

CONSTRUCTION SKILLS NETWORK

Labour Market Intelligence Report



North West

5-year outlook 2022-2026

NORTH WEST

The volume of construction work in the North West is slightly below the UK forecast of 3.2% at an annual average rate of approximately

↑ **2.9%**

The biggest gains in output are set to come from

↑ **Private housing**
Non-housing repair & maintenance
Commercial sectors

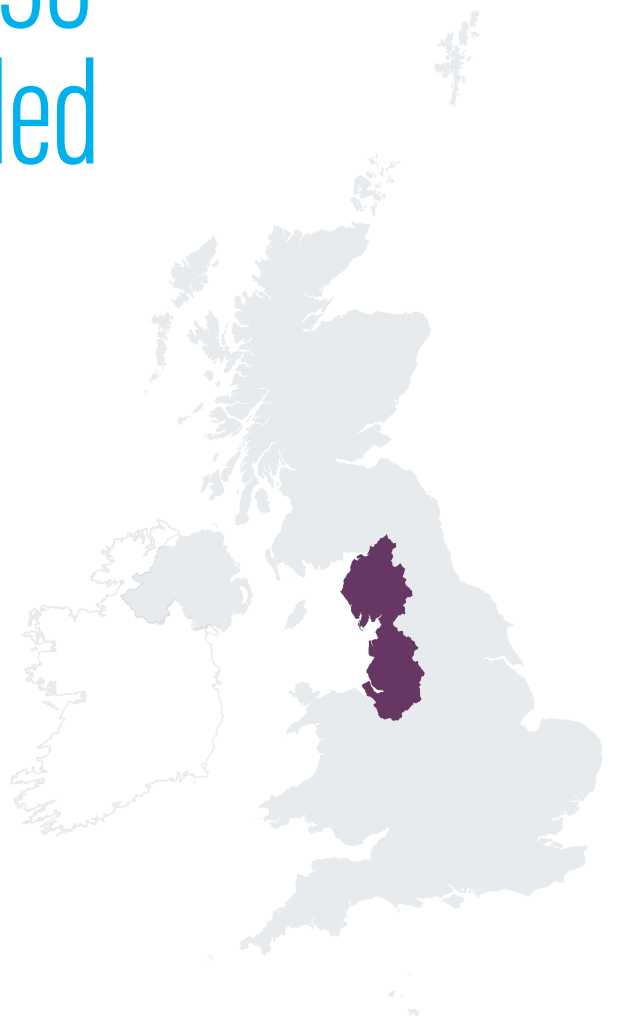
The occupations with the strongest additional recruitment requirement levels:

↑ **Wood trades and interior fit out** (930 per year)
Construction process managers (820 per year)
Non-construction professional, technical, IT, and other office-based staff (1,260 per year)

Major projects in the North West include

+ **Affordable Homes Programme** (£560m) **Preston Western Distributor road** (£207m)
Cotton Quay Scheme (£365m)

The annual recruitment requirement in the North West of 2.1% per year is slightly above the UK average of 2.0% and means an extra 28,450 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

