Post-Recession Risks

How can your company beat the construction skills gap?

Special Report

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Introduction

72%, 77%, 82%. This is how many believed a skills shortage existed when surveyed by the Chartered Institute of Building (CIOB) in 2010, 2011 and 2013. Yet, such was the extent of the economic downturn, at the latest count in April 2013 only 8% of respondents thought that the shortage was limiting their own business.

Eighteen months and one construction upturn later, 59% of surveyors responding to the Royal Institute of Chartered Surveyors (RICS) Q3 2014 Construction Market Survey said that a shortage of skills and labour is holding back building activity, with shortages are at their most noticeable since late 2004. This is not a new issue, but one that the pace and extent of the construction boom has brought right back to the fore.

This report is the third in our series of post-recession challenges. The consistent theme has been capacity - how overstretching and cash flow problems can affect the supply chain and whether the industry can obtain the bricks, blocks and other materials it needs.

The first of these issues has a distinctly micro solution; it is up to individual firms to assess their risks, judge who they should be working with and only take on as many contracts as their short term cash flow can cover. Materials issues, while currently undergoing a degree of supply shocks that can be mitigated with good relationships and planning, will respond more quickly to demand and supply; the investment is there from suppliers and will continue to be as long as prices and demand are sufficient.

However the issue of finding staff will take much longer to resolve - those who must be employed will need to come from across the labour market. There are those who will need to be tempted back from other industries that took them during the recession, or who have been made redundant. There are school and university leavers with talents, but who are also likely to have little experience and may have eyes fixed on other sectors which are viewed as more lucrative or stable.

Factors affecting labour shortages

Given the difficulties finding additional workers, many may decide they are best found at their rival's businesses, and offer incentives that will need to be matched. Pressure is building in a few positions, particularly for experienced staff in heating markets such as the London commercial sector. EC Harris research suggests a looming ‘bottleneck’ in the luxury residential market due to a limited amount of experience and capacity among specialist sub-contractors - and that some firms are already paying premiums to get the best teams.

Bricklayers have been among the earliest and most widely cited as in short supply, as house building has been at the head of the emerging recovery. The Federation of Master Builders’ Q3 2014 State of Trade Survey, which covers construction SMEs, indeed confirms this, with more than 40% of respondents reporting difficulties recruiting bricklayers and carpenters. However with the tide now rising across the industry, particularly within the commercial sectors, management personnel are also becoming in shorter supply. Over a quarter of respondents reported difficulty recruiting site managers and supervisors.

Despite this, overall wage inflation does not yet seem to have accelerated markedly, especially given the dramatic fall in real pay during the downturn. Pay increases in the construction industry are running above the wider economy, and almost certainly at higher rates than the official figures currently estimate. In some cases wage inflation appears to be a result of the added cost of employer NICs as a result of new false self-employment measures. In some cases wage inflation appears to be a result of the added cost of employer NICs as a result of new false self-employment measures.

The latest figures do suggest that the industry is attracting more new talent than in previous years. A total of 15,560 construction apprenticeships were started in 2013/14 according to provisional Department for Business, Innovation & Skills (BIS) statistics - a 13% rise on the previous year. However this number is little over half of the 27,000 apprenticeships estimated to have started in 2006/7 and 2007/8 (though minor methodological changes mean these figures are not directly comparable). And improving fortunes made life slightly easier for graduates entering the labour market in the summer of 2013 than those in previous years.
Six months after graduating, just over 6% of architecture and building and civil engineering graduates had found employment - largely but by no means entirely within related construction professions. Again, while an improvement on the previous year, the unemployment rate remains a fair distance from 2007. Anecdotal evidence of enlarged graduate intakes suggests this figure will fall further for those who completed their studies this summer.

**Laying the foundations for future construction professionals**

Organisations including the UK Contactors Group (UKCG), the Construction Industry Training Board (CITB) and CIOB have responded to skills shortage fears by backing a new campaign designed to encourage more young people to consider a career in construction. The Born to Build campaign, launched in July this year, has the simple aim of getting young people already working in the industry talking to the next generation about how great it is to work in construction.

Stephen Ratcliffe, Director of UKCG, said: “The ultimate goal is to bring fresh talent into the industry and attracting and retaining talent is the construction industry’s biggest challenge today.

