



ConstructionSkills Network 2011-2015 West Midlands

LABOUR MARKET INTELLIGENCE





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Labour Market Intelligence

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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.

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1. Summary - West Midlands

Construction output in the West Midlands is projected to decline at an annual average rate of 0.5% between 2011 and 2015. The new work (-2.4%) and repair and maintenance (2.3%) sectors are predicted to see similar magnitudes of change, albeit in opposite directions. Total construction employment is expected to reach 222,420 in 2015, up 7.1% on the 2011 level and 4.8% above the 2009 outturn. At 2,680, the annual recruitment requirement (ARR) over 2011-2015 is representative of 1.3% of base 2011 employment, lower than the UK average of 1.8%

Regional comparison 2011-2015

	Annual average % change in output	Growth in total employment	Total Annual Recruitment Requirement
North East	-0.4%	4,590	2,400
Yorkshire and Humber	-0.6%	7,670	2,510
East Midlands	0.9%	7,930	3,860
East of England	2.4%	21,900	5,220
Greater London	1.8%	10,720	4,190
South East	2.2%	19,560	5,440
South West	1.1%	4,970	3,920
Wales	1.2%	10,700	4,160
West Midlands	-0.5%	9,290	2,680
Northern Ireland	1.4%	4,140	1,050
North West	-0.6%	2,510	4,090
Scotland	1.0%	11,090	3,360
UK	1.0%	115,070	42,880

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



Private housing is forecast to be one of the better performing construction sectors in the West Midlands with an annual average growth rate of

4.3% between
2011
and **2015**

Key findings

The public housing and public non-housing sectors are projected to decline at annual average rates of 5.6% and 15.7%, respectively, between 2011 and 2015, with the former expected to perform in line with the national average. At £4.4bn, there is half the level of funding available for social housing in England over 2011-2015, compared with the 2008-2011 National Affordable Housing programme, thus all of the regions are projected to see a downward trend. However the poor outlook for public non-housing construction is likely to have a much larger impact on the region's industry as it accounts for a significantly higher proportion of total construction output. The cancellation of the Building Schools for the Future (BSF) programme will affect public non-housing construction activity going forward since it was largely responsible for pushing output to a new high in recent years.

In contrast, the industrial construction sector is predicted to be the most buoyant in the West Midlands with an annual average growth rate of 4.5% over 2011-2015 – roughly in line with the UK mean (4.4%). Following moderate growth this year, the expectation is that the pace of increase will broadly decelerate to the end of the forecast period as the recent manufacturing recovery runs out of steam and thus dampens demand for new facilities.

Infrastructure and commercial construction output are projected to see similar magnitudes of growth of 2.3% and 2.1%, respectively, on an average annual basis over the five years to 2015. The largest projects in the former sector are the £600m redevelopment of Birmingham New Street station and the £127m Midland Metro extension – approved in the October 2010 Comprehensive Spending Review (CSR). In the commercial sector, the most important scheme is the £1.5bn redevelopment of land surrounding the rail station in Coventry. Work is estimated to commence onsite in 2011 and should take eight years to complete.

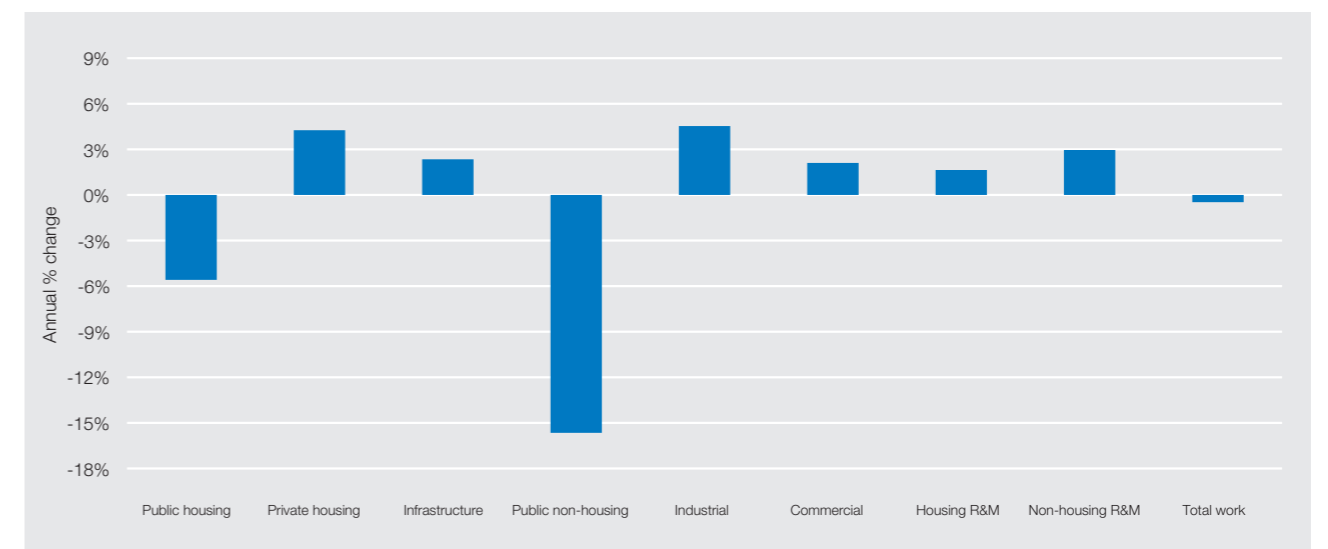
Although private housing is forecast to be one of the better performing construction sectors in the West Midlands with an annual average growth rate of 4.3% between 2011 and 2015, it is actually likely to underperform when compared with the UK mean (6%). Output is projected to decline for the sixth consecutive year in 2011 – leaving the sector as the only one in the UK in negative territory. This poor outturn is likely to be responsible for constraining the sector's growth rate over 2011-2015.

