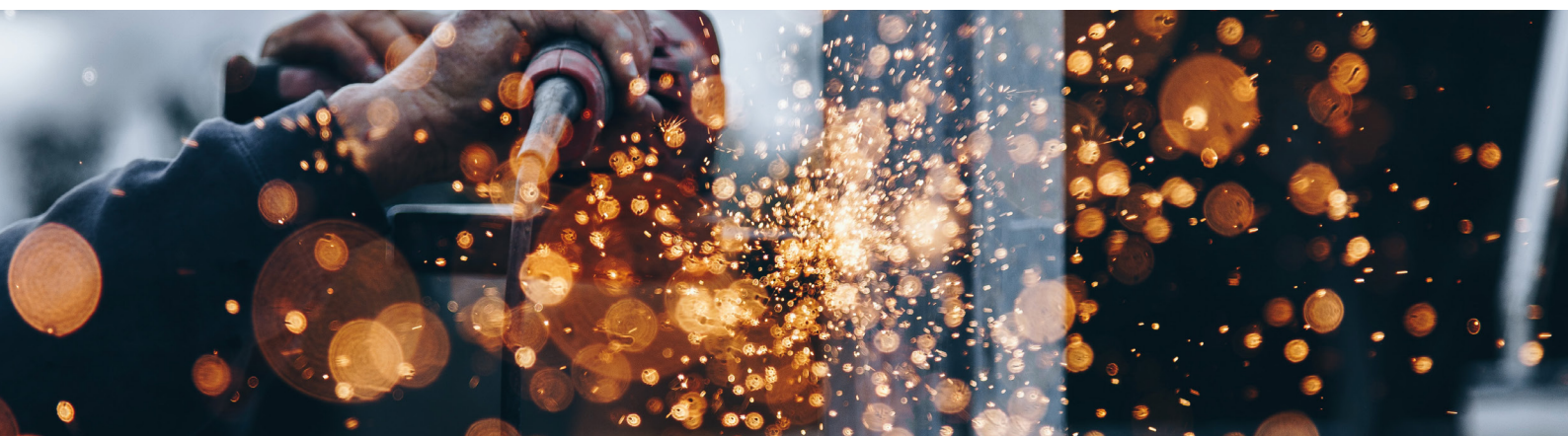
In terms of employers' response to any shortages, more than four in ten (41%) said they plan to upskill UK workers, although this figure rises to 58% among firms that employ direct non-UK workers.

However, less than a third (30%) envisage themselves creating more PAYE jobs for UK workers, less than a quarter (24%) think they will increase salaries so they meet the PBIS threshold for employing from overseas, and just 16% anticipate recruiting more apprentices. In our qualitative interviews, resources emerged as a problem, with employers saying a lack of funds or guaranteed pipeline of work could limit their ability to train or recruit more workers.

Recruitment agencies have a more optimistic view of how the sector will respond, with 68% saying that the amount of training offered by employers will increase and 56% predicting that more full-time jobs for domestic workers will be created.

However, agencies also overwhelmingly believe that there will be a drop-off in both skilled and low-skilled workers coming to the UK (68% predict a drop for the former and 80% for the latter), while just over half (52%) said they expect to be met with difficulties filling construction vacancies.

The overall picture may be mixed when it comes to the impact of the PBIS on skills, but there is no doubt that increasing investment in training and apprenticeships will play a key role in industry's response.



In response to the challenges associated with the new immigration system, and the wider macroeconomic environment, the construction industry, through the Construction Leadership Council (CLC) and equivalent organisations in Scotland and Wales, is engaging with Government on a twin-track strategy to ensure construction employers continue to have access to a high-skilled immigrant workforce, while also developing skills domestically.

Specifically, industry is working with Government to:

- Ensure the effective communication of the new PBIS to employers in the sector so they can understand and engage with it when addressing skills gaps
- Develop a clear and transparent mechanism between Government and industry for the regular review of the PBIS to ensure it can respond to changing skills needs, particularly as we come out of the pandemic and build towards the net zero carbon target
- Address the omission of key construction roles on the Skilled Visa route and the Shortage Occupation List when these are reviewed
- Reduce cost and bureaucracy associated with the new system, which many employers identified in our research
- Show how preventing self-employed migrant workers entering the UK construction workforce will create significant skills gaps in London and the South East of England in particular, and develop a plan to address this.

The CLC will shortly publish a skills plan outlining how the industry can develop the skills needed for the coming years. This plan will build on the 'Roadmap to Recovery' post-COVID-19 recovery plan published last year. The two key industry and Government leadership bodies in Scotland and Wales, the Scottish Construction Leadership Forum and the Welsh Construction Forum, are similarly responding to this challenge.

To support this work, CITB has committed to help build up the domestic construction workforce over the next five years by investing through the construction Levy. We will:

- Provide 28,000 taster experiences of construction through our Go Construct programme, which will also help new entrants learn about opportunities in the sector and how to access them
- Give 19,000 people direct onsite experience to prepare them for a career in construction
- Launch a new construction traineeship with Government, industry and training providers; this will lead to an accelerated apprenticeship that recognises prior learning and, therefore, creates a firmer pathway between further education and employment
- Raise the proportion of apprentices completing their training from 60% to 70% through supporting, learners and working closely with training providers
- Help employers to improve productivity by agreeing the key competencies needed to drive up performance, targeting funding at the priority areas and helping to modernise training and make it more accessible.

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The Construction Industry Training Board (CITB) supports the skills needs of British construction. It attracts talent to the construction sector so employers have an adequate recruitment pool, and encourages employers of all sizes to access the skills training necessary to grow their businesses.