“The construction industry needs to recruit 182,000 new workers over the next five years if we are to deliver forecast sector growth and the resulting benefits to the UK economy.”

However, while Born to Build and similar campaigns are welcome in the long term, they will not solve the problem of finding suitable staff to work on projects today.
Outlined below are a number of hints and tips to ensure your company beats the skills gap in the short term:

- Staff retention is key. Ultimately firms may find themselves having to raise wages to stem departures, however providing staff training and a clear pathway to progression can help foster loyalty.

- Ensure all new workers, whether re-entering the industry or graduates, keep to standards on health and safety. The industry has made great strides on this over the last decade, however a rapid influx of workers means care must be taken to continue making sites safer.

- Stay ahead of the trends in your sector. When hiring or upskilling staff to meet the needs of today, also consider skills your business will require over the next few years. If your company covers public sector projects this may include BIM capabilities, or working with offsite construction.

- Factor wage cost rises into tender prices. Though industry workloads have picked up, low prices quoted throughout the downturn combined with recent rises in labour and material costs means profit margins remain dangerously low.

In some ways it is welcome sign that the familiar worries of a skills shortage are back at the top of the agenda, given that the issue has risen in prominence as a direct result of other challenges such as the economic climate fading away. However that familiarity is also somewhat disappointing; though the cyclical nature of workloads makes investment in staff a risk, the responsibility for the skills in the UK construction workforce, or lack thereof, must lie with those within the industry.

Regardless of what others are doing, it makes perfect sense for firms to get ahead of the curve, taking on new recruits and upskilling staff. The underlying drivers of the industry look firmly positive for at least the next five years. The Construction Products Association, for example, forecast output rising by 23% by the end of 2018. The last 18 months have already seen strain on capacity in some sectors in London and the South East. As growth strengthens across a wider base, straining capacity and shifting pricing towards capable and reliable operators, the firms that have invested in their people will be the ones to take advantage.
Five ways Glenigan can help you combat post-recession risks

1. Capitalise on increase in new opportunities

Take advantage of the predicted 5% rise in construction activity in 2014 with Glenigan project information, analysis and sales leads. Featuring thousands of live projects across the UK, the easy-to-use Glenigan database can be fully customised to ensure you receive information relevant to your business, while our trusted industry intelligence and forecasting will help you respond to changes in the market and avoid costly business mistakes.

2. Protect your business from supply chain risks

By tracking all projects worth over £250,000 to completion, Glenigan has a clear view not only of what main contractors are doing for whom, but also sub-contractors and specialists. This means you can gain a clear assessment of the risks your potential business partners face from their supply chain.

3. Perfect your contract bidding process

Glenigan’s comprehensive company intelligence gives you a complete understanding of leading construction clients’ corporate structures, core relationships, recent performance and contract activity, as well as details on the decision makers you need to contact. Use our insight to find out which companies are winning work, and why, to increase your chances of securing your next contract.

4. Get ahead of your competitors

A subscription with Glenigan gives you guaranteed access to thousands of projects not included in the traditional planning process, ensuring you stay one step ahead of your competitors. With exclusive content from leading industry bodies such as The Builders’ Conference, Glenigan offers the widest coverage of UK tenders and construction contracts, giving your business the edge as the market becomes more competitive.

5. Build sustainable business growth

Develop your post-recession business plans using Glenigan data and set your company on a course for sustainable expansion. Our unique project and company information, coupled with our trusted construction expertise and analysis, can help inform your sales strategies and bidding tactics - ensuring your tender prices remain in line with the market so you can watch your profit margins grow alongside the industry’s prospects.

To find out more about Glenigan and how our industry intelligence and project leads can benefit your company, call 0800 373 771 or visit www.glenigan.com
Established in 1973, Glenigan currently invests £3.1 million and makes over a million research telephone calls per year to provide details on every construction project in the UK. This enables us to provide the most up-to-date and comprehensive construction sales leads and analysis, to help companies win new business.

We also have exclusive partnerships with key industry associations such as the Builders’ Conference and the Building Research Establishment (BRE), enabling us to offer project data that’s not available elsewhere in the market.

Glenigan’s detailed insight is used across all levels of our customers’ businesses. Different departments have much to gain from using our industry knowledge and product features to deliver results for their specific job role.

For further information, visit glenigan.com or contact us on the details below.

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