Of the trade occupations, wood trades and interior fit-out (9.6%) accounted for the largest proportion of total employment in the region in 2009 and should see the biggest absolute increase between 2011 and 2015, of 1,570. However over the same period, civil engineers (16%) and labourers nec* (13%) are predicted to see the biggest rises in percentage terms. The ARR of 2,680 is equivalent to 1.3% of 2011 base employment, weaker than the UK average (1.8%).



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Annual average construction output growth 2011-2015 - West Midlands



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

*nec - not elsewhere classified

2. The outlook for construction in the West Midlands

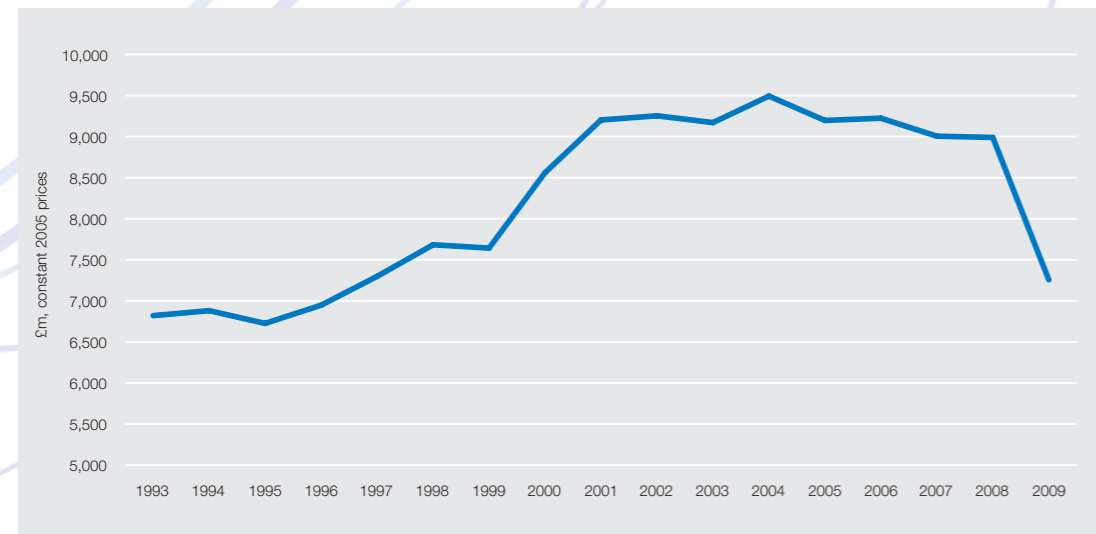
2.1 Construction output in the West Midlands – overview

In 2009 total construction output in the West Midlands declined by 19% to £7.3bn (in 2005 prices), a sharper contraction when compared to the UK average fall of 12%. The decline was equally spread across the new work and repair and maintenance (R&M) sectors.

With an increase in output of 15% to £1bn, the public non-housing construction sector was the only one to have seen any growth in the region in 2009. In contrast, all of the remaining sectors experienced double-digit decreases. The industrial sector was the worst performing with a 55% contraction to £192m – a new low.

Non-housing R&M activity declined for the third consecutive year in 2009. Falling by 21% year-on-year, output fell to £1.6bn – the worst outturn since 1999. Housing R&M output fell to around the same level but saw a slightly smaller fall of 17% over the period.

Construction output 1993-2009 - West Midlands



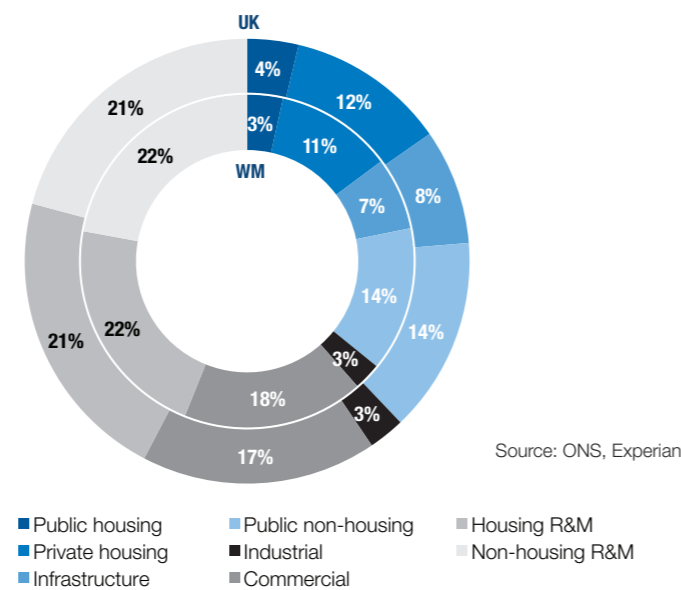
Source: ONS
ref. CSN Explained, Section 4, Note: 1

2.2 Industry structure

The diagram, Construction Industry structure 2009 – UK vs. West Midlands, illustrates the sector breakdown of construction in West Midlands compared to that in the UK. Effectively, the percentages for each sector illustrate what proportion of total output each sector accounts for.

As can be seen from the comparison, the structure of the industry in the West Midlands was similar to that of the UK as a whole in 2009.

