

CONSTRUCTION SKILLS NETWORK

Labour Market Intelligence Report



**Greater
London**

5-year outlook 2022-2026

GREATER LONDON

The volume of construction work in Greater London will grow, slightly ahead of the UK forecast of 3.2% by an annual average rate of

↑ **3.4%**

Fastest sector rate of growth expected for



**Private housing
Commercial**

**Infrastructure
Housing R&M sectors**

The occupations with the strongest additional recruitment requirement levels:



**Non-construction professional, technical,
IT, and other office-based staff** (1,060 per year)

Construction process managers (540 per year)

Wood trades and interior fit-out (480 per year)

Major projects in Greater London include a number of very large scale/long term developments such as:



**Regeneration of
Thamesmead** (£1bn)

**Brent Cross Town
development** (£7bn)

Old Oak Park (£5bn)

The annual recruitment requirement in Greater London of 1.3% per year is below the UK average of 2.0% and means an extra 26,000 workers will be needed from 2022 to 2026.



UK Macroeconomic backdrop

In 2020 and 2021, the UK went through several lockdowns in response to the spread of the Covid-19 virus.

The adverse impact on the economy was more severe in 2020 when Gross Domestic Product (GDP) contracted by nearly 10%, but the rollout of the Covid-19 vaccination programme, which started in late 2020 together with progressively less restrictive lockdown measures has meant that 2021 was a period of relative growth and improved confidence.

Macroeconomic indicators suggested that the economy would face a mixed start to 2022 as growth weakened towards the end to 2021 in response to the rapidly increasing numbers of Covid-19 cases associated with the Omicron variant and a fall in consumer confidence and retail activity. The major purchase index also fell and consumers' views on the economy and on their personal finances also worsened, driven by concerns over the higher cost of living and the prospect of looming interest rate increases. However, the impact of the Omicron variant appears to have passed without significant economic damage and economic forecasts at the start of 2022 had an average of over 4% GDP growth for the year, after allowing for the expected squeeze on real incomes and household consumption.

While supply chain issues that initially emerged in 2021 continued to blight the construction industry, leading to associated rise in input costs, there were signs that this had started to ease slightly

by the end of the year. In January 2022 GB monthly construction output had increased by 1.6% to £14.6bn, which was the highest monthly output figure since February 2020. The IHS Markit/CIPS UK Construction PMI® Total Activity Index increased from 56.3 in January 2022 to 59.1 in February, pointing towards an increase in construction activity.

The cautious optimism at the start of 2022 would have also been helped by the easing of Covid-19 restrictions across the UK. However, increasing supply chain costs and inflation were brought firmly back into focus following Russia's invasion of Ukraine at the end of February, which subsequently led to the introduction of economic sanctions on Russia that have exacerbated already rising global commodity prices, especially oil and gas, food, and raw materials for industrial production. As a result, economic forecasts are now being revised down for the UK in 2022 and 2023 as higher energy and food prices drive up inflation and squeeze the cost of living for many.

Although the macroeconomic pressures will undoubtedly have an impact on construction work as aggregate demand weakens in the short to medium-term, we still see the greatest challenge the construction industry faces over the next five years being the recruitment of sufficient numbers of people to fill the growing number of vacancies.

The UK economy is in the grip of the tightest labour market for several decades and going into 2022, construction vacancies were nearly double the level seen in 2019. This shows little sign of easing, even with a weakening of demand, which points towards growing competition in the job market. Recruiting workers will be a major task and means construction employers will need to refresh the way they recruit. Employing fully skilled workers is unlikely to meet the expected shortfall because, to put it bluntly, the workers aren't available; they have left industry through retirement, emigration, or choice.

To prepare for growth, the industry must consider recruiting from a wider and more varied range of sources while approaches to recruitment need to adapt to help construction companies attract from as wide a base of potential workers as possible. Without the workers and skills required, industry will be unable to capitalise on the growth opportunities that are identified in the 2022-2026 Outlook to build the volume of homes the country needs, construct the infrastructure to ensure the economy thrives and retrofit our built environment to meet net zero targets.

Early indicators suggest that the economy will face a mixed start to 2022.

