



CITB ANALYSIS AND FORECASTING

# Construction Skills Network

Labour Market Intelligence Report

5-year  
Outlook

2021-2025

**West  
Midlands**



4.8% annual average growth rate projected over the five-year forecast, driven by private housing (6.9%) and infrastructure (6.5%). 25,000 new workers will be required.

The annual recruitment requirement in West Midlands

**2.2%**

Amount of new workers that are needed between 2020 and 2025

**25,000**

## Macroeconomic backdrop

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

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

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

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

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

Construction has recently faced rising material prices, also driven by:

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

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

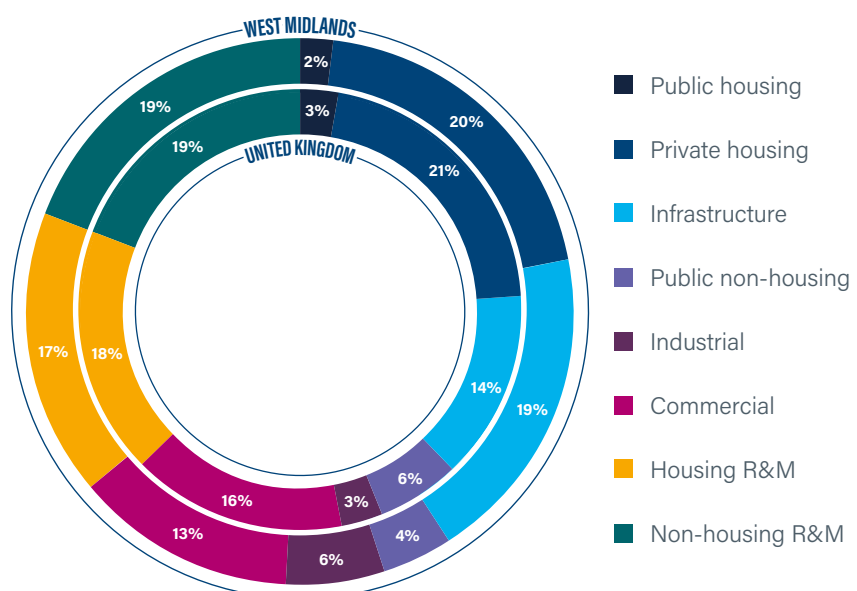
Lastly, there are non-economic challenges for the wider economy and several industries, including construction. These include a potential third wave of Covid-19 infection rates resulting from relaxed social distancing restrictions during summer 2021 and increased international travel that might result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

## Structure

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

### CONSTRUCTION INDUSTRY STRUCTURE 2020, WEST MIDLANDS VS UK

Source: ONS, Experian

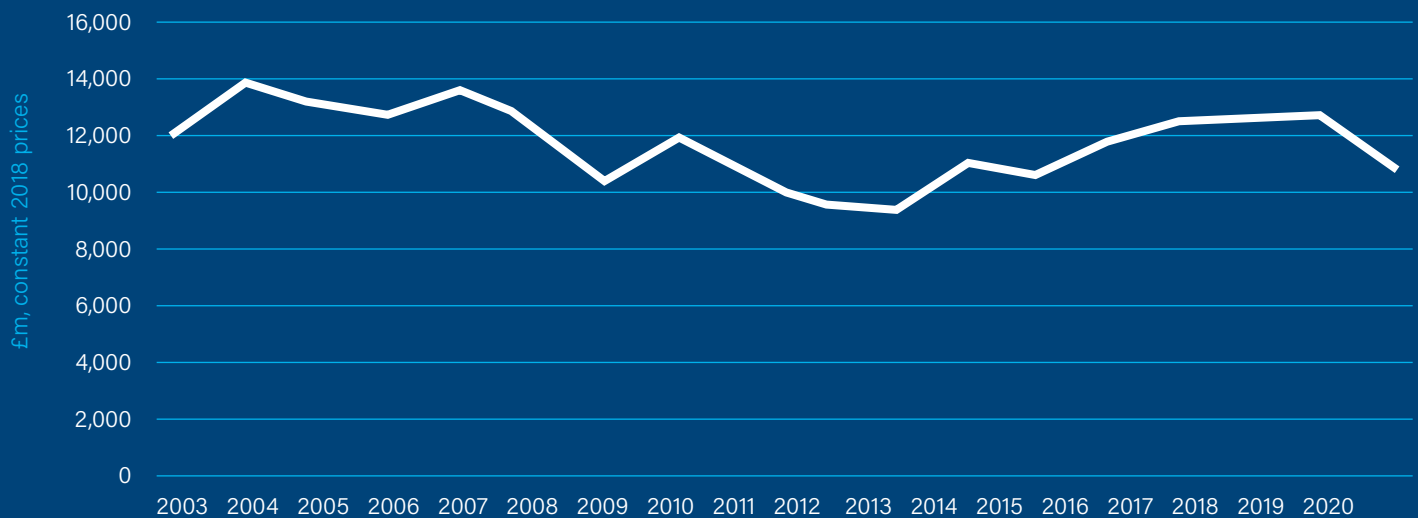


# 2020 view

2020 has been a challenging year for construction in the West Midlands, with annual output dropping by around 14% when compared to 2019. We expect to see a steady recovery in output from 2021, although this depends on the success in controlling Covid-19.

