Employers' Skill Needs Survey

Autumn 2004

SUMMARY

- Approximately 500 construction companies drawn from across Great Britain were asked about workload and recruitment difficulties during October 2004.

- Expectations of future workload were highest in the North East, but nationally slightly lower than last year.

- Approximately three-quarters of employers said they were experiencing recruitment difficulties. Craft trades and managers presented the most problems.

- Filling vacancies in the permanent workforce was more of a problem than finding temporary contract workers.

- When asked about unfilled vacancies over the last three months, 17% of companies reported having at least one.

- Approximately a third of companies had to refuse a contract because of a shortage of skilled staff however the same proportion said they had been able to get the staff required by offering higher wages.

- Companies were mainly happy with the skill levels of their current workforce, but skills of new recruits were more of a problem.

- Employers preferred to recruit a permanent workforce who had the necessary skills and work experience; aged between 20 and 40 years old.

ABOUT THE SURVEY

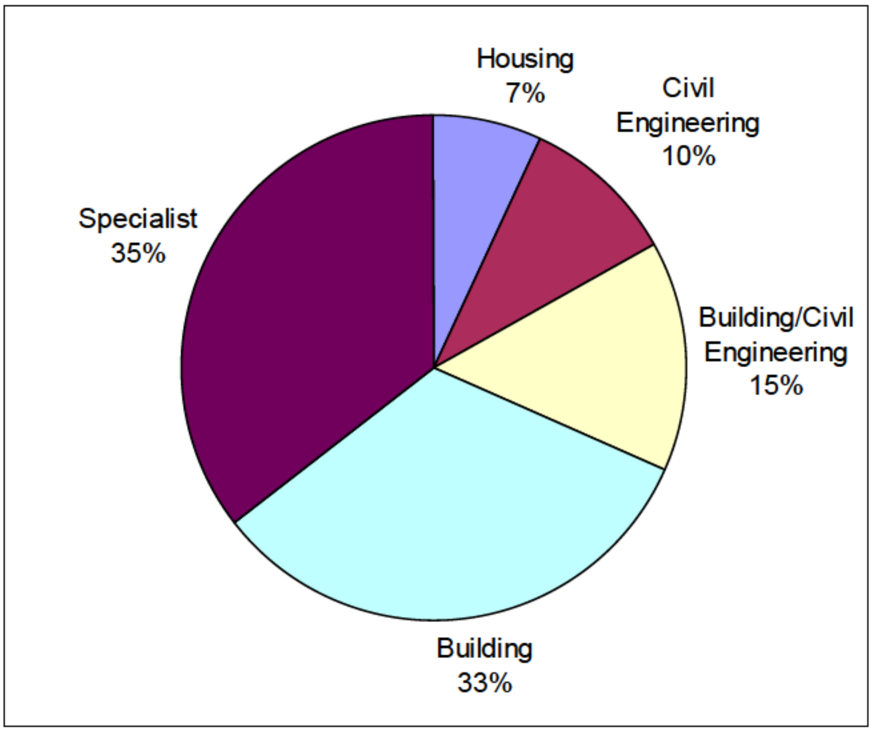
During October 2004, CITB-ConstructionSkills Training Advisers carried out the fifth nationwide survey of construction employers' skill needs.

The main aim of the survey is to provide information and identify existence of skill shortages and skill gaps by occupation, sector and geographical area across the Construction Industry in Great Britain. The survey was structured to deliver 50 responses from each Regional Development Agency (RDA) area in England and 50 each from Scotland and Wales, making 550 responses in total, covering small, medium and large companies. The final sample achieved was 505, slightly higher than the number of completed questionnaires returned in previous years, but still comparable to allow for analysis to be undertaken throughout this report.

Chart 1 shows the spread of companies in the sample by their main activity. Companies specialising in Housing have been identified separately – although, in practice, much Housing (both New Build and Repair and Maintenance) will be undertaken by 'General' Builders. The spread of main activity is comparable to that achieved in the previous two years.

Chart 1

Main business activity of respondents



EXPECTED WORKLOAD

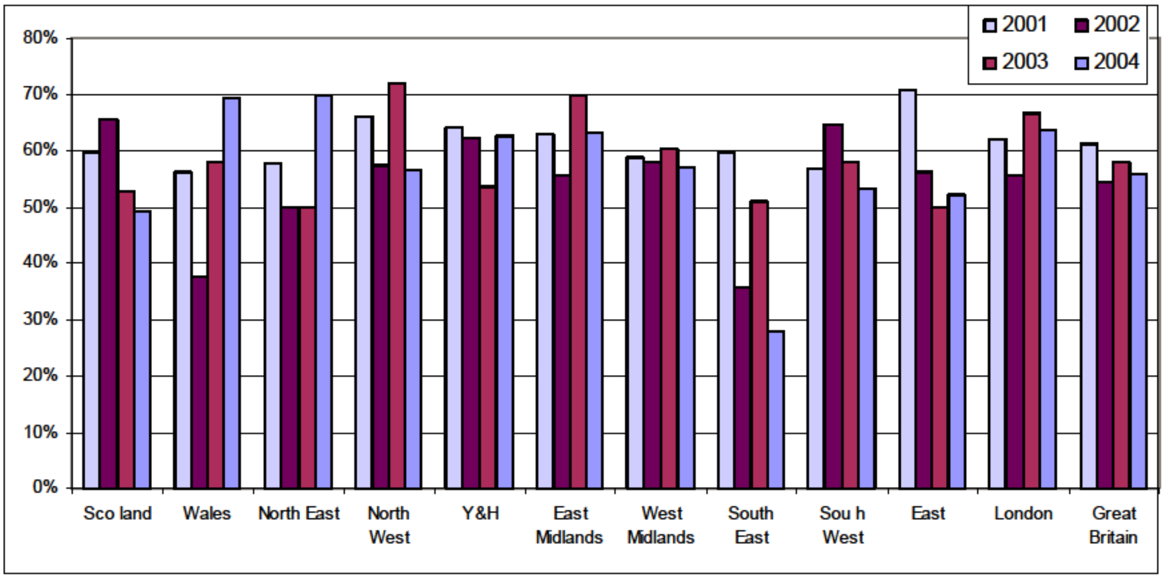
Expectations of future workload were highest in the North East, but nationally slightly lower than last year.

56% of participating employers expected an increase (comparable to 59% in 2003, 54% in 2002 and 61% in 2001), 39% expected their workload to remain the same (again, comparable with 36% in 2003, 43% in 2002 and 36% in 2001) and only 5% expected a decrease over the next six months.

Chart 2 highlights the significant changes which have occurred over four years for companies expecting an increase in workload by area. The most stable area over this time period has been the West Midlands. In 2004, the percentage of employers expecting their workload to increase was highest in the North East (70%), and lowest in the South East (28%). Although it should be noted that the South East had the highest proportion of employers expecting their workload to remain the same (62%) compared to an average of 35% across the other ten areas. Both the North East and the South East have witnessed the biggest changes since 2003. While the percentage of employers expecting an increase in the North East has risen from 50% where it has stood since 2002, the South East on the other hand has decreased from 51% last year.