Structure

The construction industry in Greater London has some significant differences to the UK structure.

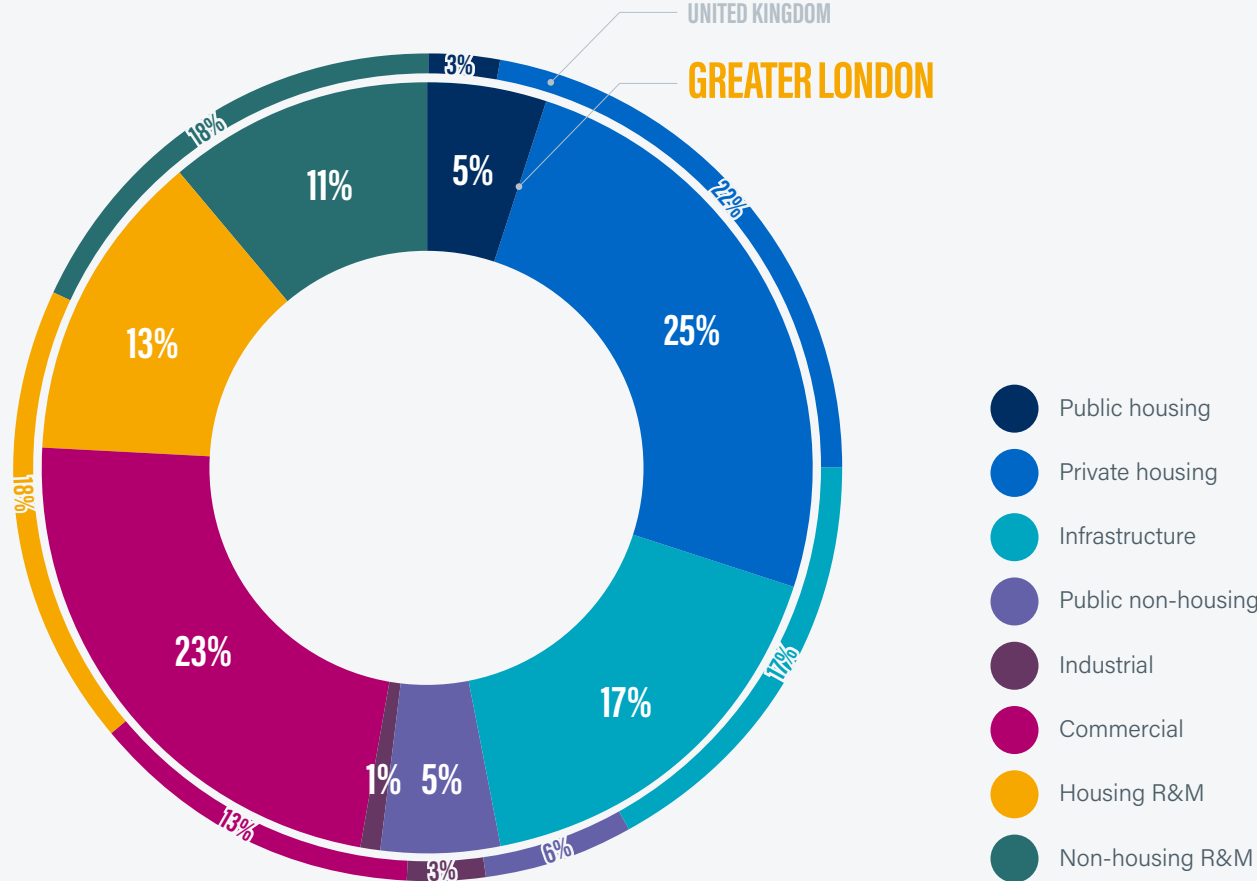
The commercial sector accounts for 23% of output, nearly double the UK average, and has been a long-term difference, reflecting Greater London's role as a major business centre. Private housing is also slightly above the UK view, and again a reflection that the region has a population of over 9m people and 3.6m homes.

Although the repair and maintenance sectors have a slightly lower share of output compared to the UK structure, they are still significant with combined output value of over £8.6bn.