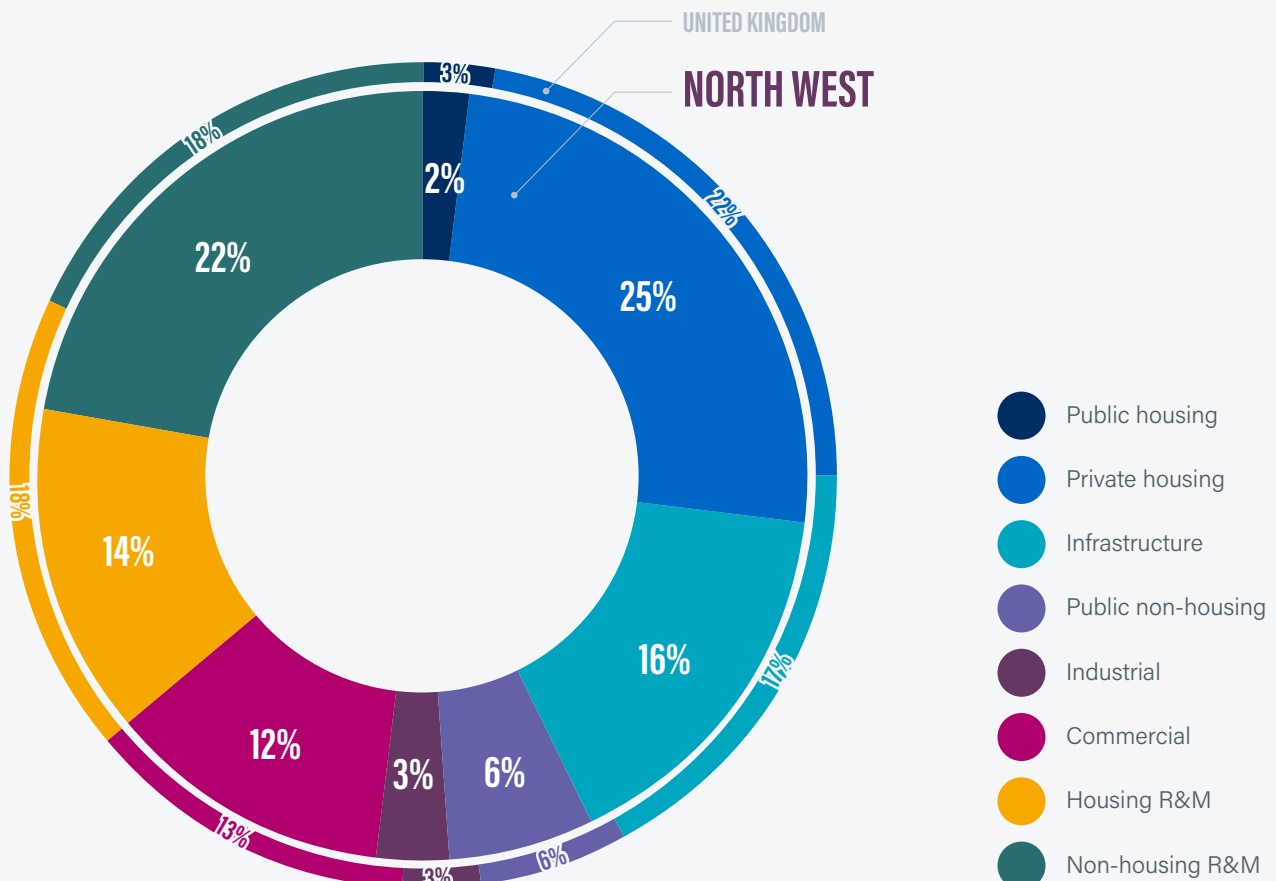
The construction industry in the North West is close to the UK profile with slightly higher shares of private housing and non-housing repair and maintenance (R&M) work.

Private housing is the strongest sector in the region, accounting for 25% of total work, with non-housing R&M work not far behind at 22%. Infrastructure and housing R&M also make significant contributions to output in the North West.

Private housing total output

25%

CONSTRUCTION INDUSTRY STRUCTURE 2021 NORTH WEST VS UK



2021 view

In 2021 construction output is estimated to have dropped in the North West by 4%, which is different to the 12% growth seen across the UK.