Chart 2

Companies expecting an increase in workload by area: four-year trend

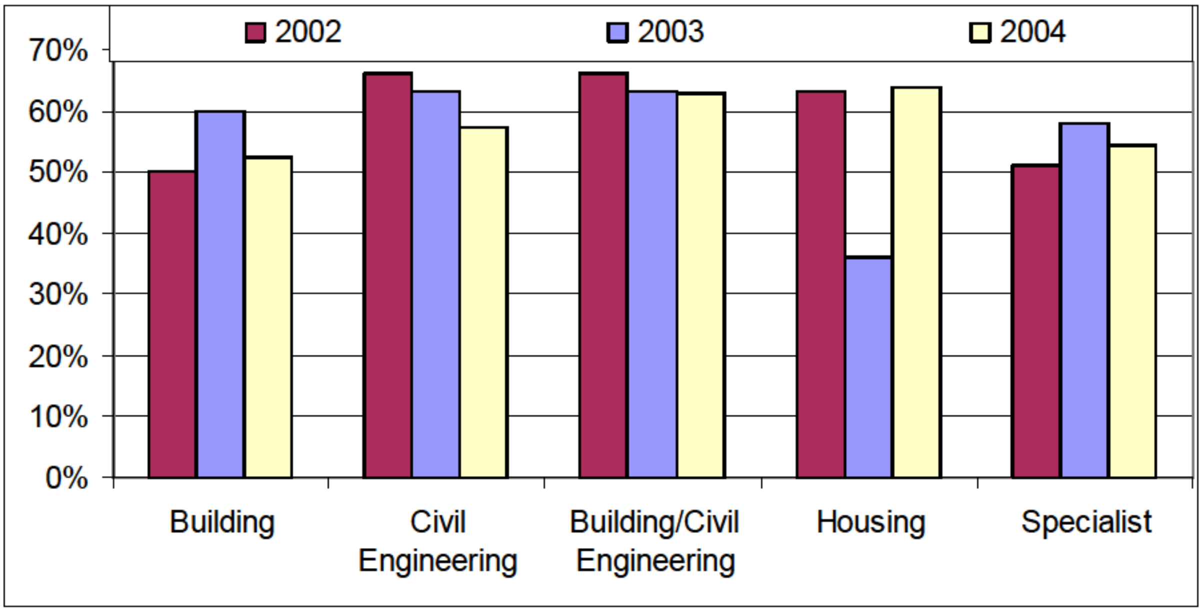


Due to small sample sizes in some areas, results should be treated with caution where analysis by area is required.

Chart 3 shows companies expecting to increase their workload over the next six months by sector. As in 2003, the Building/Civil Engineering sector was the most optimistic. However the most significant change has occurred in the Housing sector whose employers expecting an increase has risen to 64% this year, comparable to their 2002 figure

Chart 3

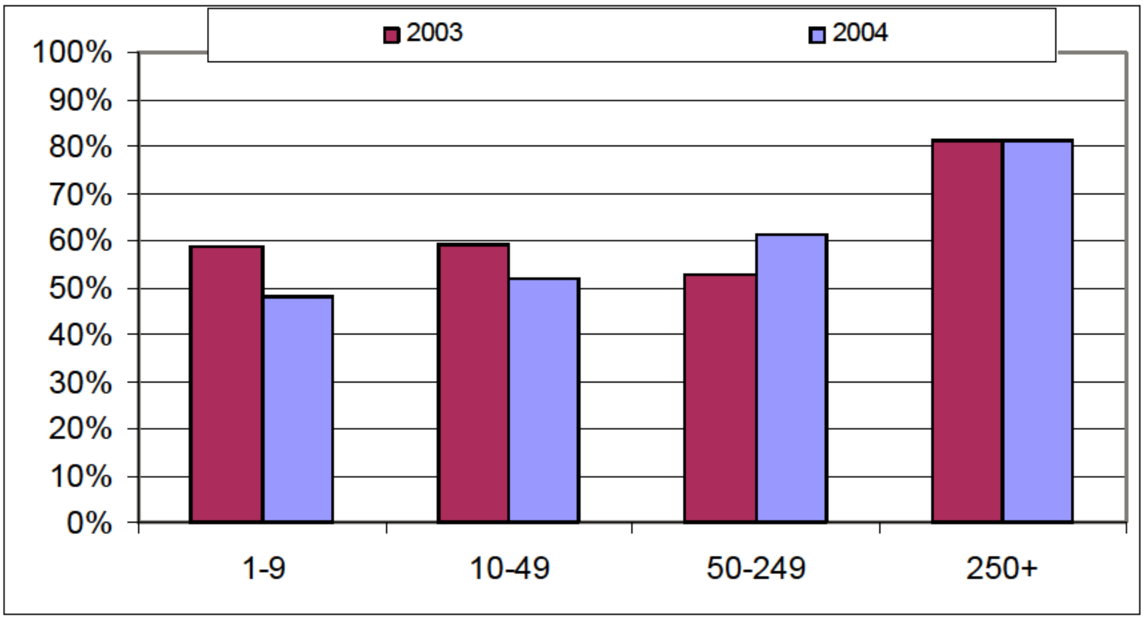
Companies expecting an increase in workload by sector: three-year trend



By size of company expectation of an increase in workload has not changed significantly since last year. The main differences are the decrease for smaller sized firms (less than 50 employees) contrasted with a slight increase in firms with a workforce of 50 to 249.

Chart 4

Companies expecting an increase in workload by size: two-year trend



SKILL SHORTAGES

The Government's Skills Task Force Report 2000 distinguished between skills shortages, recruitment difficulties and skills gaps, where…

- 'skills shortages' is defined as an absolute absence of people with the required skills in the workforce
- 'recruitment difficulties' – where employers could not attract workers in particular locations or at certain terms and conditions
- 'skill gaps' – where members of the existing workforce lack necessary skills to do the job.

In this survey it was decided to follow the same approach, but adapted slightly to suit construction employment (for example, differentiating between the difficulties faced when recruiting project-by-project indirect labour and directly employed 'core' staff).

Questions were also included on company's recruitment preferences.

For Great Britain as a whole, 74% of companies said they had experienced difficulties in recruiting skilled staff in the previous three months. This figure is slightly higher than last year (67%) but is lower than in 2002 (79%) and comparable to 76% in 2001.

However, only 53% of companies said they had had a long-term vacancy (i.e. in addition o normal recruitment for contracts). Furthermore, of these companies with a long-term vacancy, 67% of them had managed to fill it. Both these figures are slightly higher than those reported last year, which were 51% and 60% respectively.

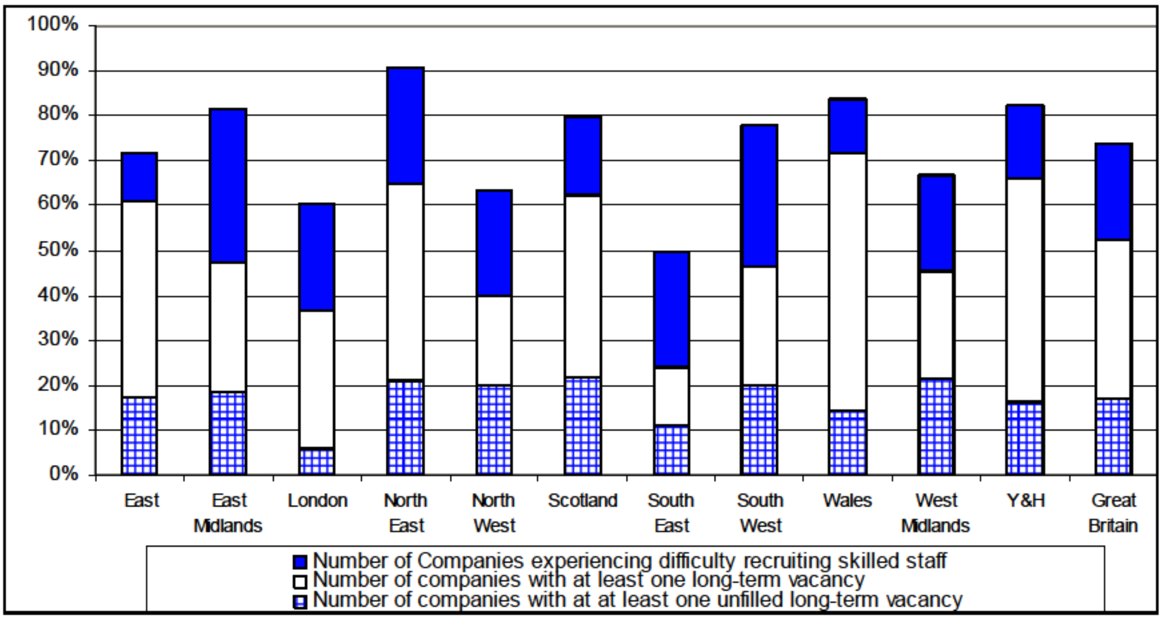
Consequently, 17% of the overall number of companies in the sample (505) were left with a long-term vacancy that they were unable to fill. This result is lower than the 21% obtained in last year's survey and, of course, considerably less than the 74% of companies who reported experiencing recruitment difficulties.