Private housing output

25%

CONSTRUCTION INDUSTRY STRUCTURE 2021 GREATER LONDON VS UK



2021 view

Total annual output 2021

£35.5bn

Total estimated output 2022

£36.8bn



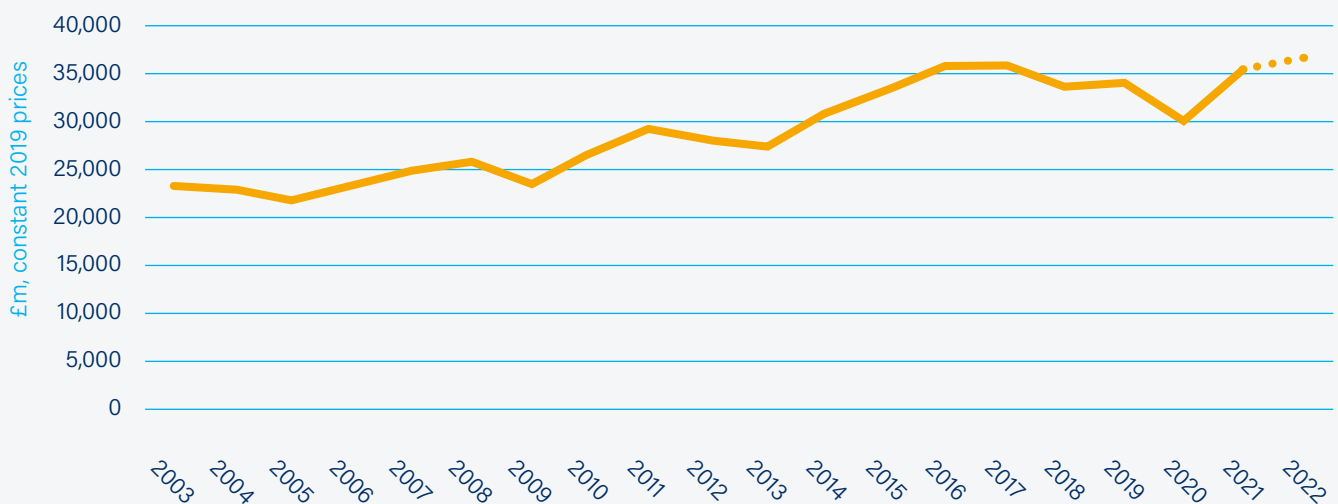
In 2021 construction output in Greater London is estimated to have grown by nearly 18%, which is higher than the UK level of growth.

2021 view

As the region experienced a milder drop in output during 2020, **down by 12%** compared to **15% for the UK**, this means 2021 output is above pre-pandemic levels, largely due to a strong recovery in private housing and growth in infrastructure work.

CONSTRUCTION OUTPUT 2003 - 2022 GREATER LONDON

Source: ONS
Ref: CSN explained, Section 4: Note 1



Output Forecast 2022 - 2026

Greater London average growth rate

In Greater London, the volume of work will grow by an annual average rate of 3.4%, which is above the UK rate of 3.2%. All sectors will see growth over the forecast, with new work being slightly stronger than R&M, and most follow a pattern of higher growth in the earlier years, which dips to be closer to the longer-term growth trends, towards the latter years.

While the industrial sector has the highest annual average growth rate at 5.3%, it has a relatively low share of total output (1%). The biggest gains in output are set to come from the private housing (+£1.960m) and commercial (+£1,570m) sectors, accounting for more than half of the total output increase. This is in line with the industry structure in Greater London.

Housing R&M (+£840m) and infrastructure (+£860m) will also make significant contributions to growth, which is in line with what we're seeing in other areas of the UK.