Total annual output 2021

£18.0bn

Total estimated output 2022

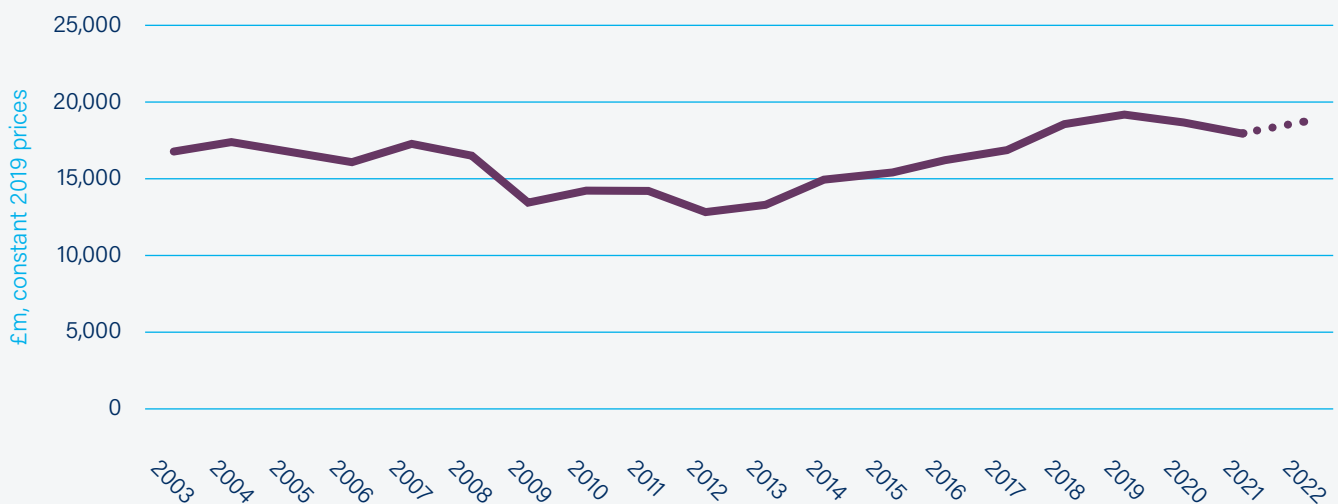
£18.8bn

2021 view

However, in 2020, output in the region **only fell by 3%** compared to the **15% fall** in output seen across **the UK**. The different trends are mainly due to infrastructure output which increased significantly in 2020. This means 2021 output in the North West was 7% below output in 2019, although we expect it to increase into 2022 and be above pre-pandemic levels during 2023.

CONSTRUCTION OUTPUT 2003 - 2022 NORTH WEST

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



Output Forecast 2022 - 2026

In the North West, the volume of work will grow by an annual average rate of 2.9%, which is just below the UK rate of 3.2%. All sectors will see growth over the forecast, with new work being just stronger than R&M, and most following a pattern of higher growth in the earlier years, which slows down towards the latter years.

While the industrial sector has the highest annual average growth rate at 5.5%, it has a relatively low share of total output at just over 3%. The biggest gains in output are set to come from the private housing (+£829m), non-housing R&M (+£595m) and commercial (+£415m) sectors, accounting for two thirds (66%) of the total output increase.