In other words, although the number of employers experiencing difficulty recruiting skilled staff has increased in 2004, the number of companies with a long-term vacancy remaining unfilled has decreased

Chart 5 shows the differences in recruitment problems by area during Autumn 2004.

Chart 5

Companies reporting skill shortages by area



The highest percentage (91%) of employers **experiencing difficulty recruiting skilled staff** was in the North East, and the lowest was in the South East (50%). However, the highest percentage of employers reporting at least one **unfilled long-term vacancy** was in Scotland.

The most notable change this year has been the percentage of employers reporting recruitment problems in the East (72%). It appears that this has returned to a comparable level to those cited in 2002 (80%), having decreased significantly last year to 47%.

Chart 6 shows reports of skill shortages by companies' main activity or 'sector'. Housing and Civil Engineering firms report the most difficulty in recruitment (both 88%) In terms of unfilled vacancies, Civil Engineering were again this year the most affected. (Care should be taken with the results for Housing firms as the sample size is small, compared to the other 'sectors').

Chart 6

Companies reporting skill shortages by sector

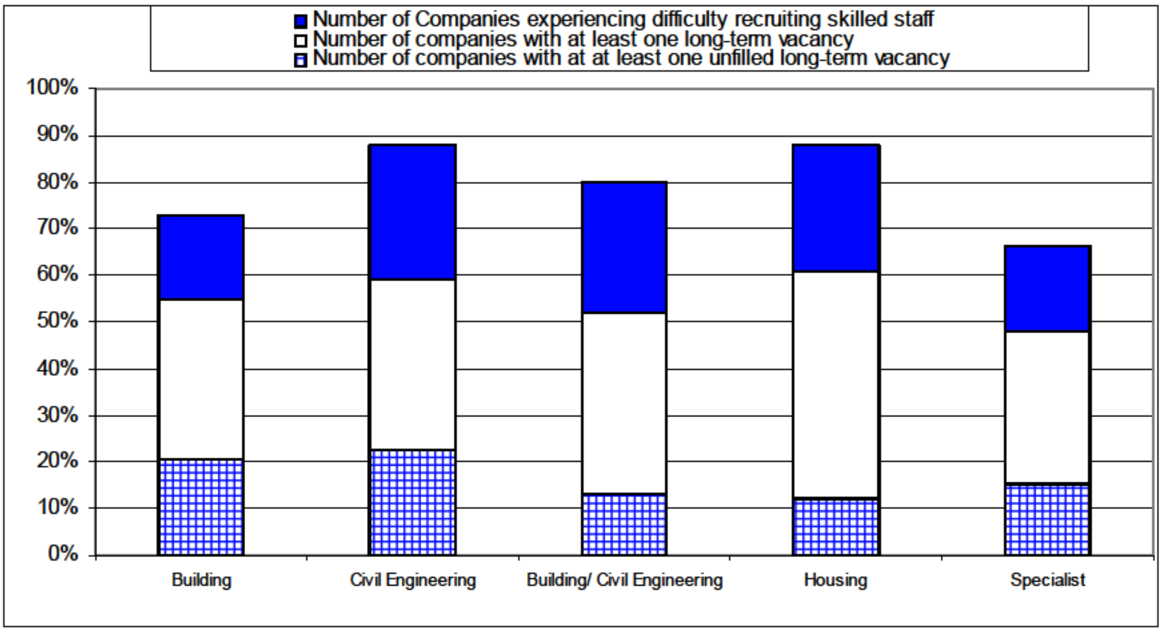
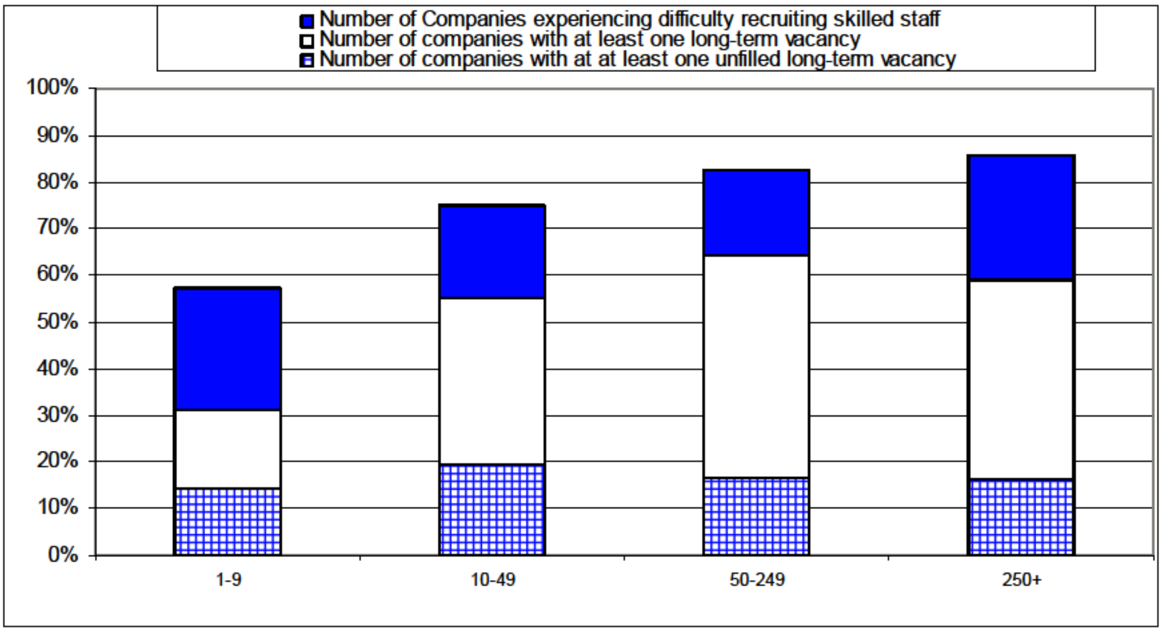


Chart 7 shows skills shortages by size of company. This shows that medium and larger-sized companies (more than 50 employees) were having the most difficulty in recruiting skilled staff. However, in terms of having at least one unfilled long-term vacancy, smaller sized firms (10-49 employees) were worst off.