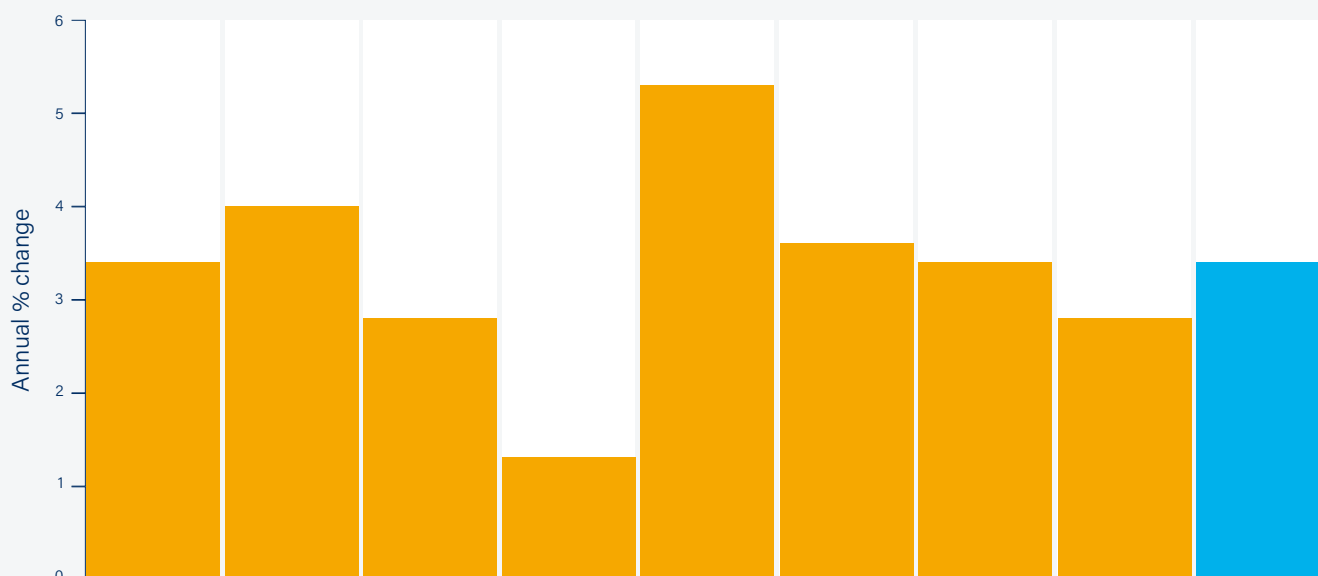
3.4%

Forecast

ANNUAL AVERAGE OUTPUT GROWTH BY SECTOR 2022-2026 GREATER LONDON

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

Public housing	Private housing	Infrastructure	Public non-housing	Industrial	Commercial	Housing R&M	Non-housing R&M	Total work
3.4%	4.0%	2.8%	1.3%	5.3%	3.6%	3.4%	2.8%	3.4%



CONSTRUCTION OUTPUT - GREATER LONDON (£ MILLION, 2019 PRICES)

	Actual	Forecast (Annual % change, real terms)					Annual average
	2021	2022	2023	2024	2025	2026	2022-2026
Public housing	1,887	3.6%	3.0%	4.0%	3.2%	3.2%	3.4%
Private housing	8,967	3.3%	4.4%	5.1%	3.7%	3.6%	4.0%
Infrastructure	5,925	6.7%	1.4%	1.1%	2.7%	1.9%	2.8%
Public non-housing	1,801	-4.9%	3.3%	5.5%	1.0%	2.0%	1.3%
Industrial	265	17.5%	4.4%	4.9%	0.2%	0.2%	5.3%
Commercial	8,054	1.8%	6.2%	4.3%	3.2%	2.8%	3.6%
New work	26,899	3.2%	4.1%	3.9%	3.1%	2.8%	3.4%
Housing R&M	4,528	4.9%	4.6%	3.2%	1.8%	2.8%	3.4%
Non-housing R&M	4,119	2.6%	4.6%	2.3%	2.9%	1.9%	2.8%
Total R&M	8,647	3.8%	4.6%	2.7%	2.3%	2.4%	3.2%
Total work	35,546	3.4%	4.2%	3.6%	2.9%	2.7%	3.4%

The annual average growth rate is the rate of growth between the end of 2021 and the end of 2026, i.e., a five-year period.

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

In Greater London there are a number of very large scale/ long term developments such as Thamesmead, Brent Cross Town, Old Oak Park, and Castle Green.