Industrial has the highest annual average growth rate

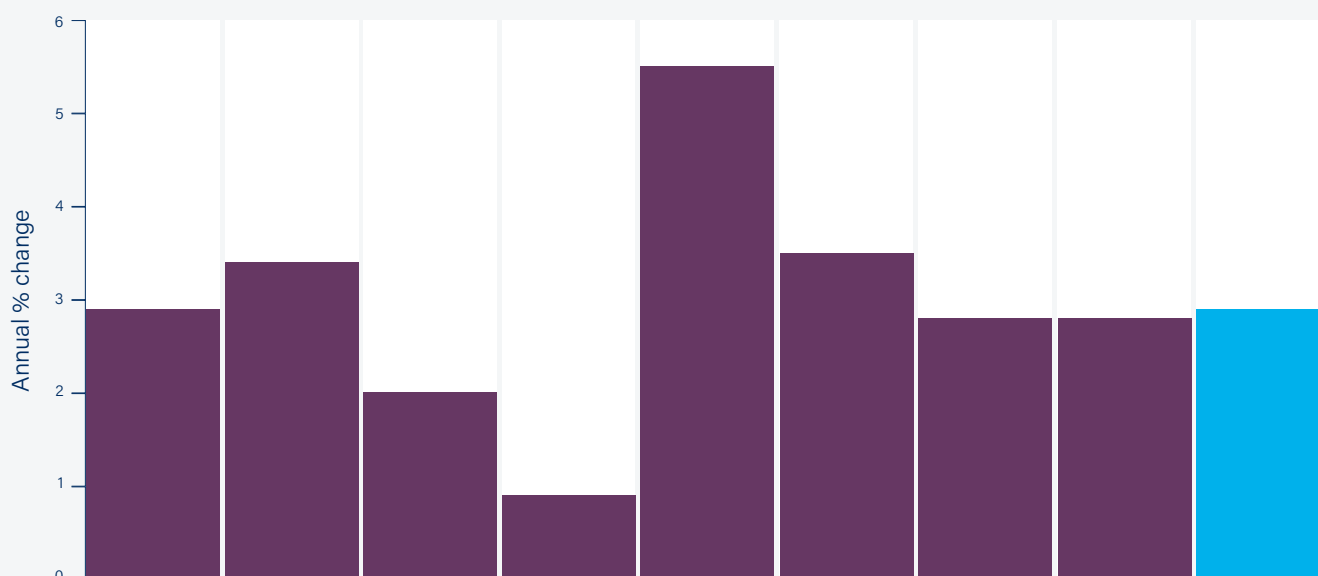
5.5%

Forecast

ANNUAL AVERAGE OUTPUT GROWTH BY SECTOR 2022-2026 NORTH WEST

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
2.9%	3.4%	2.0%	0.9%	5.5%	3.5%	2.8%	2.8%	2.9%



CONSTRUCTION OUTPUT - NORTH WEST (£ MILLION, 2019 PRICES)

	Actual	Forecast (Annual % change, real terms)					Annual average
	2021	2022	2023	2024	2025	2026	2022-2026
Public housing	313	5.5%	2.1%	2.6%	2.2%	2.2%	2.9%
Private housing	4,536	6.2%	3.4%	4.1%	1.8%	1.6%	3.4%
Infrastructure	2,798	4.8%	0.4%	2.1%	1.8%	1.0%	2.0%
Public non-housing	982	-3.0%	3.3%	3.5%	0.0%	1.0%	0.9%
Industrial	585	13.3%	5.4%	6.9%	1.3%	1.3%	5.5%
Commercial	2,198	3.7%	5.0%	2.9%	3.2%	2.8%	3.5%
New work	11,413	4.9%	3.1%	3.5%	1.9%	1.7%	3.0%
Housing R&M	2,577	5.9%	3.6%	2.3%	0.6%	1.6%	2.8%
Non-housing R&M	3,970	3.6%	3.6%	2.3%	2.9%	1.9%	2.8%
Total R&M	6,547	4.5%	3.6%	2.3%	1.9%	1.7%	2.8%
Total work	17,960	4.8%	3.3%	3.0%	1.9%	1.7%	2.9%

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

The JV North consortium, comprising a group of housing associations and local authorities, across the North West, has committed to a **£560m 'building back fairer'** framework to deliver new homes in the region.

As part of the Affordable Homes Programme over the period 2021-26, the consortium has targeted the construction of 4,000 new homes.

Work has started on the £207m Preston Western Distributor and associated link roads remain on course for completion in 2023. A mixed-use brownfield development in Mayfield led by U&I was given the go ahead, with construction beginning at the end of 2020 and finishing in 2022. It will provide 1,500 homes, a 300-bed hotel and 2.3 million square feet of office space, valued at £1.5bn.

Another mixed-used development worth £365m has been submitted, in Salford. The full plans for the Cotton Quay Scheme seek permission for the construction of buildings of 37 and 48 storeys respectively, housing 25,000 square feet of retail and, or commercial space, as well as 491 homes.

In the public non-residential sector, construction work by contractor Laing O'Rourke has continued on the new Royal Liverpool Hospital. However, the hospital which was originally meant to open in 2017 is now expected to fully open in 2022 at the earliest. The estimated overall cost has risen from the original £746m to £1.1bn, with the cost of completing the unfinished construction at £293m. The work to repair the main defects in the original build have now been completed and the Royal Liverpool University Hospitals NHS Trust is looking to open the facility in summer 2022.