Construction industry structure 2009 - UK vs. West Midlands (WM)



Source: ONS, Experian

Economic structure - West Midlands (£ billion, 2006 prices)

Selected sectors	Actual	Forecast					
	2009	Annual % change, real terms					
	2009	2010	2011	2012	2013	2014	2015
Public services	21.1	-0.1	-1.3	-0.7	0.0	0.3	0.8
Financial and business services	18.4	1.9	2.3	2.8	3.0	2.8	3.1
Transport and communications	6.0	-0.3	1.6	2.1	2.4	3.1	3.2
Manufacturing	11.4	4.9	4.0	2.7	2.2	2.0	2.0
Distribution, hotels and catering	13.3	1.2	0.5	1.3	2.0	2.0	2.1
Total Gross Value Added (GVA)	83.7	1.8	1.2	1.5	1.6	1.6	1.8

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 (2011 – 2015) provides an indication of the construction sectors in which demand is likely to be strongest.

2.4 Economic structure

In 2009 the West Midlands economy contracted for the second consecutive year, by 5.7%, and was worth £83.7bn (in 2006 prices). Accounting for 7.2% of UK Gross Value Added (GVA), this share was down marginally when compared with 2008.

The manufacturing sector contracted by 15% in 2009 and in turn saw a fall in its share of GVA from 15.2% in 2008 to 13.6%. The size of the construction sector also decreased from 7.1% in 2008 to 6.2% in 2009, not surprising considering GVA declined by almost 18%.

However the same trend was not evident across all of the sectors. Despite financial and business services contracting by 4% in 2009, the sector increased its share marginally to 22%. Similarly, the modest decline in public services output was not enough to stop the sector's share creeping up from 23.8% in 2008 to 25.2% in 2009.

At 7.1%, the transport and communications sector was the only one to maintain its size year-on-year in 2009, although it too contracted by more than 5%.

2.5 Forward looking economic indicators

On an annual average basis between 2011 and 2015, the West Midlands economy is forecast to grow at a rate of 1.5%, significantly below the 2% projected for the UK as a whole.

Reaching 1.8% in 2015, the GVA growth rate is predicted to accelerate in each of the forecast years as the financial and business services, transport and communications, and distribution, hotels and catering sectors build momentum. In contrast, the public services sector is likely to contract both this year and next, before slowly returning to growth in 2014.

Rising taxes and inflation outpacing income growth are projected to weigh down real household disposable incomes over the forecast period. The annual average growth rate of 0.6% between 2011 and 2015 is predicted to be significantly below the 10-year average, to 2010, of 1.2%. Not surprisingly, household spending is also predicted to grow at a much slower rate over the five years to 2015, by 0.9% – below the previous decade's mean (1.7%). This is partly predicated on the fact that households will continue to lower their level of debt, with the debt-to-income ratio falling from almost 1.3 in 2007 to under 1 by 2015.

The expectation is that the level of unemployment in the West Midlands will hit its peak in 2011 as public sector cuts begin to take their toll on the region's labour market, although the figure should begin to fall back in each of the years thereafter to the end of the forecast period.

According to Communities and Local Government (CLG), average house prices declined by 7% to £159,846 in 2009. Following estimated growth of 5% last year, it is forecast that prices will decline slightly in 2011, before returning to growth in 2012. The upward trend should continue into the following three years, although the rate of increase is likely to be very modest.

Economic indicators - West Midlands (£ billion, 2006 prices - unless otherwise stated)

	Actual	Forecast					
	2009	Annual % change, real terms					
	2009	2010	2011	2012	2013	2014	2015
Real household disposable income	69	-1.3	-1.1	-0.1	0.8	1.6	2.0
Household spending	65	1.3	0.6	0.6	0.9	1.1	1.4
Debt:Income ratio	1.20	1.14	1.08	1.04	1.02	0.99	0.97
House prices (Index 2003 = 100)	124	131	130	131	134	138	141
LFS unemployment (millions)	0.26	0.25	0.27	0.26	0.24	0.23	0.21

Source: ONS, DCLG, Experian

2. The outlook for construction in the West Midlands

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

	Actual	Annual % change				
	2009	2005	2006	2007	2008	2009
Public housing	243	-11.9	41.5	57.1	-19.7	-14.0
Private housing	533	5.8	-14.9	-12.6	-40.4	-27.1
Infrastructure	929	34.9	-13.4	153.2	-41.8	66.0
Public non-housing	1,209	6.4	-3.6	17.6	2.2	20.8
Industrial	218	16.5	13.9	28.3	-51.9	-37.4
Commercial	1,033	23.5	20.1	42.5	-32.1	-40.6
Total new work	4,165	13.0	1.9	30.8	-31.5	-10.7

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

2.6 New construction orders – overview

Total construction new orders in the region declined for the second consecutive year in 2009. Reaching £4.2bn (in current prices), the figure was down almost 11% on the preceding year and 39% below the 2007 peak.