In Greater London there are a number of very large scale/long term developments such as Thamesmead (+£1bn), Brent Cross Town (£7bn) and Old Oak Park ((£5bn), that will deliver output for a number of sectors. Work is ramping up on HS2, which will provide a boost to the infrastructure sector, while the planned restoration and renewal of the Houses of Parliament is another significant project set to commence during the forecast. Examples of other work are:

£300m Salisbury Square Development to build a major court and police complex on Fleet Street. Site clearance work is scheduled to start on site before the end of 2021, with main construction work running for four years from August 2022 to end June 2026.

£300m industrial project is set for Albert Island London Docklands area. The scheme has been approved and construction will likely start in 2022. The proposal sees the integration of long-term storage buildings and a double-storey warehouse with an engineering education centre, boatyard and pier on a 13-hectare site, which will be opened up for public use under the plans.

Tunnelling is progressing on the six-year £750m London Power Tunnels 2 project to decommission oil-filled cables. New cable installation will run from January 2023 to 2026.

The Affordable Homes Programme (AHP) (2021-26) will see London obtain £4bn in funding, over the next five years. This will run alongside the 2016-23 AHP, where to date 72,250 affordable homes have been started.

Salisbury Square Development

+ **£300m**

London Power Tunnels 2 project

+ **£750m**

The Affordable Homes Programme

+ **£4bn**

Workforce forecast

The level of output growth in Greater London gives an annual average increase of 0.9% in the construction workforce, which is slightly above the UK rate of 0.8%. Although there was less of a drop in output during 2020 compared to the UK, the construction workforce in the region showed slightly more of a dip, down by nearly 5% to just under 410,000, before dipping a bit further to 409,000 in 2021. However, we forecast that the workforce will pick up, increasing to 415,000 in 2022 then continue to grow and reach over 428,000 by 2026.

TOTAL WORKFORCE BY OCCUPATION - GREATER LONDON

	Actual	Estimate	Forecast	
	2020	2021	2022	2026
Senior, executive, and business process managers	32,400	30,400	31,200	32,800
Construction project managers	15,000	14,100	15,400	16,000
Other construction process managers	34,700	36,900	36,800	37,100
Non-construction professional, technical, IT, and other office-based staff	67,400	72,700	72,600	73,600
Construction trades supervisors	9,400	10,100	9,800	10,100
Wood trades and interior fit-out	34,900	32,700	33,000	33,600
Bricklayers	5,900	5,600	5,800	6,100
Building envelope specialists	18,600	18,300	19,100	21,000
Painters and decorators	15,500	14,500	14,600	14,500
Plasterers	3,700	3,400	3,500	3,300
Roofers	2,700	2,500	2,500	2,400
Floorers	3,300	3,300	3,200	3,300
Glaziers	3,500	3,800	3,800	3,500
Specialist building operatives nec*	11,700	10,900	11,300	11,100
Scaffolders	1,200	1,300	1,200	1,300
Plant operatives	5,400	5,100	5,600	6,100
Plant mechanics/fitters	3,400	3,600	3,700	3,600
Steel erectors/structural fabrication	2,100	2,000	2,200	2,400
Labourers nec*	12,300	11,500	11,800	12,300
Electrical trades and installation	26,200	24,600	24,900	25,900
Plumbing and HVAC Trades	18,600	17,500	17,600	17,600
Logistics	3,200	3,000	3,100	3,200
Civil engineering operatives nec*	1,300	1,300	1,400	1,500
Non-construction operatives	5,600	6,100	6,100	5,900
Total (SIC 41-43)	337,800	335,300	339,700	348,300
Civil engineers	9,800	9,200	9,900	11,000
Other construction professionals and technical staff	30,400	32,800	33,200	35,200
Architects	16,300	15,300	15,700	16,900
Surveyors	15,600	16,500	16,600	16,900
Total (SIC 41-43, 71.1, 74.9)	410,000	409,000	415,100	428,300

Workforce covers construction contracting, SIC 41, 42 & 43 along with supporting technical and professional workers in SIC 71 and 74.9

* Not elsewhere classified

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

Annual Recruitment Requirement (ARR)

The average annual recruitment requirement in Greater London is set to average 1.3% per year, based on 2021 workforce levels, which is less than the UK figure of 2.0%. This means the construction industry would have to increase current recruitment by 5,200 new workers each year to deliver the expected work between the start of 2022 and end of 2026.