The Mersey Tidal Power project is set to move into its next phases of planning, with the project proposed to start in 2022. This will present an upside risk to the forecast, given the project is expected to be multi-billion pound territory. Proceeding with this timeline, the medium to long-term outlook will see a boost from this project.

Preston Western Distributor and associated link roads

+ **£207m**

Cotton Quay Scheme

+ **£365m**

Royal Liverpool Hospital

+ **£746m**

Workforce forecast

The level of output growth in the North West gives an annual average increase of 0.8% in the construction workforce, which is the same as the UK figure. With construction output falling in 2020 and 2021, the region's construction workforce dropped by 5% to 272,300, and then a further slight fall to 270,600 in 2021. We're expecting to see the workforce pick up to 274,800 in 2022 and then grow to 281,200 by 2026.

TOTAL WORKFORCE BY OCCUPATION - NORTH WEST

	Actual	Estimate	Forecast	
	2020	2021	2022	2026
Senior, executive, and business process managers	18,400	19,800	20,500	20,700
Construction project managers	4,900	4,600	4,600	4,500
Other construction process managers	22,800	22,100	22,500	23,200
Non-construction professional, technical, IT, and other office-based staff	39,200	42,200	41,500	41,700
Construction trades supervisors	3,700	3,400	3,600	3,600
Wood trades and interior fit-out	20,600	19,300	20,100	21,200
Bricklayers	8,800	9,500	9,800	9,300
Building envelope specialists	5,600	5,500	5,800	6,000
Painters and decorators	10,100	9,400	9,600	9,500
Plasterers	6,100	6,600	6,300	6,400
Roofers	5,400	5,800	5,600	5,700
Floorers	3,500	3,300	3,400	3,600
Glaziers	3,200	3,500	3,500	3,500
Specialist building operatives nec*	5,300	5,000	5,000	5,100
Scaffolders	3,000	2,800	2,900	3,000
Plant operatives	6,200	5,800	6,100	6,200
Plant mechanics/fitters	4,700	4,400	4,600	4,700
Steel erectors/structural fabrication	2,100	2,200	2,300	2,300
Labourers nec*	13,500	13,800	14,200	14,600
Electrical trades and installation	17,700	16,600	16,500	18,900
Plumbing and HVAC Trades	17,200	16,100	16,000	15,500
Logistics	2,700	2,500	2,600	2,500
Civil engineering operatives nec*	1,500	1,400	1,500	1,500
Non-construction operatives	4,300	4,000	4,200	4,500
Total (SIC 41-43)	230,500	229,700	232,500	237,700
Civil engineers	5,800	6,300	6,600	6,900
Other construction professionals and technical staff	27,000	25,600	26,000	26,400
Architects	3,400	3,100	3,400	3,600
Surveyors	5,600	5,900	6,300	6,500
Total (SIC 41-43, 71.1, 74.9)	272,300	270,600	274,800	281,200

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 the North West is set to average 2.1% per year, based on 2021 workforce levels, which is just higher than the UK figure of 2.0%. This means the construction industry would have to increase current recruitment by 5,690 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:

- **Wood trades and interior fit out** (930 per year)
- **Construction process managers** (820 per year)
- **Non-construction professional, technical, IT, and other office-based staff** (1,260 per year).

Wood trades (4.8%) and construction process managers (3.7%) have a high ARR value compared to their current workforce, which is another indication that they will be in demand. Scaffolders (3.2%) and electrical installation trades (3.0%) are also likely to see demand pressure.