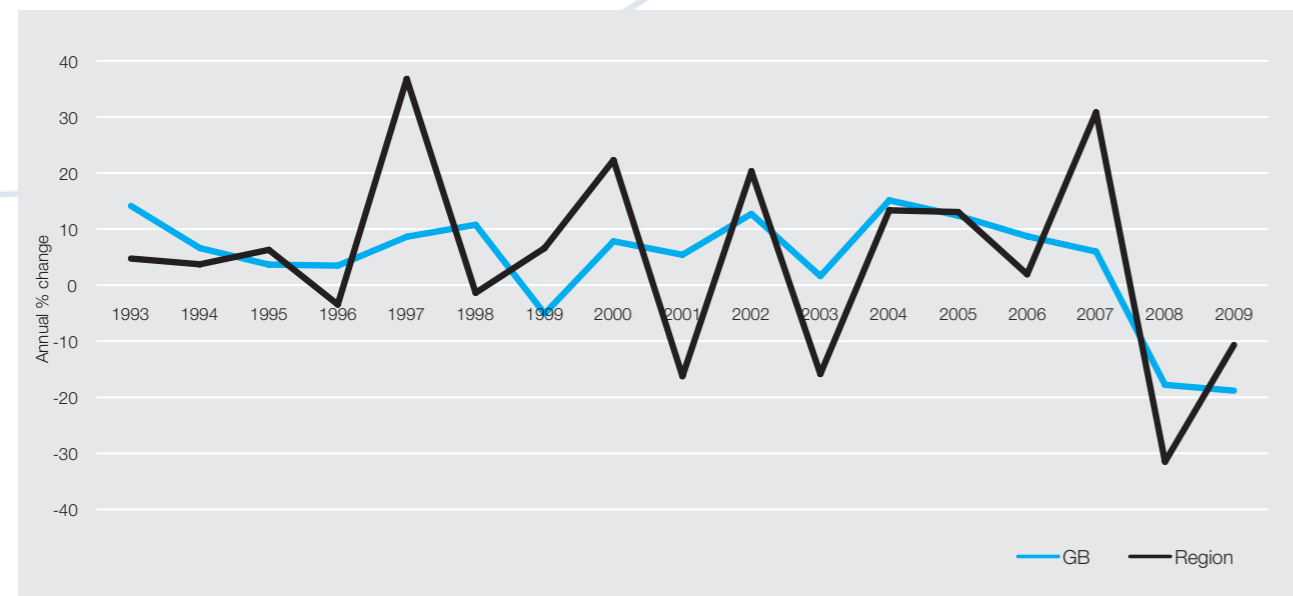
In 2009, new orders for the infrastructure sector increased by two-thirds to £929m, while the figure for the public non-housing sector rose by almost 21% to £1.2bn. In contrast, orders for the remaining new work sectors declined – the commercial and industrial sectors experienced the sharpest falls, of 41% and 37%, respectively, while the public and private housing sectors saw contractions of 14% and 27%.

2.7 New construction orders – current situation

Construction new orders in the first half of last year totalled £2.22bn in current prices, 15% down on the previous half year but 43% up on the same period of 2009. Public non-housing new orders continued to rise in the six months to June 2010, to £883m, 19% up on the previous half year and nearly double the level seen in the first half of 2009. The commercial sector also experienced good growth in new orders, with their level up over a third compared with the two preceding half years.

In contrast, the level of new orders for the private housing sector has continued to decline, to £230m in the first half of 2010, the lowest six-monthly total since the October 1990 – March 1991 period.

New construction orders growth 1994-2009 - West Midlands vs. GB



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

2.8 Construction output – short-term forecasts (2011–2012)

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 2010.

Total construction output in the first six months of 2010 totalled £4.3bn (in current prices), up 7.2% on the corresponding part of 2009. The new work sector was entirely responsible for the rise as output increased by 13.4% to £2.7bn over the period. In contrast, the R&M construction output declined by 2.3% to £1.6bn.

In the first half of 2010, public housing output grew by almost 76% year-on-year to £167m, although the small size of the sector meant that the overall impact on new work was not particularly significant. The same applies to the industrial sector, where output increased by 25% to £144m. Public non-housing and infrastructure activity levels also rose in the six months to June 2010, up 67% and 26%, respectively, when compared with the corresponding part of 2009. In contrast, private housing output declined by almost 11% to £930m, while the level of output for the private housing sector (£475m) remained broadly static.

Between 2011 and 2012, the West Midlands' construction industry is predicted to grow at an annual average rate of 0.6%, wholly supported by a positive trend in the R&M sectors (2.2%). The new work sector is expected to see average declines of 0.4% per year over the short-term forecast period.

The public housing sector is forecast to contract at an average rate of 16% per annum over this year and next. The level of funding (£4.4bn) for social housing between 2011 and 2015 is around half that made available in the 2008-2011 National Affordable Housing Programme (NAHP) and thus will constrain public housing going forward. In contrast, the private housing sector is predicted to grow at an annual average rate of 5.4%. The contraction projected for this year is likely to be more than offset by a robust increase in 2012 as the housing market begins to strengthen and lending criteria to both developers and consumers eases.

On an annual average basis between 2011 and 2012, infrastructure output is predicted to grow at a rate of 11.1%. One of the most important projects in the region is the £600m redevelopment of Birmingham New Street railway station, where demolition works are currently underway. The expectation is that the scheme will reach completion in autumn 2012. In the public non-housing sector, following substantial estimated growth last year on the back of the Building Schools for the Future (BSF) programme, output is predicted to see another small rise this year as the final few approved projects get on site. However since the programme was cancelled in the summer of 2010, the expectation is that a lack of new projects starting, and current schemes falling out of the equation, will give a sharply declining profile from 2012.

The recovery in global trade and the assumption that, with continuing weak sterling in the short term, UK manufacturers will take advantage of this to boost export growth, should support industrial construction activity over this year and next. With an annual average growth rate of 7.6% over 2011-2012, the industrial sector in the region is likely to outperform the UK average (6%). However the commercial sector (4.7%) is expected to do less well, with an average yearly rate of increase below that of the national mean (5.9%). Pressure on household disposable incomes and a smaller financial and business services sector, compared to the UK as a whole, will result in muted demand for retail and offices construction this year.