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

- **Non-construction professional, technical, IT, and other office-based staff** (1,060 per year)
- **Construction process managers** (540 per year)
- **Wood trades and interior fit-out** (480 per year).

The additional recruitment demand in Greater London across the occupations is quite even as the highest level of ARR to workforce is 1.5%, compared to the region's average of 1.3%. This points to a general demand over the full range of occupations rather than particular pressure points. For occupations that have no ARR value on the table, indication is that recent levels of recruitment will be able to meet future need if they are maintained.

ANNUAL RECRUITMENT REQUIREMENT BY OCCUPATION - GREATER LONDON

	ARR as % of 2021 workforce	ARR value per year
Senior, executive, and business process managers	1.2%	350
Construction project managers	1.4%	200
Other construction process managers	1.5%	540
Non-construction professional, technical, IT, and other office-based staff	1.5%	1,060
Construction trades supervisors	1.0%	100
Wood trades and interior fit-out	1.5%	480
Bricklayers	1.4%	80
Building envelope specialists	0.4%	80
Painters and decorators	0.6%	90
Plasterers	-	-
Roofers	-	<50
Floorers	-	<50
Glaziers	-	<50
Specialist building operatives nec*	1.5%	160
Scaffolders	-	<50
Plant operatives	1.4%	70
Plant mechanics/fitters	1.4%	50
Steel erectors/structural fabrication	-	<50
Labourers nec*	1.2%	140
Electrical trades and installation	1.5%	360
Plumbing and HVAC Trades	1.3%	220
Logistics	-	<50
Civil engineering operatives nec*	-	<50
Non-construction operatives	-	-
Total (SIC 41-43)		3,980
Civil engineers	1.4%	130
Other construction professionals and technical staff	1.5%	480
Architects	1.4%	220
Surveyors	1.5%	240
Total (SIC 41-43, 71.1, 74.9)	1.3%	5,200

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Note: figures may not sum to totals due to rounding

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

When looking at the workforce and ARR forecast it is important to note that in 2021, England saw a strong increase in construction job vacancies, with companies having difficulty in finding suitably skilled workers, and this pattern has been seen in London. This has led to skills shortages being reported over a range of occupations and wage rates increasing as companies look to attract workers. While there are indications of a drop in construction vacancies towards the end of 2021, levels are still higher than what was seen before the impact of Covid-19 and postings have increased at the start of 2022.

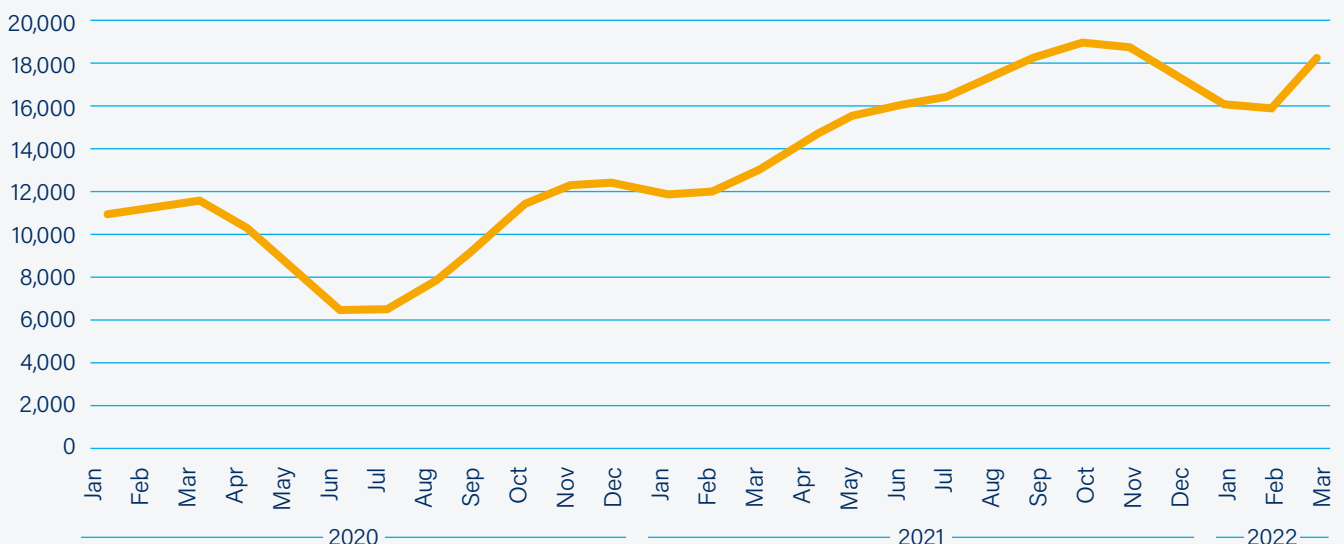
The ARR was developed to give a forward-looking view of where extra recruitment demand is needed, therefore it takes account of existing trends, such as the movement of people into and out of the construction industry that we'd expect to happen, although on an annual basis. Recruitment to fill vacancies would be one aspect of movement of workers into the industry, however companies can look to fill this through several routes.