Chart 7

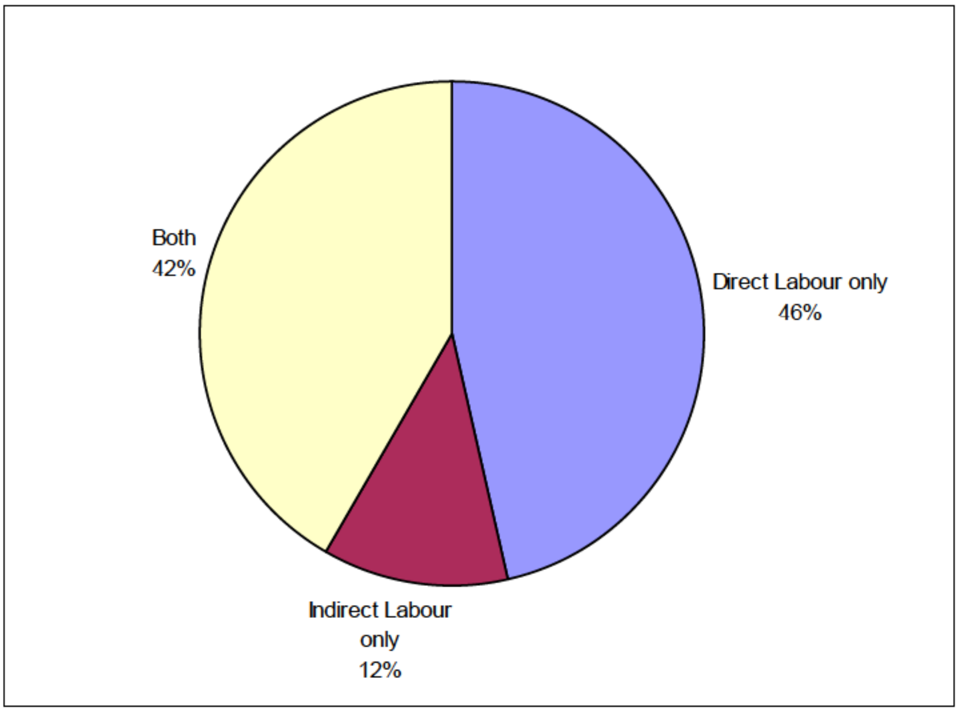
Companies reporting skill shortages by company size



Employers experiencing difficulty recruiting skilled staff were asked whether this applied to direct labour only, indirect labour only or both. As shown in Chart 8, just under half reported that recruitment difficulties applied to direct labour only with only a small proportion stating it applied to indirect only.

Chart 8

Recruiting difficulties: direct and indirect labour

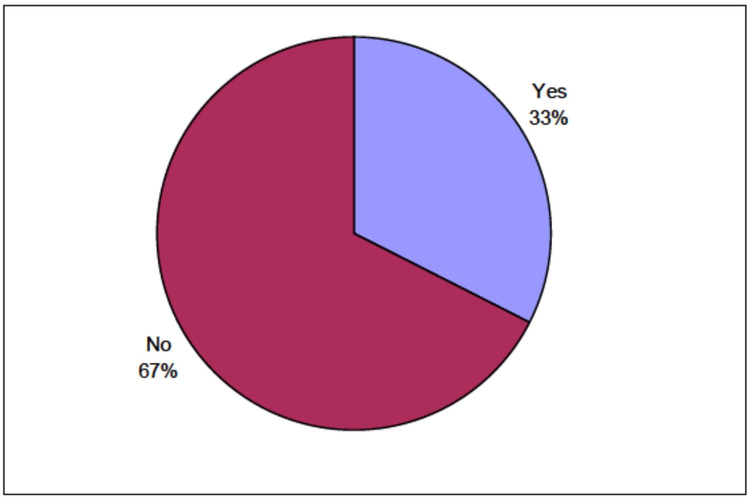


From these results it can be inferred that companies find recruitment of indirectly employed workers less of a problem than finding permanent staff. Other research shows indirect employment to be much more common for site-based skilled trades, whereas permanent staff tend, in many firms, to be employed in office-based, white collar jobs. One possible interpretation is that recruitment of site-based workers is not seen as a problem for main contractors as long as they can rely on subcontractors to manage it for them. However, where the contractor wishes to recruit staff (site-based or office-based) into permanent direct employment then difficulties arise.

Companies reporting recruitment difficulties were asked whether they had had to refuse a contract due to a shortage of skilled staff. As shown in Chart 9, around one-third of such companies stated that they had encountered this problem in the past three months. These results are comparable to last year's findings.

Chart 9

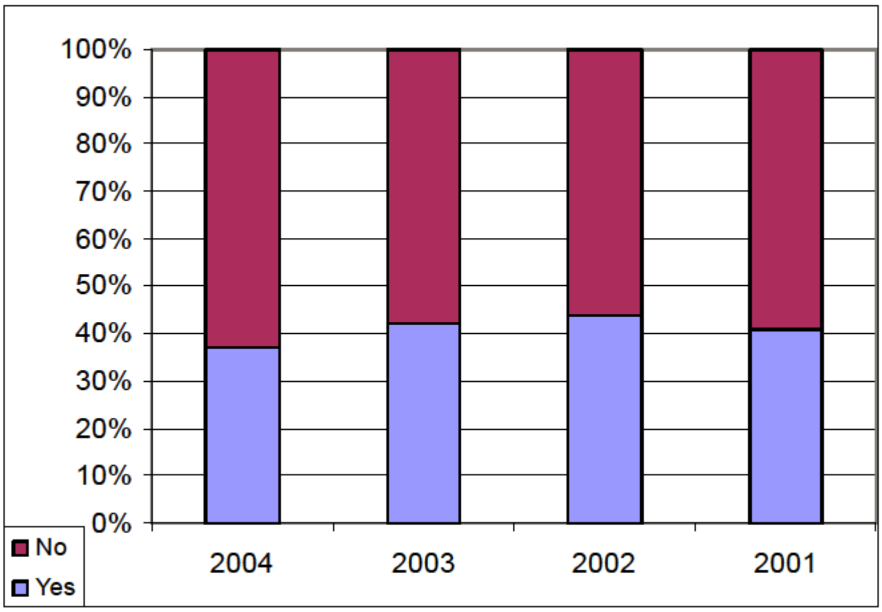
Having to refuse contract due to skill shortages



These companies were also asked whether offering higher wages had helped them recruit skilled staff. In 2004 37% stated that this had been a successful strategy. As the four-year trend in Chart 10 shows this is slightly less than previously reported.

Chart 10

Able to recruit skilled staff by offering higher wages



'DIFFICULT TO RECRUIT' OCCUPATIONS

As in the previous two years, wood trades, brick layers, plasterers, managers and general operatives/labourers were the most 'difficult to recruit' occupations in 2004.

Table 1 overleaf looks at difficulties in recruiting, vacancies and unfilled vacancies for each occupation in both 2003 and 2004. Areas of most difficulty are shaded.

Difficulties in recruiting

Wood Trades, Bricklayers, Plasterers, Managers, General Operatives/Labourers and Plumbers presented the most difficulties in 2004. These results are directly comparable with the previous year.

Long-term vacancies

In terms of having long-term vacancies, Plant Mechanics, Supervisors, Managers, Plant Operatives are highlighted, along with Professional staff and Painters. The majority of these occupations are similar to last year with the notable exceptions of Clerical and Technical staff which are less of a problem this year and Plant Operatives and Painters whom now rank higher than last year but have a comparable proportion to the 2003 results. The highlighted occupations usually form part of a company's permanent workforce, as opposed to those who may normally be hired on a project-by-project basis.

Unfilled long-term vacancies

When looking at occupations where vacancies are remaining unfilled (arguably the most acute areas) these results display the biggest changes between the two years. Roofers are still presenting a difficulty and are now 'top' as the occupation with at least one unfilled long-term vacancy, however their proportion remains directly comparable to last year when they were ranked only 3rd highest. The situation for the other occupations is either similar to that of Roofers (comparable to 2003 results) or their proportions have decreased in 2004, for some occupations the decrease has been quite considerable. For example Plant Mechanics whom had the highest proportion last year have decreased in 2004 by 40 percentage points from 82% to 42%, or in other words companies with at least one unfilled long-term vacancy for Plant Mechanics has halved.