## CONSTRUCTION OUTPUT 2003 - 2020 WEST MIDLANDS

Source: ONS



## Output forecast 2021 - 2025

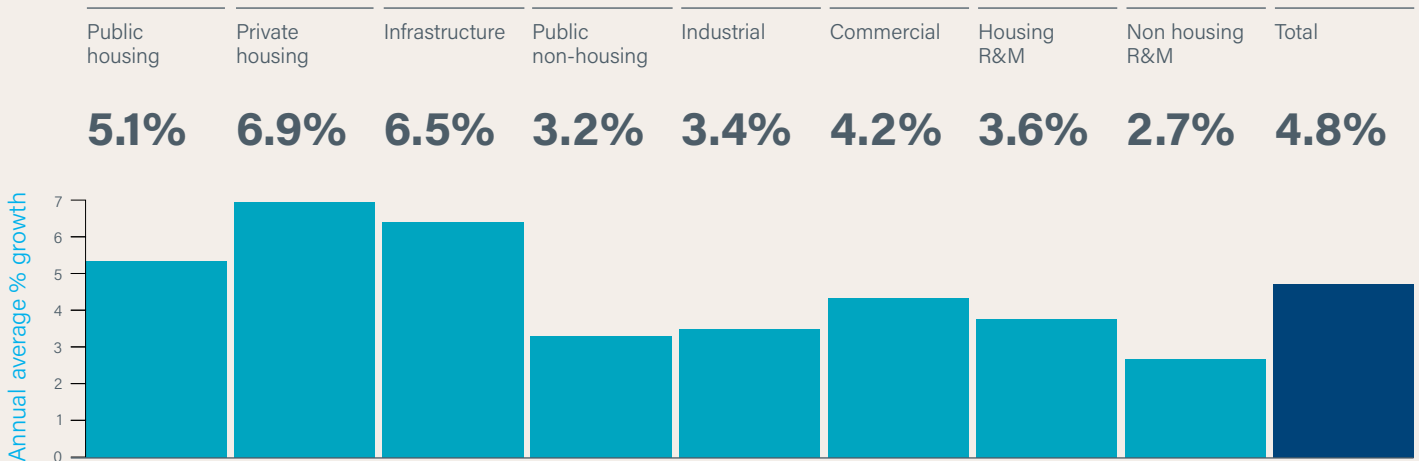
The volume of work will grow by an annual average rate of about 4.8% for the West Midlands, which is above the UK forecast of 4.4%. Private housing (6.9%) and infrastructure (6.5%) are expected to have the fastest sector growth and each exceed their respective regions. We forecast for this region's construction output to achieve its pre-Covid-19 levels by 2022.

West Midlands average growth rate

# 4.8%

# Forecast

## FORECAST ANNUAL AVERAGE OUTPUT GROWTH BY SECTOR 2021-2025 WEST MIDLANDS



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

## CONSTRUCTION OUTPUT - WEST MIDLANDS (£ MILLION, 2018 PRICES)

	Actual	Forecast (Annual % change, real terms)					Annual average
	2020	2021	2022	2023	2024	2025	2020-2025
Public Housing	237	12.3%	5%	3.8%	2.5%	2.2%	5.1%
Private Housing	2,607	22.2%	3.5%	3.2%	3.3%	3.6%	6.9%
Infrastructure	2,548	28%	5.6%	6.2%	-3.7%	-0.9%	6.5%
Public Non-housing	516	9.4%	3.4%	1.1%	1.6%	1%	3.2%
Industrial	762	9%	3.9%	3.2%	1.1%	0.3%	3.4%
Commercial	1,674	7.8%	3.5%	2.7%	3.6%	3.7%	4.2%
<b>New Work</b>	<b>8,343</b>	<b>18.8%</b>	<b>4.3%</b>	<b>4%</b>	<b>0.6%</b>	<b>1.7%</b>	<b>5.7%</b>
Housing R&M	2,240	9.3%	2.8%	3.2%	1.7%	1.3%	3.6%
Non-housing R&M	2,558	5.3%	2%	2.2%	2.4%	1.6%	2.7%
<b>Total R&amp;M</b>	<b>4,798</b>	<b>7.2%</b>	<b>2.4%</b>	<b>2.7%</b>	<b>2.1%</b>	<b>1.5%</b>	<b>3.1%</b>
<b>Total Work</b>	<b>13,142</b>	<b>14.6%</b>	<b>3.6%</b>	<b>3.6%</b>	<b>1.1%</b>	<b>1.6%</b>	<b>4.8%</b>

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

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

The West Midlands' growth is mainly being driven by HS2 works in the region, with infrastructure expected to grow by an average rate of 6.5% per year between 2021 and 2025. The bulk of this infrastructure growth will be experienced between 2021 and 2023, and most activity during 2021 will focus on the city centre station sites. Furthermore, construction works

continue on the West Midlands Metro, which includes the £344m 11km extension from Wednesbury to Brierley Hill due for completion by Q1 2023.