Companies can:

- Attract skilled workers who are already working elsewhere in the construction industry, although this obviously moves existing workers around rather than meet overall industry need
- Attract skilled workers who have left the industry back into construction. This would be either those who have left to work in other industries or those that have become unemployed/inactive
- Attract and train new entrants into the workforce from those leaving school, further education, or higher education
- Improve the retention of workers within the industry
- Look at how productivity can be improved.

3 MONTH MOVING AVERAGE OF CONSTRUCTION VACANCIES, GREATER LONDON

Source: EMSI Burning Glass, selected construction occupations, Greater London



The response to skills shortages is likely to be a mix of these options, however, there are some challenges. The strength of the jobs market, certainly in the short to medium term, and relatively low levels of unemployment means that there will be increased competition for workers. Companies that are able to understand and meet what workers value the most are the ones that are more likely to be successful at attracting and retaining new staff. That could range from being able to offer long-term career opportunities with support to help development, through to good levels of pay, or flexible working to have a positive work/life balance. Construction companies in Greater London will be facing the issues identified in CITB's recently published *Rethinking Recruitment*, which highlights some of the challenges and how to support construction companies in overcoming them.

There are also recent trends in training to consider, with a CITB survey showing a GB wide drop in employer training, which was expected with the impact of Covid-19, along with recent figures on GB apprenticeship starts and wider vocational training being around 12% - 14% lower at the end of 2020/21 compared to 2018/19.

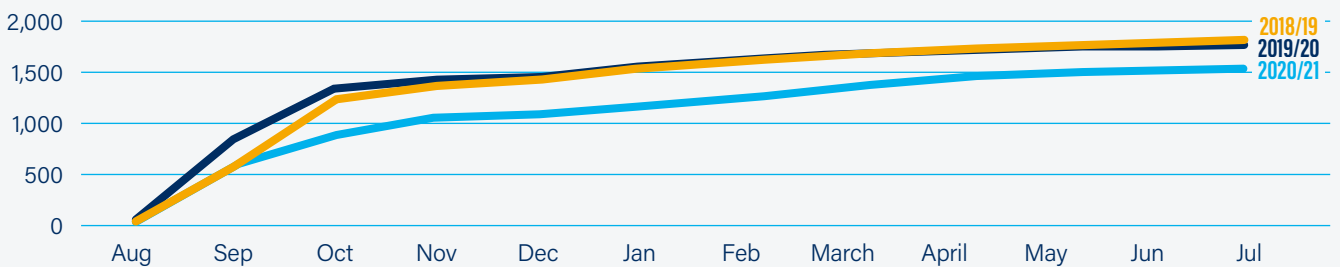
The trends for construction training in England have followed this pattern. For apprenticeships there was a 3% drop in starts for 2019/20 when compared to 2018/19, and in 2020/21 this dropped by a further 9%. This means that construction starts in 2020/21 starts were just over 11% down on 2018/19 figures, however, recent England data released for Q2 2021/22 shows 20,500 starts, which is back to levels seen in earlier years. In Greater London, apprenticeship starts had slightly more of a drop in 2020/21, down by just over 12%.