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 - NORTH WEST

	ARR as % of 2021 workforce	ARR value per year
Senior, executive, and business process managers	1.1%	210
Construction project managers	-	<50
Other construction process managers	3.7%	820
Non-construction professional, technical, IT, and other office-based staff	3.0%	1,260
Construction trades supervisors	-	-
Wood trades and interior fit-out	4.8%	930
Bricklayers	1.1%	100
Building envelope specialists	0.9%	50
Painters and decorators	-	<50
Plasterers	-	-
Roofers	0.9%	50
Floorers	2.8%	90
Glaziers	-	-
Specialist building operatives nec*	2.4%	120
Scaffolders	3.2%	90
Plant operatives	0.9%	50
Plant mechanics/fitters	-	-
Steel erectors/structural fabrication	-	<50
Labourers nec*	2.4%	330
Electrical trades and installation	3.0%	490
Plumbing and HVAC Trades	0.7%	110
Logistics	-	-
Civil engineering operatives nec*	-	<50
Non-construction operatives		
Total (SIC 41-43)		4,700
Civil engineers	2.5%	160
Other construction professionals and technical staff	2.3%	580
Architects	-	<50
Surveyors	2.4%	140
Total (SIC 41-43, 71.1, 74.9)	2.1%	5,690

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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, the North West saw a strong increase in construction job vacancy postings, with companies having difficulty in finding suitably skilled workers. 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 were still higher than before the impact of Covid-19 and postings have increased at the start of 2022.

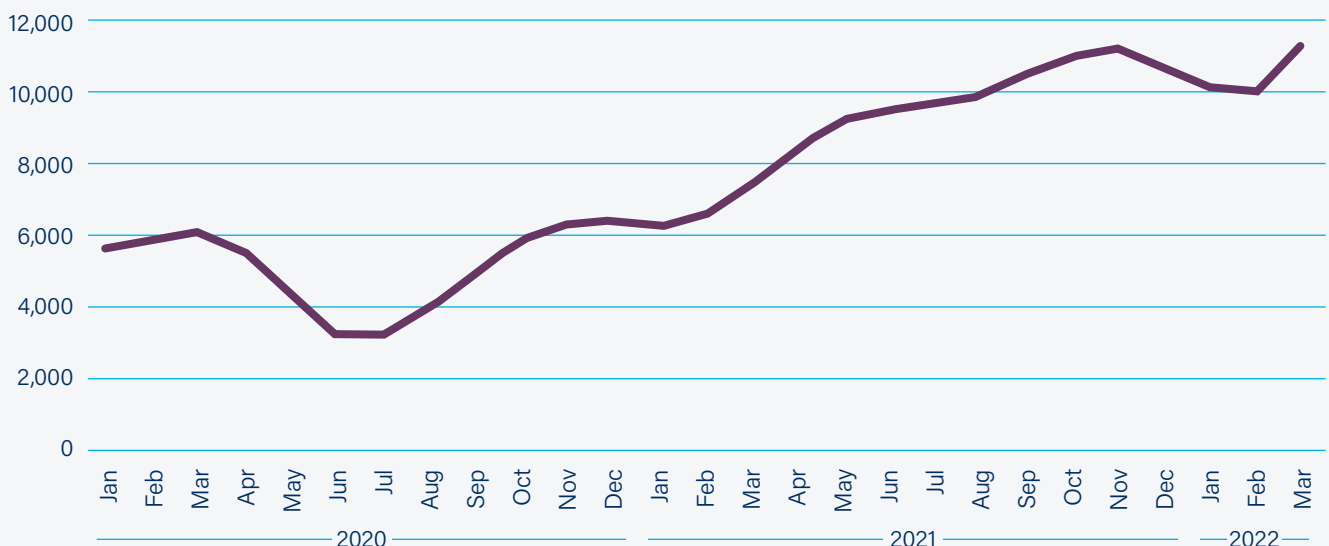
The ARR was developed to give a forward-looking view of where extra recruitment demand is needed, therefore it takes account of existing trends, such as the movement of people into and out of the construction industry that we'd expect to happen, although on an annual basis. Recruitment to fill vacancies 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, NORTH WEST

Source: EMSI Burning Glass, selected construction occupations, North West



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 the North West 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 for Q2 2021/22 shows 20,500 starts, which is back to levels seen in earlier years.