In the public non-housing sector, projects such as Alexander Stadium and the Games Villages reach completion in advance of the 2022 Commonwealth Games in

Birmingham. Lastly, the £210m Birmingham Health Innovation Campus project has already received development funding from Birmingham City Council and the Greater Birmingham and Solihull Local Enterprise Partnership, and the first phase is currently set to complete in 2023.

The level of output growth in the West Midlands gives an annual average increase of 1.4% in the construction workforce, which exceeds the UK-wide equivalent at 1.0%. This means that the estimated workforce of 225,900 at the end of 2020 is set to increase to 242,600 by the end of 2025, which exceeds its 2019 levels by 4.2%.

TOTAL WORKFORCE BY OCCUPATION – WEST MIDLANDS	Actual	Estimate	Forecast	
	2020	2021	2022	2025
Senior, executive and business process managers	20,300	20,600	20,700	20,900
Construction Project Managers	2,500	2,500	2,600	2,600
Other construction process managers	16,800	17,200	17,300	17,600
Non-construction professional, technical, IT and other office-based staff	37,800	39,900	40,700	40,900
Construction Trades Supervisors	4,200	4,500	4,600	4,800
Wood trades and interior fit-out	18,800	19,100	19,300	19,700
Bricklayers	5,000	5,400	5,400	5,700
Building envelope specialists	7,400	7,700	7,900	8,300
Painters and decorators	6,100	6,100	6,100	6,200
Plasterers	3,200	3,200	3,200	3,300
Roofers	4,700	4,700	4,700	4,700
Floorers	1,700	1,700	1,700	1,700
Glaziers	3,700	3,700	3,700	3,700
Specialist building operatives nec*	4,200	4,100	4,000	3,900
Scaffolders	1,900	1,800	1,800	1,800
Plant operatives	2,200	2,600	2,800	2,700
Plant mechanics/fitters	6,300	6,600	6,600	6,600
Steel erectors/structural fabrication	3,000	3,500	3,700	3,600
Labourers nec*	12,000	12,900	13,200	13,300
Electrical trades and installation	14,700	15,100	15,300	15,900
Plumbing and HVAC Trades	12,100	12,000	12,000	12,000
Logistics	3,800	4,000	4,100	4,100
Civil engineering operatives nec*	2,600	3,000	3,300	3,200
Non construction operatives	3,000	3,100	3,200	3,300
<b>Total (SIC 41-43)</b>	<b>197,900</b>	<b>204,800</b>	<b>207,800</b>	<b>210,300</b>
Civil engineers	2,900	3,400	3,700	3,600
Other construction professionals and technical staff	17,100	18,100	18,300	19,100
Architects	1,400	1,600	1,600	1,700
Surveyors	6,600	7,100	7,300	7,900
<b>Total (SIC 41-43, 71.1, 74.9)</b>	<b>225,900</b>	<b>234,900</b>	<b>238,700</b>	<b>242,600</b>

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

\* Not elsewhere classified

# Annual Recruitment Requirement (ARR)

The West Midlands exceeds the UK on the level of annual average recruitment requirement based on 2020 workforce levels, at 2.2% per year. This means the West Midlands construction industry would have to increase current recruitment by 5,000 new workers each year to deliver the expected work between the end periods of 2020 and 2025.

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

- Non-construction professional, technical, IT, and other office-based staff (1,250 per year)
- Other construction professionals and technical staff (650 per year)
- Other construction process managers (500 per year)
- Electrical trades and installation (500 per year).

However, there would also be particular pressure on construction project managers, surveyors, labourers nec and construction trades supervisors where demand is high compared to their workforce level. For occupations that have no value, indication is that recent levels of recruitment will be able to meet future need if they are maintained.

## ANNUAL RECRUITMENT REQUIREMENT BY OCCUPATION – WEST MIDLANDS

	ARR	ARR as % of 2020 workforce
Senior, executive and business process managers	350	1.7%
Construction Project Managers	100	4.0%
Other construction process managers	500	3.1%
Non-construction professional, technical, IT and other office-based staff	1,250	3.3%
Construction Trades Supervisors	150	3.1%
Wood trades and interior fit-out	<50	–
Bricklayers	–	–
Building envelope specialists	50	1.0%
Painters and decorators	50	1.1%
Plasterers	50	2.2%
Roofers	–	–
Floorers	–	–
Glaziers	–	–
Specialist building operatives nec*	50	1.4%
Scaffolders	<50	–
Plant operatives	<50	–
Plant mechanics/fitters	150	2.5%
Steel erectors/structural fabrication	<50	–
Labourers nec*	450	3.7%
Electrical trades and installation	500	3.5%
Plumbing and HVAC Trades	250	2.2%
Logistics	50	1.3%
Civil engineering operatives nec*	50	2.3%
<b>Total (SIC 41-43)</b>	<b>4,100</b>	
Civil engineers	<50	–
Other construction professionals and technical staff	650	3.8%
Architects	<50	–
Surveyors	250	3.8%
<b>Total (SIC 41-43, 71.1, 74.9)</b>	<b>5,000</b>	<b>2.2%</b>

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

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Note: values may not sum to totals due to rounding

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