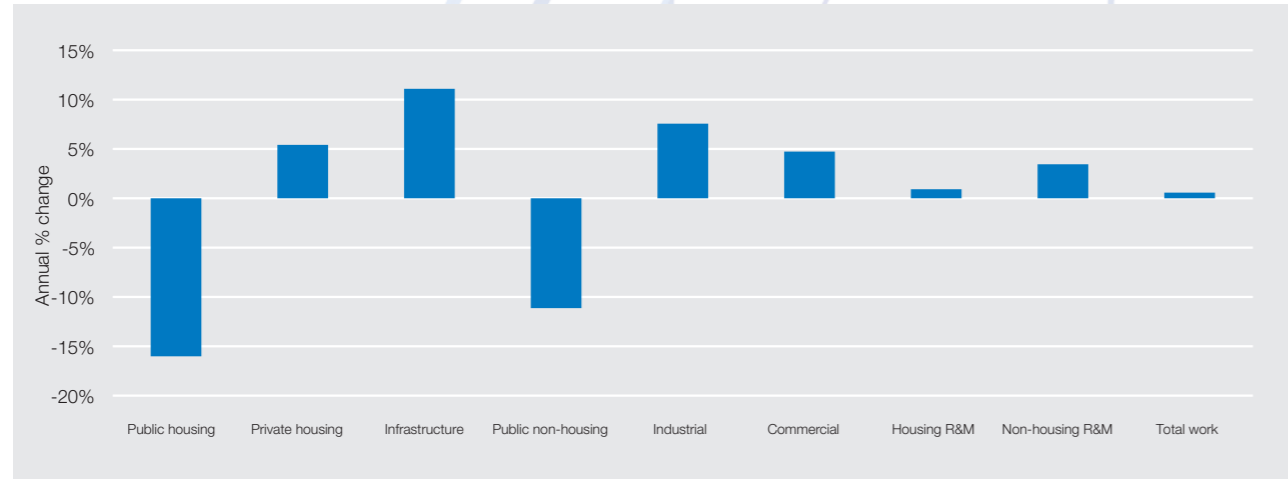
Construction output - West Midlands (£ million, 2005 prices)

	Actual	Forecast annual % change			Annual average
	2009	2010	2011	2012	2011-2012
Public housing	251	38%	-18%	-14%	-16.0%
Private housing	823	-6%	-4%	15%	5.4%
Infrastructure	510	23%	11%	11%	11.1%
Public non-housing	1,018	64%	3%	-24%	-11.1%
Industrial	192	20%	9%	6%	7.6%
Commercial	1,277	12%	-2%	12%	4.7%
New work	4,070	24%	1%	-2%	-0.4%
Housing R&M	1,581	-3%	0%	2%	0.9%
Non-housing R&M	1,605	-2%	3%	4%	3.4%
Total R&M	3,186	-2%	1%	3%	2.2%
Total work	7,256	13%	1%	0%	0.6%

Source: Experian
ref. CSN Explained, Section 4, Notes 1 and 2

2. The outlook for construction in the West Midlands

Annual average construction output growth 2011-2012 - West Midlands



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

2.9 Construction output – long-term forecasts (2011–2015)

Total construction output in the West Midlands is predicted to decline at an annual average rate of 0.5% between 2011 and 2015. On the same basis, the new work sector is forecast to contract by 2.4%, while the R&M sector should move in the opposite direction (+2.3%).

With an average rate of fall of 15.7% per annum over 2011-2015, the public non-housing sector is likely to be almost entirely responsible for dragging down new work as a whole. Output is estimated to have seen a substantial increase in 2010 as local authorities pushed through BSF schemes in anticipation of government expenditure cuts. The expectation is that a small level of growth will be seen in 2011 as the last of the projects start on site, but thereafter double-digit declines will set in as BSF work is completed and little comes along to replace it.

Although public housing output is predicted to decline at an annual average rate of 5.6% over the five years to 2015, the overall impact on the region's construction industry is likely to be small – in 2009, the sector accounted for just 3.5% of total output. A much lower level of funding for social housing over 2011-2015, coupled with deadlines for completion of Kickstart Housing Delivery Programme projects of April 2011 and June 2012, means that the sector is likely to see strong contractions this year and next. However since the new funding stream is "back-end loaded", the sector is likely to benefit from this and return to positive territory towards the end of the forecast period. In contrast, private housing output is forecast to grow at a rate of 4.3% per annum between 2011 and 2015, below the national average (6%). The region is expected to be the only one in the UK to see a decline in this sector in 2011, thus depressing the overall growth rate. Furthermore, demographic trends are not supportive of strong long-term growth since the region's working age population is projected to see no growth relative to a 0.3% rise a year in the UK.

Infrastructure construction output is predicted to increase at an average rate of 2.3% per year over the long-term forecast period. Although the government announced that it would provide £80m towards the £127m cost of the 1.4 km Midland Metro extension from Snow Hill to New Street in the CSR, output being generated from this project is unlikely to be enough to keep the sector in positive territory in 2013 and 2014.

However output should see a small increase in 2015, supported by activity being generated from road and water framework contracts.

At 4.5%, the annual average growth rate for the West Midlands industrial construction sector is predicted to be roughly in line with the national mean (4.4%).

The £1.5bn redevelopment of land surrounding the rail station in Coventry should help to generate an output stream for commercial construction, although as the project is spread over eight years its contribution to output growth in the sector will not be large.

Job losses in manufacturing in 2011 despite the upturn, coupled with public sector employment falls, will outweigh modest gains in private sector services in the West Midlands. This is likely to depress households' disposable incomes and thus keep demand for R&M works below that of the UK. Housing R&M output is predicted to grow at an average rate of 1.6% per annum between 2011 and 2015, slower than the UK mean (1.9%).

The low level of expenditure by corporates on routine cyclical and maintenance work in recent years suggests that they are unlikely to be in a position to put things off for much longer. This, rather than any significant activity on the public side, should be responsible for the non-housing R&M projected annual average growth rate of 3% over the five years to 2015, faster than the 1.9% predicted for the UK as a whole.