Table 1

'Difficult to recruit' occupations

	% of companies in sample experiencing recruitment difficulties		At least one long-term vacancy		At least one unfilled long-term vacancy	
	2003	2004	2003	2004	2003	2004
Managers	13%	14%	95%	79%	36%	31%
Clerical	4%	8%	81%	74%	41%	43%
Supervisors	10%	12%	81%	81%	62%	42%
Professional	6%	10%	87%	76%	35%	35%
Technical	7%	12%	87%	73%	48%	43%
Wood Trades	31%	29%	66%	71%	47%	33%
Bricklayers	24%	22%	67%	62%	57%	43%
Painters	7%	7%	71%	76%	45%	24%
Plasterers	15%	16%	63%	59%	60%	48%
Roofers	9%	5%	59%	59%	62%	63%
Floorers	3%	4%	50%	50%	43%	30%
Glaziers[1]	1%	1%	<1%	40%	<1%	<1%
Scaffolders	3%	3%	54%	54%	57%	43%
Plant Operatives	6%	10%	76%	77%	50%	48%
Plant Mechanics	3%	3%	92%	92%	82%	42%
Steel Erectors[1]	<1%	1%	<1%	60%	<1%	<1%
General Ops/Labourers	12%	14%	71%	73%	50%	23%
Electricians	4%	6%	56%	70%	50%	43%
Plumbers	10%	14%	54%	51%	68%	43%
Bases:	*All companies in sample*		*All companies experiencing difficulty recruiting skill staff*		*All companies with a long-term vacancy*	

[1] In 2003 and 2004 the number of companies experiencing difficulty recruiting both Glaziers and Steel Erectors was less than 10

A possible pattern emerges as follows. If companies are asked which occupations present most recruitment difficulties they will mention Wood Trades and Bricklayers – who are most numerous in the workforce. However, when asked about vacancies (as opposed to normal project-by-project recruitment), they will refer to their core workforce members, including Professional and Supervisory staff, Managers and Plant Mechanics.

These vacancies may not however be hardest to fill (for example, Managers) whereas others (including Roofers, Plasterers and Plant Operatives) are causing the most severe difficulties.

Generally, in thinking about skill shortages, it would be helpful to bear in mind the differences between volume of shortages, as opposed to intensity of difficulty. Another construction-specific factor to be considered is the recruitment of temporary as opposed to permanent staff (see page 9).

Table 2 on the next page shows a further breakdown of recruitment difficulties by occupation in each area. (Because of small samples, detailed results at this level should be treated with caution). For the occupations generally in short supply, regional variations were considerable – from 42% in the North East to 17% in the South East for Wood Trades, and 45% in Wales to 9% in the East for Bricklayers

As regards other occupations (for example, General Operatives, Plasterers, Plumbers and Managers), the regional figures are similar to the national pattern. There were some exceptions – for example, in the North West 27% of employers experienced difficulties recruiting Supervisors.

Table 2

Percentage of employers experiencing difficulties in recruiting skilled staff by area

	East	East Midlands	London	North East	North West	Scotland	South East	South West	Wales	West Midlands	Yorkshire & Humber
Managers	17%	11%	18%	21%	20%	12%	2%	16%	16%	12%	20%
Clerical	4%	8%	3%	12%	7%	7%	4%	16%	8%	10%	5%
Supervisors	7%	11%	12%	16%	27%	16%	2%	11%	8%	5%	23%
Professionals	15%	3%	18%	9%	13%	7%	0%	9%	8%	10%	18%
Technical	20%	11%	9%	23%	10%	9%	2%	16%	10%	5%	18%
Wood Trades	20%	39%	24%	42%	23%	35%	17%	24%	33%	19%	38%
Bricklayers	9%	26%	18%	28%	20%	26%	11%	18%	45%	21%	18%
Painters	2%	5%	6%	2%	17%	9%	4%	2%	10%	5%	11%
Plasterers	11%	18%	6%	21%	17%	17%	15%	13%	29%	7%	18%
Roofers	0%	5%	0%	9%	10%	4%	4%	9%	12%	5%	2%
Floorers	11%	3%	3%	5%	0%	0%	4%	9%	4%	7%	0%
Glaziers	2%	3%	0%	0%	0%	3%	0%	0%	2%	0%	0%
Scaffolders	2%	3%	6%	2%	0%	6%	2%	0%	2%	2%	2%
Plant Operatives	4%	8%	15%	12%	7%	10%	7%	18%	8%	10%	14%
Plant Mechanics	7%	0%	3%	5%	3%	3%	0%	2%	0%	0%	5%
Steel Erectors	0%	0%	0%	2%	3%	1%	0%	0%	4%	0%	0%
General Operatives	17%	13%	9%	16%	7%	10%	13%	18%	18%	5%	23%
Electricians	13%	5%	6%	14%	10%	3%	4%	2%	6%	2%	4%
Plumbers	9%	16%	12%	19%	23%	9%	11%	2%	29%	14%	13%

Base: 505 companies

As previously mentioned, analysis by area should be treated with caution due to low response rates

Table 3 shows the difficulty in recruiting different occupations in each sector of the industry. For General Builders, Building/Civil Engineering and Housing companies, Wood Trades and Bricklayers present the most difficulty. For Civil Engineering firms, General and Plant Operatives are the most difficult and Specialist companies found it more difficult to recruit Wood Trades.

Table 3

Percentage of employers experiencing difficulties recruiting skilled staff by sector

	Building	Civil Engineering	Building/ Civil Engineering	Housing	Specialist
Managers	14%	18%	20%	33%	8%
Clerical	7%	12%	11%	12%	4%
Supervisors	8%	16%	19%	15%	5%
Professionals	8%	12%	25%	24%	8%
Technical	40%	2%	33%	52%	19%
Wood Trades	31%	6%	32%	48%	8%
Bricklayers	7%	0%	5%	9%	8%
Painters	25%	2%	23%	30%	6%
Plasterers	5%	0%	5%	9%	7%
Roofers	5%	0%	0%	3%	6%
Floorers	1%	0%	3%	0%	1%
Glaziers	2%	0%	4%	6%	3%
Scaffolders	4%	39%	15%	6%	7%
Plant Operatives	1%	4%	5%	0%	3%
Plant Mechanics	1%	0%	3%	6%	0%
Steel Erectors	11%	47%	17%	15%	6%
General Operatives	8%	2%	13%	6%	2%
Electricians	22%	6%	16%	27%	5%
Plumbers	14%	18%	20%	33%	8%

It is important to note that the sample of companies for this survey was drawn from the CITB-ConstructionSkills register. This register covers those whose main activity is in Building, Civil Engineering and Specialist Building. Skill needs of other companies in the industry, for example, Electrical and Plumbing contractors, are not covered. This is reflected in the figures for Electricians and Plumbers.

SKILL GAPS

The results of the survey seem to indicate that, as far as construction employers are concerned, 'skill gaps' are a problem for new recruits, but not for existing employees.

The majority of employers (80%) were satisfied that their **existing** employees were able to cope with current requirements, including dealing with new technology, new construction methods and/or new materials.

However, approximately 50% of participating employers reported problems with **new** employees who, although trained and qualified for certain occupations, still lacked a variety of skills required.

This response is possibly not surprising since new trainees will need to do some on-the-job training even if formally qualified. This is probably more so in the construction industry than in other sectors.

Both these results are comparable to those from the previous four surveys as shown in Chart 11 and Chart 12 below.