For further education learners achieving construction qualification in England, there was a 19% drop in 2019/20, which has picked back up in 2020/21, although not to the level seen in 2018/19. While London saw a similar drop in 2019/20, the recovery in 2020/21 have been a bit stronger, with achievement above the level seen in 2018/19.

Both charts point to a similar picture of underlying training trends in England and London, with a reduction in 2019/20 recovering in 2020/21, though for apprenticeships it's not quite back to pre-covid levels. At a time when there is increasing demand for workers, this indicates that there is some work to do to get construction training back to previous levels and then increase to meet current and future demand.

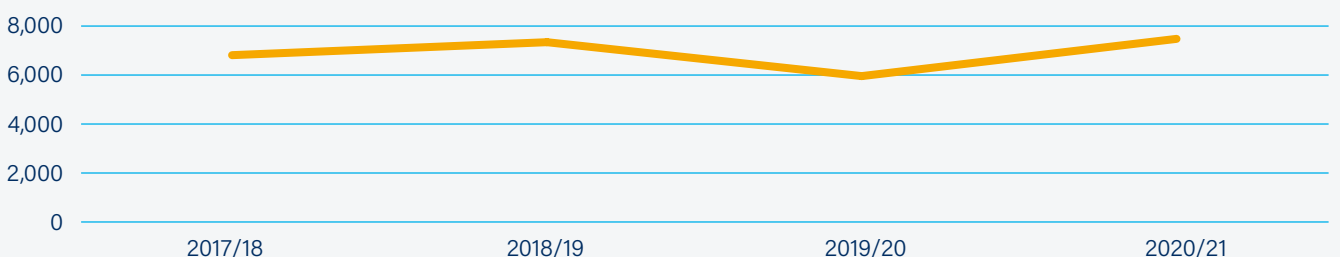
GREATER LONDON, CUMULATIVE MONTHLY CONSTRUCTION APPRENTICESHIP STARTS, 2019 - 2021

Source: Department for Education



FURTHER EDUCATION, CONSTRUCTION SECTOR QUALIFICATION ACHIEVEMENTS, LEVEL 2+, LONDON, 2017/18 - 2020/21

Source: Department for Education



CITB support to industry in England

CITB England will continue to support industry through various initiatives in 2022.

CITB is therefore looking at a range of actions that will help to support construction companies to invest in training by helping to protect apprenticeships, using targeted funding for skills priorities, helping businesses to identify training needs and ensuring that standards are in place for the required training. Examples of this are the Apprenticeship Toolkit that was launched in February providing information that helps companies to know about the

process of hiring an apprentice, and how CITB can help; and the Onsite Experience hubs, designed to provide a one-stop recruitment solution for construction employers. More details on CITB's actions are set out in the 2022-2023 Business Plan.

Overcoming skills shortages in a more competitive labour market with increasing demand for construction workers will require combined action

from CITB, construction companies and government. Without this, the construction industry will not be able to capitalise on the growth opportunities identified in the 2022-2026 Outlook to build the volume of homes the country needs, the infrastructure to ensure the economy thrives and retrofit our built environment to meet net zero targets.

Targeted funding for skills priorities, helping businesses to identify training needs and ensuring that standards are in place for the required training.

Regional breakdown within England

Click on a region below to view the list of Local Authority Districts within that area.

North East

North West

Yorkshire & the Humber

East Midlands

West Midlands

East of England

Greater London

South West

South East

London

Barking and Dagenham

Barnet

Bexley

Brent

Bromley

Camden

City of London

Croydon

Ealing

Enfield

Greenwich

Hackney

Hammersmith and Fulham

Haringey

Harrow

Havering

Hillingdon

Hounslow

Islington

Kensington and Chelsea

Kingston upon Thames

Lambeth

Lewisham

Merton

Newham

Redbridge

Richmond upon Thames

Southwark

Sutton

Tower Hamlets

Waltham Forest

Wandsworth

Westminster

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