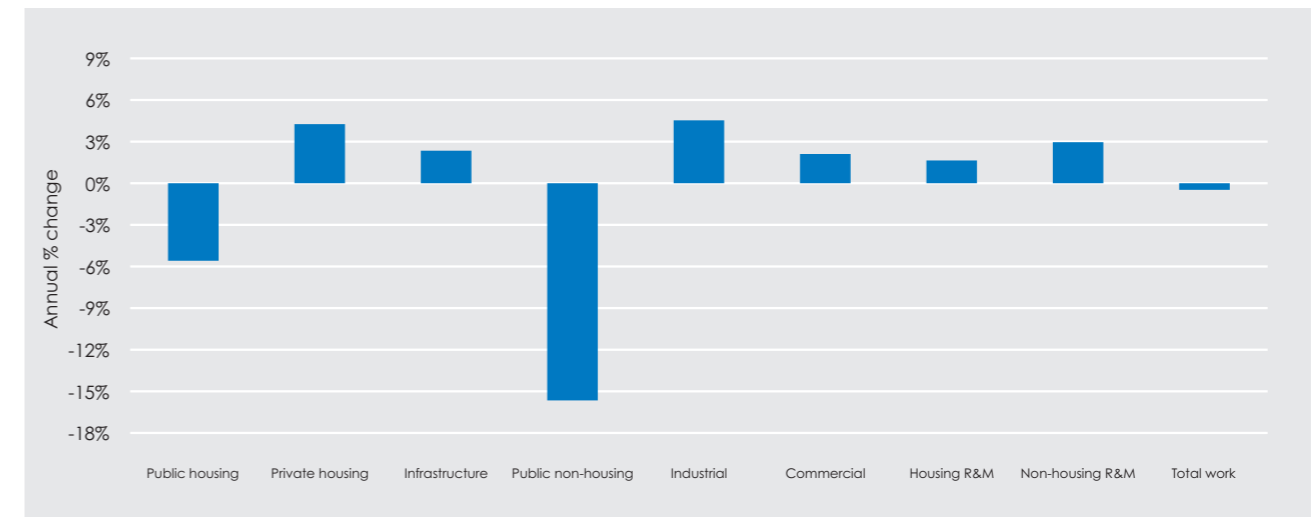


Construction output - West Midlands (£ million, 2005 prices)

	Estimate 2010	Forecast annual % change					Annual average 2011-2015
		2011	2012	2013	2014	2015	
Public housing	345	-18%	-14%	4%	-2%	5%	-5.6%
Private housing	773	-4%	15%	6%	3%	2%	4.3%
Infrastructure	626	11%	11%	-5%	-5%	1%	2.3%
Public non-housing	1,664	3%	-24%	-21%	-20%	-15%	-15.7%
Industrial	230	9%	6%	3%	2%	2%	4.5%
Commercial	1,428	-2%	12%	0%	1%	1%	2.1%
New work	5,067	1%	-2%	-5%	-4%	-1%	-2.4%
Housing R&M	1,542	0%	2%	2%	3%	2%	1.6%
Non-housing R&M	1,570	3%	4%	2%	3%	3%	3.0%
R&M	3,112	1%	3%	2%	3%	2%	2.3%
Total work	8,179	1%	0%	-2%	-1%	0%	-0.5%

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

Annual average construction output growth 2011-2015 - West Midlands



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

2.10 Beyond 2015

The £500m redevelopment of Paradise Circus – comprising the demolition of existing buildings to form a mixed use space of around 450,000m² on a 3.2 hectare site – is amongst the largest projects in the pipeline. It is estimated that work will begin onsite in early 2015 and take around four years to complete.

Other than that, there is currently a dearth of information on large new work construction projects due to start beyond 2015, with one exception, the proposed London to Birmingham high speed rail link. Public consultation on this project is planned to take place in 2011 and should the scheme be given the go-ahead it has an indicative start date of 2017, with completion of the first stage by 2026. The construction element of the project is currently estimated at between £15.8bn and £17.4bn.

However an increasing government focus on the sustainability agenda suggests that there will be a shift towards repair and maintenance, although the extent to which this is likely to happen is currently unknown since there have been no indications of funding allocation patterns.

It is also probably true to say that the adoption of renewable technologies is more problematic in large conurbations, of which the West Midlands has many, due to issues such as wind flow obstruction and lack of open space. Thus, while the retrofitting of energy efficiency measures – loft and wall insulation, double glazing, more efficient boiler systems – should not be a problem, the uptake of renewable technologies in the domestic sector may lag the national average.

3. Construction employment forecasts for the West Midlands

3.1 Total construction employment forecasts by occupation

The table presents actual construction employment (SIC 45 and 74.2) in West Midlands for 2009, the forecast total employment in 26 occupational groups and in the industry as a whole between 2011 and 2015. A full breakdown of occupational groups is provided in Section 5 of CSN Explained.

Construction employment, including SIC 45 and 74.2, in the West Midlands is forecast to reach 222,420 in 2015, a 7.1% increase on its expected 2011 level and 4.8% above the 2009 outturn. Employment is forecast to decline by 2.6% this year, before improving prospects in the repair and maintenance market – which is more labour intensive and thus generates more employment per unit of investment – gives a rising profile.

Of the trade occupations, wood trades and interior fit-out (9.6%) accounted for the largest proportion of total construction employment in the region in 2009. Although it is expected to increase by 7.9% between 2011 and 2015, its share of total employment should remain unchanged from 2009.

Civil engineers and labourers nec* occupations are predicted to see the biggest increases in employment between 2011 and 2015, of 16% and 13%, respectively, although in absolute terms wood trades and interior fit-out should see the largest rise, of 1,570. In contrast, construction managers (under 4%) and surveyors (4%) are projected to see the smallest increases over the same period.