Chart 11

Skill gaps for new employees: four-year trend

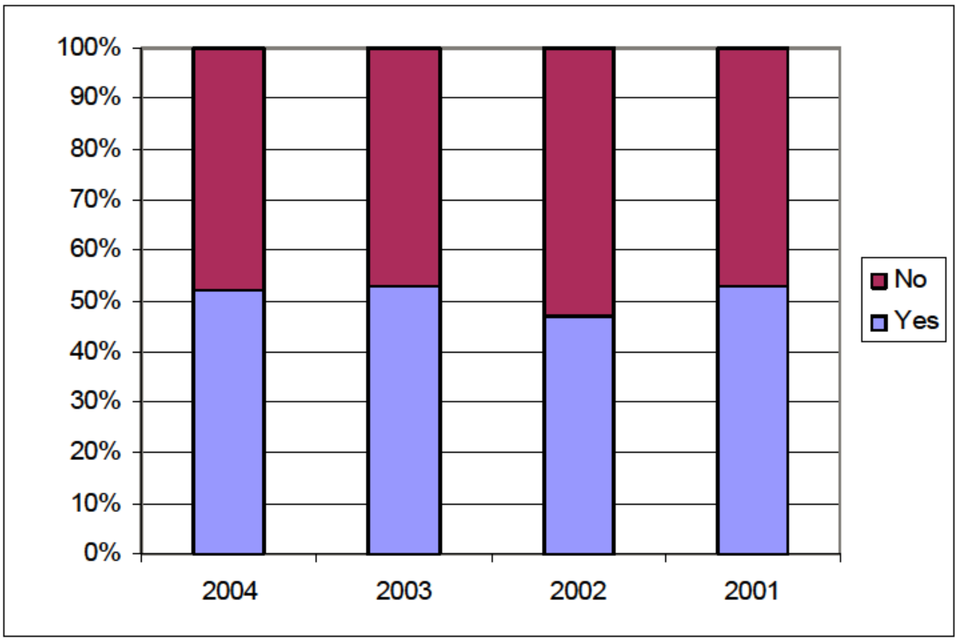
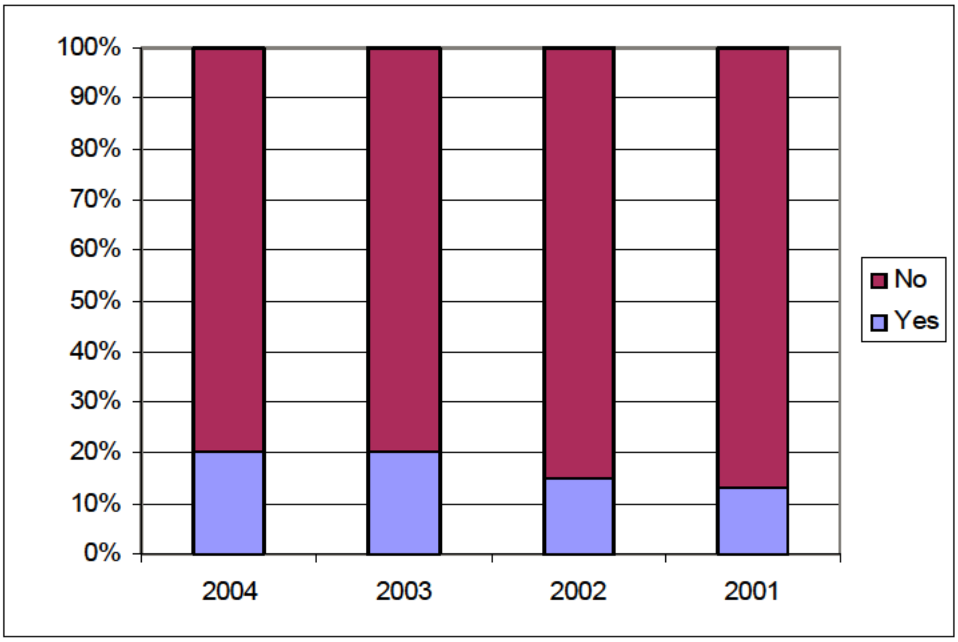


Chart 12

Skill gaps for existing employees: four-year trend



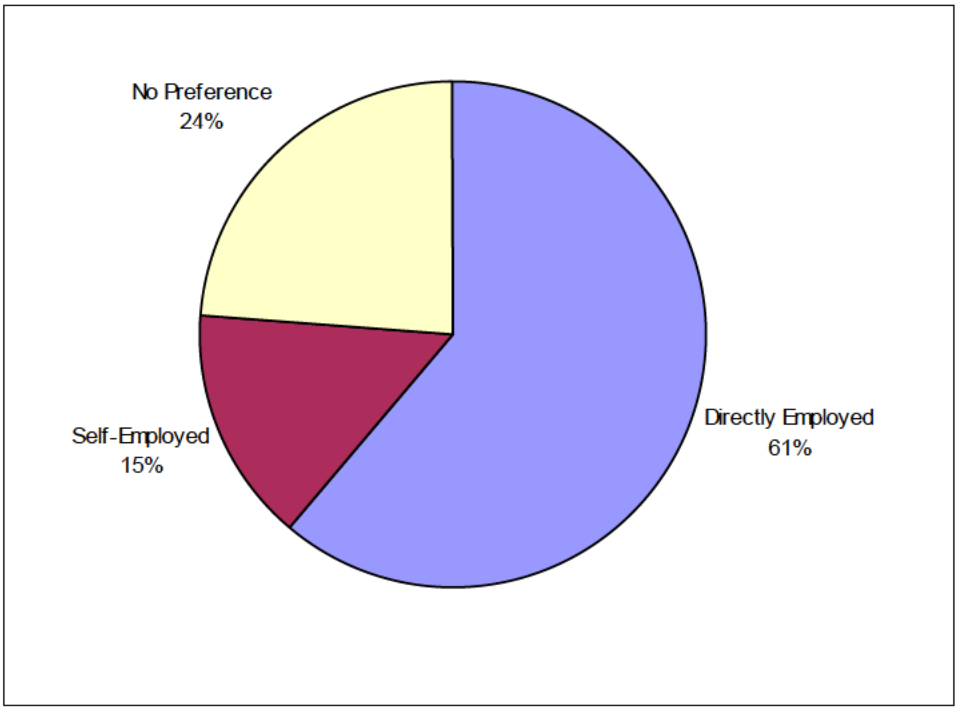
Recruitment Preferences

This year CITB-ConstructionSkills looked into the recruitment strategies of construction companies.

Employers where asked whether they preferred to recruit direct/permanent workers, self-employed/sub-contractors or if they had no preference. The chart below shows that the majority of employers preferred a direct workforce.

Chart 13

Do you prefer to recruit….