The North West has performed slightly better than the overall England view.

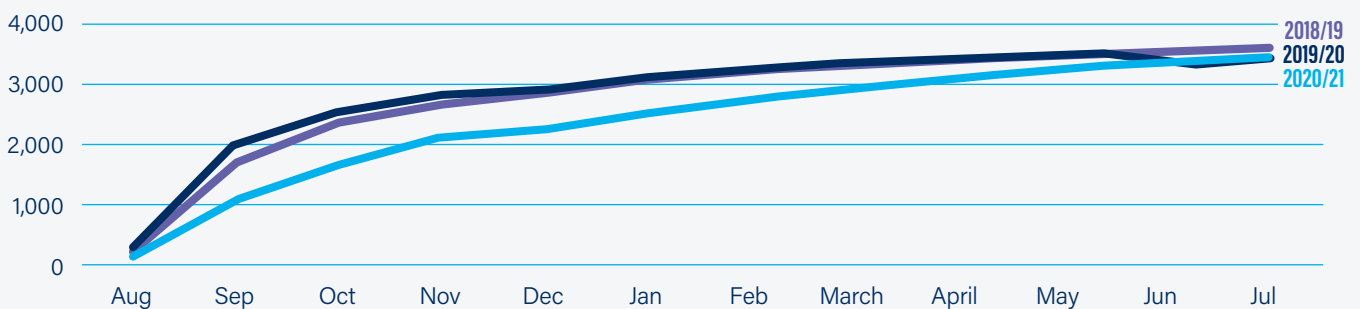
While starts dropped by a similar level in 2019/20, there wasn't a drop in 2020/21. 2020/21 starts were therefore only 5% lower than the 2018/19 levels in the region.

For learners achieving construction qualification in England, there was a 19% drop in achievements in 2019/20, which has picked back up in 2020/21, although not to the level seen in 2018/19. The North West again performed slightly better with only a 15% drop in 2019/20 which increased in 2020/21 to above 2018/19 levels.

Both charts point to a slightly better picture of underlying training trends in the North West, which has recovered close to pre-covid levels. However, the increasing demand for workers and vacancies being posted indicates that there is some work to do to get construction training to a level that that meets current and future demand.

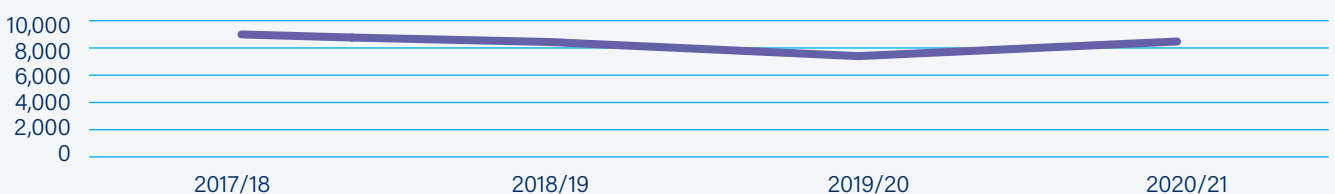
NORTH WEST, CUMULATIVE MONTHLY CONSTRUCTION APPRENTICESHIP STARTS, 2018/19 - 2020/21

Source: Department for Education



FURTHER EDUCATION, CONSTRUCTION SECTOR QUALIFICATION ACHIEVEMENTS, LEVEL 2+, NORTH WEST, 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

North West

Allerdale
Barrow-in-Furness
Blackburn with Darwen
Blackpool
Bolton
Burnley
Bury
Carlisle
Cheshire East
Cheshire West and Chester
Chorley
Copeland
Eden
Fylde

Halton
Hyndburn
Knowsley
Lancaster
Liverpool
Manchester
Oldham
Pendle
Preston
Ribble Valley
Rochdale
Rossendale
Salford
Sefton

South Lakeland
South Ribble
St. Helens
Stockport
Tameside
Trafford
Warrington
West Lancashire
Wigan
Wirral
Wyre

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