Total employment by occupation - West Midlands

	Actual 2009	Forecast	
		2011	2015
Senior, executive, and business process managers	13,010	12,400	13,250
Construction managers	18,960	18,060	18,710
Non-construction professional, technical, IT, and other office-based staff	30,860	32,080	34,560
Wood trades and interior fit-out	20,440	19,850	21,420
Bricklayers	5,290	5,560	5,900
Building envelope specialists	8,640	8,220	8,900
Painters and decorators	11,190	11,610	12,200
Plasterers and dry liners	2,890	2,720	2,860
Roofers	4,510	4,310	4,700
Floorers	2,120	2,160	2,250
Glaziers	4,620	4,190	4,700
Specialist building operatives nec*	6,410	5,630	6,320
Scaffolders	1,120	970	1,050
Plant operatives	2,200	2,250	2,430
Plant mechanics/fitters	2,030	2,310	2,520
Steel erectors/structural	3,020	3,070	3,230
Labourers nec*	6,260	5,260	5,930
Electrical trades and installation	16,430	17,890	18,650
Plumbing and HVAC Trades	13,370	12,170	13,270
Logistics	3,570	3,500	3,780
Civil engineering operatives nec*	4,050	3,160	3,350
Non-construction operatives	3,130	2,950	3,240
Civil engineers	4,730	3,710	4,300
Other construction professionals and technical staff	15,970	16,170	16,980
Architects	2,650	2,070	2,300
Surveyors	4,780	5,410	5,620
Total (SIC 45)	184,120	180,320	193,220
Total (SIC 45 and 74.2)	212,250	207,680	222,420

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 under the guidance of the Skills Provision Committee. 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.

At 2,680, the ARR for the West Midlands between 2011 and 2015 is predicted to be representative of just 1.3% of 2011 base employment. This is lower than the UK average figure of 1.8% and is accounted for by the relatively high net outflows of labour from the region to other industries and parts of the UK.

The size of the occupational ARRs tend to be a function of the size of that particular occupational category, thus construction managers (500), electrical trades and installation (480) and wood trades and

interior fit out (360) have the highest absolute ARRs. However as a percentage of base 2011 employment, labourers nec* (5.1%) and logistics (3.4%) are projected to have the largest requirement.

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.

Annual recruitment requirement by occupation - West Midlands

	2011-2015
Senior, executive, and business process managers	-
Construction managers	500
Non-construction professional, technical, IT, and other office-based staff	410
Wood trades and interior fit-out	360
Bricklayers	60
Building envelope specialists	180
Painters and decorators	100
Plasterers and dry liners	-
Roofers	-
Floorers	-
Glaziers	<50
Specialist building operatives nec*	-
Scaffolders	-
Plant operatives	<50
Plant mechanics/fitters	<50
Steel erectors/structural	<50
Labourers nec*	270
Electrical trades and installation	480
Plumbing and HVAC Trades	-
Logistics	120
Civil engineering operatives nec*	<50
Non-construction operatives	-
Civil engineers	-
Other construction professionals and technical staff	-
Architects	-
Surveyors	60
Total (SIC 45)	2,620
Total (SIC 45 and 74.2)	2,680

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

*nec - not elsewhere classified

4. Comparisons across the UK

The West Midlands construction industry is predicted to decline at an annual average rate of 0.5% between 2011 and 2015. On the same basis, the UK as a whole is forecast to grow by 1%.

Output for private housing is expected to grow at a rate of 4.3% over the five years to 2015, weaker than the national average of 6%. The region is expected to see a mild fall in house prices this year, implying a further fall in the house price-to-income ratio, although it will still remain well above the long-term average. Declining buyer confidence is likely to lead to a sixth consecutive year of fall in output in 2011 – leaving the region as the only one in negative territory in the UK. Nonetheless, a strengthening housing market, an easing in lending conditions and underlying demand for housing should give a double-digit increase in output in 2012.

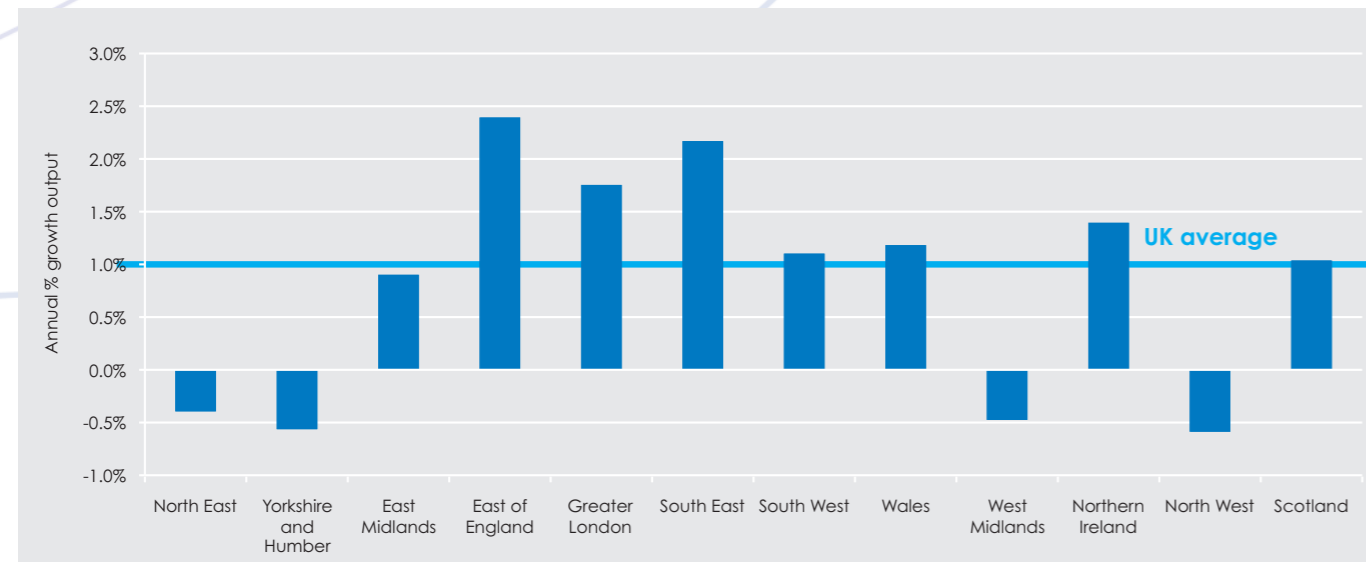
Public expenditure cuts announced in the 2010 Emergency Budget and the subsequent Spending Review in October will inevitably have a negative effect on public non-housing output across the UK. However, by how much the different regions will be affected will largely depend on their level of exposure to the BSF programme. Those regions with a larger number of BSF schemes in the early part of the programme (Waves 1-4), which have mostly escaped cancellation, will see a much higher fall off in activity once those projects are completed than those with relatively few schemes. The West Midlands has been amongst the bigger beneficiaries of the programme, thus it is not surprising to see that its projected annual average rate of decline over 2011-2015, at 15.7%, is steeper than that of the UK as a whole (-12.4%). The region's public housing sector will also be hit by the cuts, although it is predicted to perform in line with the UK average – declining at a mean annual rate of 5.6% between 2011 and 2015.