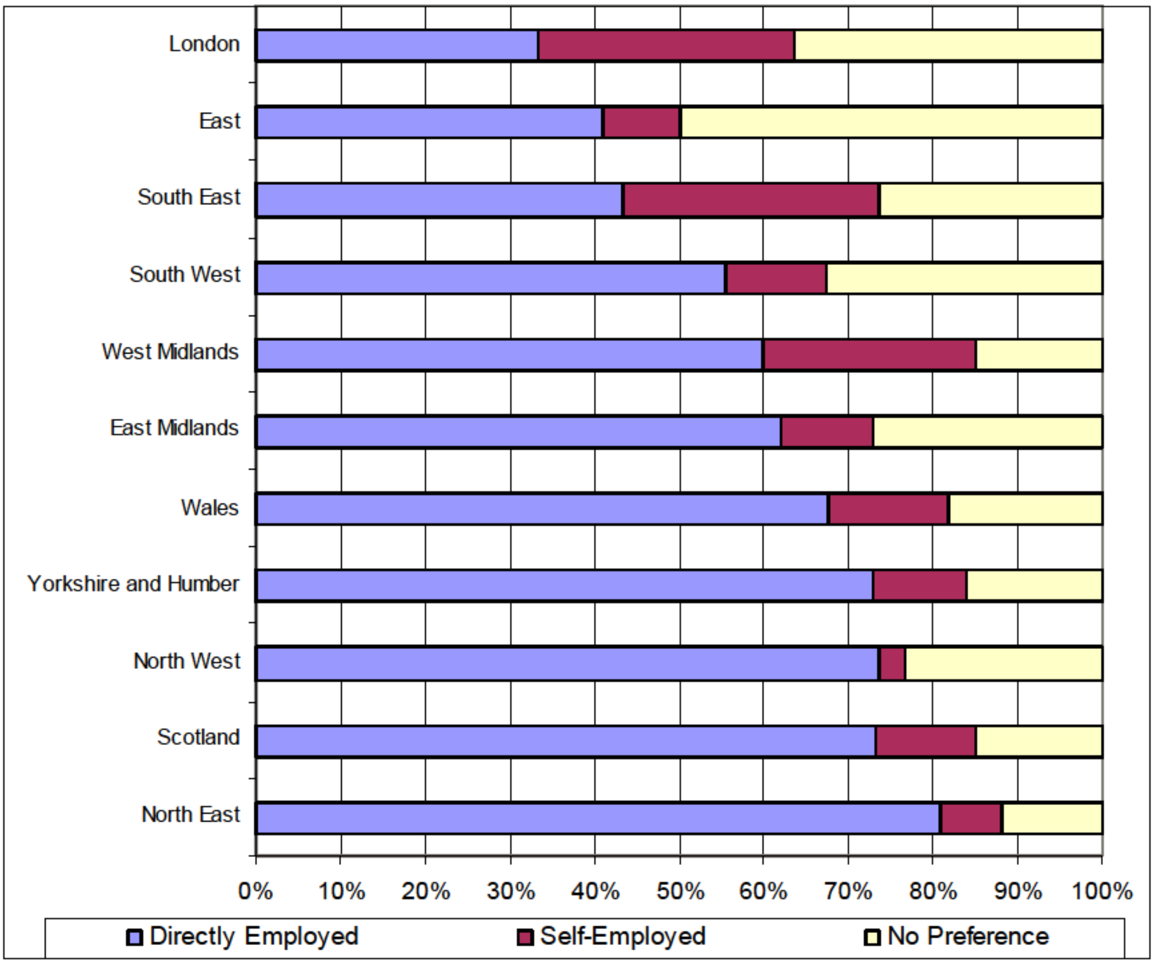


Analysis by size of firm and sector produced very similar results to the national picture, with the exception of Housing, where the proportion for each of the three factors was more evenly spread.

Analysis by geographical area, however, highlighted a notable difference between the North and South of Great Britain. As displayed in the chart below the preference for a directly employed workforce follows a definite north to south pattern. Northern areas of Great Britain prefer to employ more permanent staff than those in the southern areas.

Chart 14

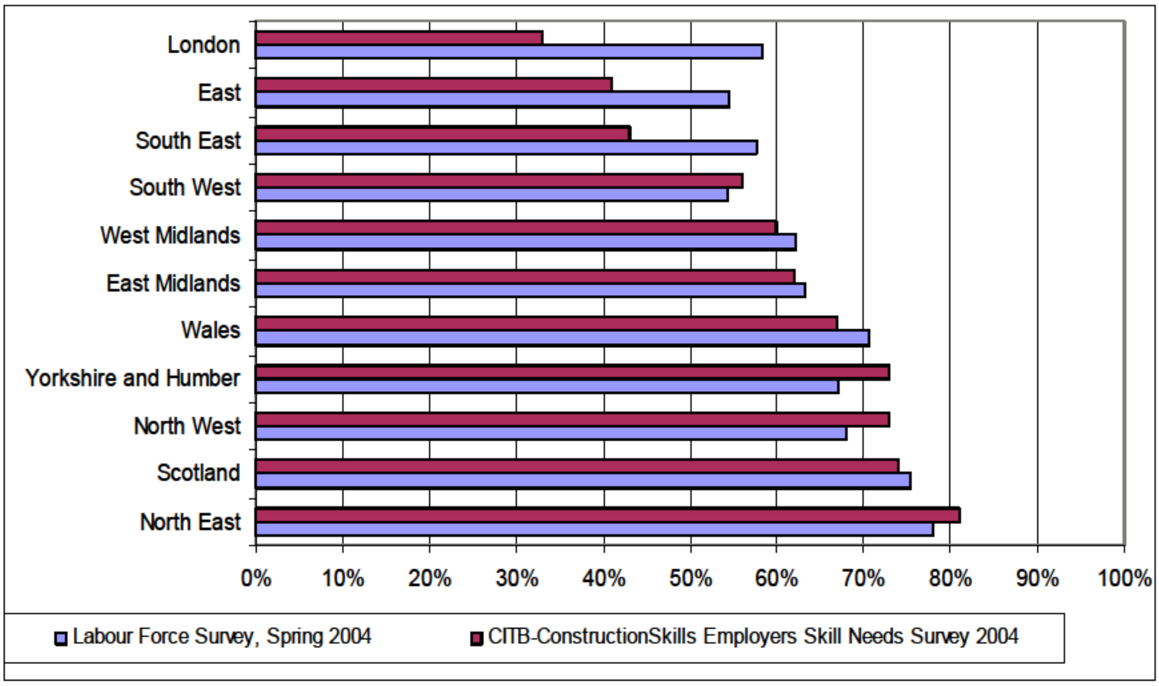
Employers preference for employment status of recruits by area



These findings match the actual structure of the construction workforce within areas throughout Great Britain. Chart 15 compares company preference with actual company employment structure using data taken from the Labour Force Survey (Spring 2004).

Chart 15

Comparison of Directly Employed Workforce - Actual (Labour Force Survey 2004) and Preferred (CITB-ConstructionSkills Employer's Skill Needs Survey 2004)



<u>Age</u>

Employers were asked whether they had a preference for age of recruit.

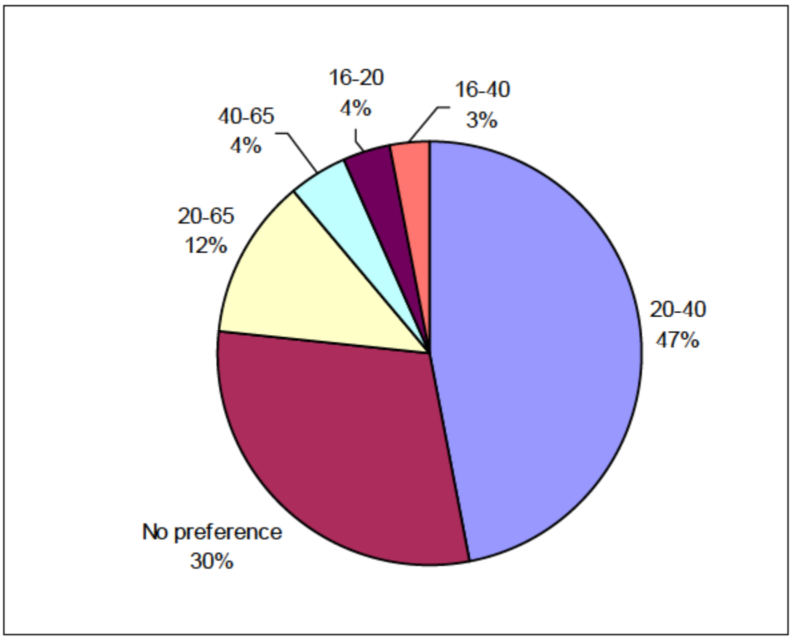
For purposes of this survey, age was categorised into the following three bands:-

- Under 20 years old
- 20 to 40 years old
- Over 40 years old

However, employers were not restricted to only ticking one of these bands. As highlighted in Chart 16.

Chart 16

Preferred Age of Recruit



As the chart above shows the majority of employers were looking to recruit workers aged between 20 and 40 years old. The main reasons for this being *Experience, Attitude, Ability, Stability* and *Reliability.* Whereas, relatively few preferred to take on either younger workers (who because of their lack of skills and experience would in effect be trainees) or older workers.

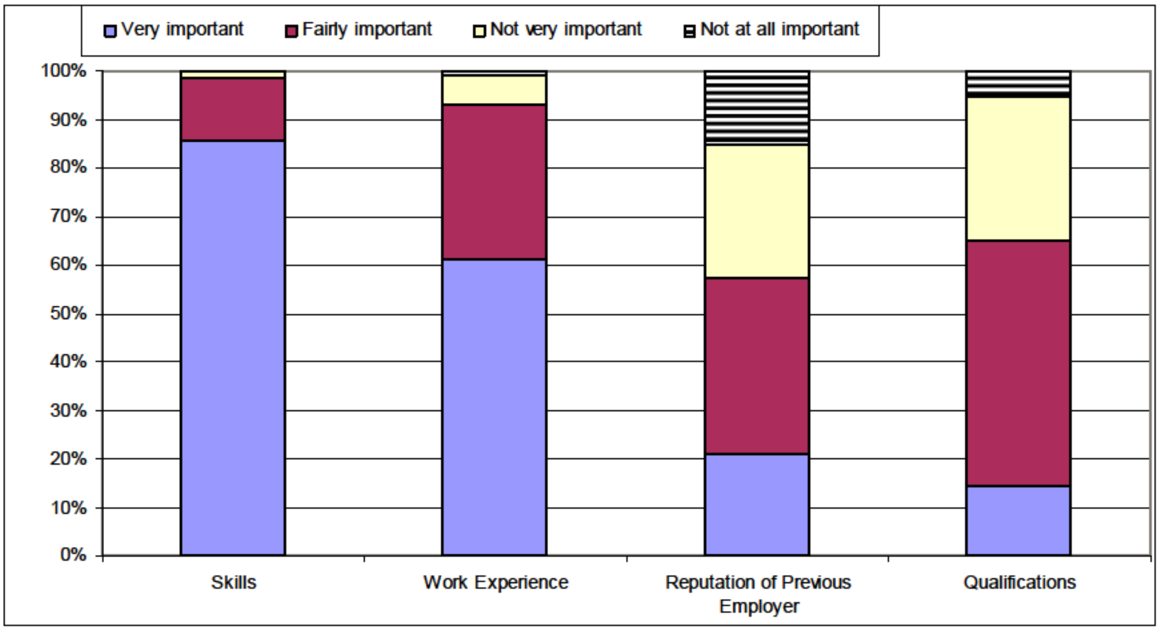
Finally, in order to ascertain the significance employers assign to different components when recruiting, the survey asked them to rate the importance of the following four factors:-

- Skills
- Qualifications
- Work Experience
- Reputation of Previous Employer

As would be expected *Skills* were rated “very important” by the majority of firms (85%) compared to only 14% whom gave this rating to qualifications. Although it should be noted that half of employers felt that *qualifications* were “fairly important” making a total of 65% of employers deeming qualifications to be important in some respect. The factor deemed by employers to be the least important was *reputation of previous employer* which just under half of employers felt was both “not very” (27%) and “not at all important” (15%).

Chart 17

The importance ascribed to four factors when recruiting



Turning to look at each of the four factors individually allows analysis to be carried out by size, sector and geographical area to see whether these produced any major differences to the national picture (displayed in chart above). The main findings from this analysis are detailed below.

Skills

By area and sector, the picture was very similar to nationally.

The importance of skills increased marginally by size of firm. It is also worth noting that a very small proportion of smaller companies (under 50) rated *skills* as "not very important" whereas no firms of 50 or more employees rated lower than "fairly important". One explanation for this is that smaller sized firms were more likely to prefer to recruit younger workers – aged under 20 years, which would imply they are more prepared to take on at apprentice/trainee level and train in-house, as highlighted by the following employer comment.

"… prefer to train unskilled people/take on apprentices. Advantages are longevity and don't have to untrain bad habits… "

Qualifications

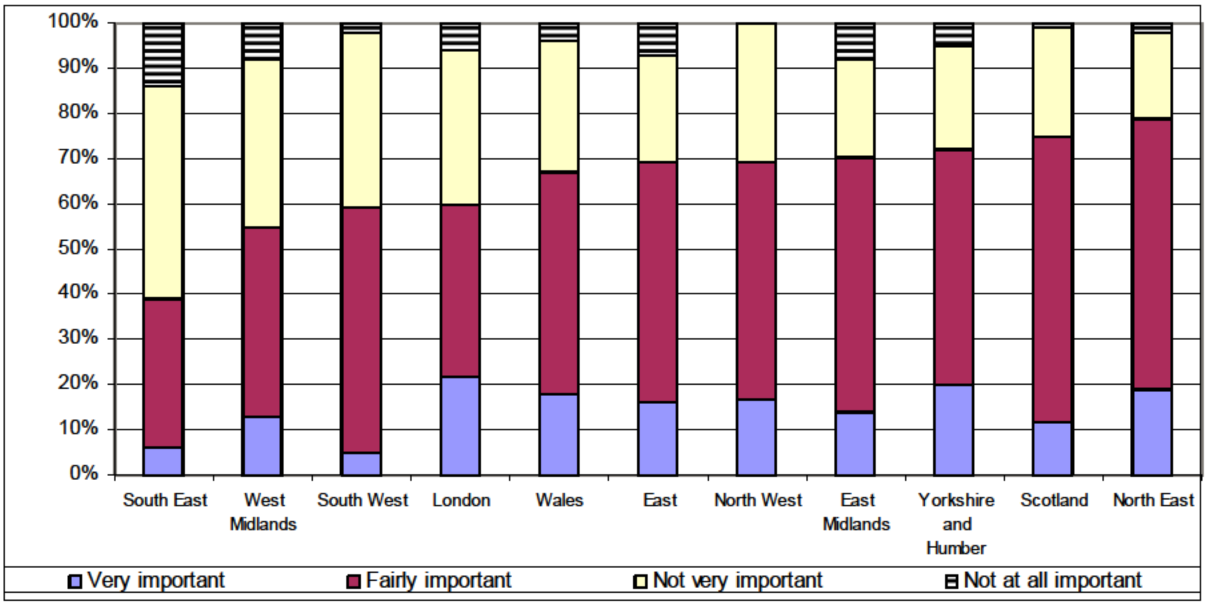
As mentioned previously more employers rated *qualifications* as "fairly important" rather than "very important", however overall 65% gave it either of these ratings. Although, many employers rating *qualifications* as "fairly important" recognised both the requirement of a qualification/certificate for certain jobs on-site and also the increasing importance of a qualified workforce. With several employers stating that this was due to client stipulations.

"…becoming more important as clients require proof…"

Analysis by area, size and sector found huge variations across areas, as portrayed in following chart. Ratings for importance (both "very" and "fairly") ranged from only 39% in the South East to 79% in the North East. And once again importance increased by size, and the situation across the sectors was comparable to the national picture

Chart 18

Importance Rating of Qualifications by area



<u>Work Experience</u>

Overall *work experience was* rated as the next most important factor (behind skills) when recruiting, 93% of respondents said it was "very" or "fairly" important. No significant differences to the national picture were highlighted by area, size and sector analysis.

Employers preferring to recruit an older workforce (over 40 years) were much more likely to rate work experience as "very important" than those favouring employing staff under 40 years. This is not surprising given the fact that many "older" workers do not have qualifications but many years of experience within their occupations, which is obviously directly related to the ratings employers give for qualifications (above), as these comments from employers highlight.

"… [qualifications are] important to us but some of the older tradesmen don't have qualifications…"

"… nothing replaces experience and maturity…"

<u>Reputation of Previous Employer</u>

Overall *reputation of previous employer* was rated less important than the other three factors, being mentioned by just over half of all employers (58%).

Neither size of company nor sector produced any major differences to the national situation. However there were some variations between regions with just 37% of employers in the East rating *reputation of previous employer* as important compared to three-quarters for Scottish employers.

Given Scottish employers known preference for taking on directly employed workers, their interest in any previous employment would be understandable.

CONCLUSION

- Results from the current survey show that expected workloads and the recruitment difficulties associated with them continue to be high. However, skill gaps have remained relatively low across Great Britain since last year.

- This year's introduction of a new series of questions on recruitment strategies has produced interesting results which CITB-ConstructionSkills will be able to track year on year.

- The main findings this year

    - Two-thirds of employers said they preferred a directly employed workforce, but the remainder were content with hiring self-employed workers. There was a marked North/South split in preferred worker status.

    - Employers preferred to recruit skilled workers in the 20 to 40 age group.

    - They rated work experience as more important than qualifications.