In the UK, both the infrastructure and industrial sectors are predicted to grow at an annual average rate of 4.4% over the four years to 2015. Greater London has a number of large transport projects, the biggest of which are Crossrail (worth £16bn) and the £5.5bn Thameslink scheme (although there are other sizeable infrastructure schemes such as Thames Tideway, Heathrow Terminal East and various Underground station upgrades). The West Midlands is likely to underperform the UK as a whole in infrastructure growth, as although it has one large project ongoing, the redevelopment of Birmingham New Street station, once this completes in 2012 there is not much in the pipeline to replace it. Large transport schemes can dictate demand for distribution facilities, such as warehouses, hence the strength of industrial construction growth in the East of England at 9% a year to 2015 on the back of the construction of the new London Gateway port.

The West Midlands commercial construction sector (2.1%) is predicted to grow at a slower rate than the UK (4.6%), on an annual average basis between 2011 and 2015. A relatively small financial and business services sector, combined with falling disposable incomes as a result of high unemployment and weak earnings growth, are forecast to depress consumer demand and impact investors' decisions in regards to new commercial developments.

Total construction employment in the region is predicted to increase by 7.1% between 2011 and 2015, slightly weaker than the UK average (7.8%). Over the same period, civil engineers (16%) and labourers nec* (13%) are forecast to have the largest increases in employment, although in absolute terms the wood trades and interior fit-out (1,570) should do best. At 2,680, the annual recruitment requirement over the forecast period is equivalent to 1.3% of base 2011 employment – lower than the UK average figure of 1.8%.

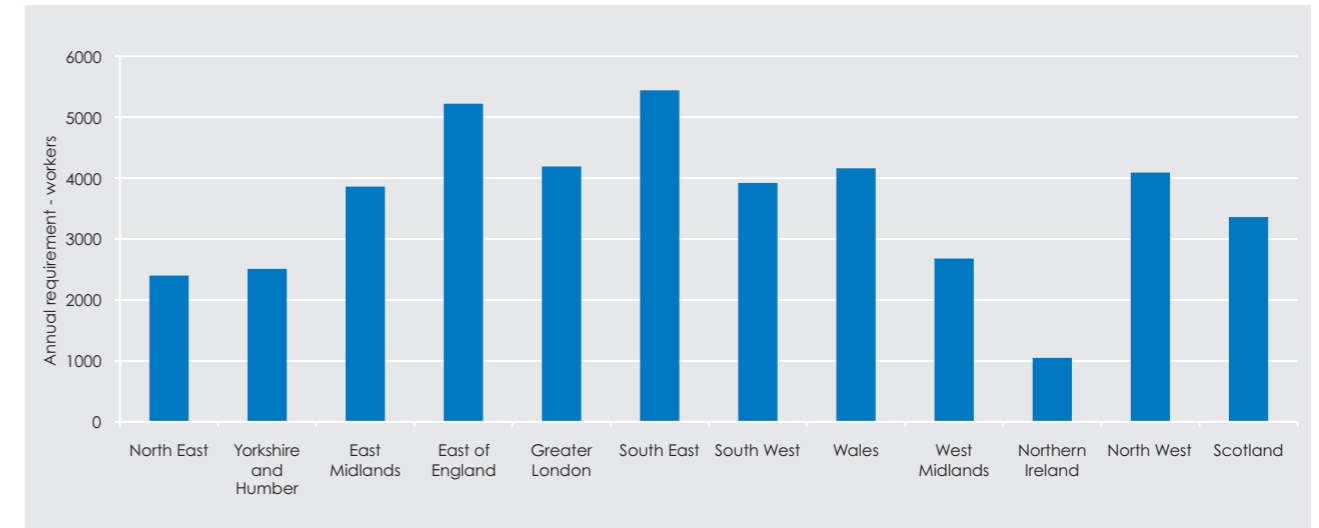
Annual average output growth by region 2011-2015



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

Construction output in the West Midlands is projected to decline at an annual average rate of **0.5%** between **2011 and 2015**, weaker than the UK as a whole (1%)

Annual recruitment requirement (ARR) by region 2011-2015



Source: CSN, Experian



At **2,680**,
the ARR over the forecast period is
1.3% of base
2011 employment

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CSN Webpage

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