

Skills and Training in the Construction Industry 2016

Executive Summary - August 2016



Study prepared by BMG Research Ltd from a commission by CITB.

The views expressed by research participants are their own and do not necessarily represent those of their employers.

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1. Executive Summary

Introduction

- In March 2016, the CITB commissioned this skills and training survey, with fieldwork being conducted in April, May and June 2016. The survey broadly replicates similar surveys conducted in 2009, 2011 and 2014. The survey's basic themes are recruitment difficulties and skill shortages, skills deficiencies and gaps in established workforces, and training and development activity in the construction industry across the UK.
- Telephone interviews with 1,044 employers (in establishments in which at least 2 people worked) and 156 self-employed individuals in the construction sector were achieved.
- In addition, targets were set for the numbers of interviews in each home nation such that a minimum of 85 interviews were conducted in each of Scotland, Wales, and Northern Ireland. The remaining 929 interviews (77% of the sample) were conducted in England. Within England, further stratification of the sample ensured appropriate representation of the distribution of employers and self-employed businesses across the nine government office regions.
- At the analysis stage, the data was weighted to accurately represent the total population of construction businesses in the UK.

Industry structure

- The majority of businesses with employees (86%) employ fewer than 10 staff at their site. Most of the remainder (9% of all employers) employ between 10 and 24 staff. Only one in twenty employers (5%) employ 25 or more staff at their site, including 1% that employ at least 100 staff.
- Three-quarters of businesses with employees (73%) operate within the construction sector, with the remainder (27%) operating within professional services.
- More than half of the businesses with employees (55%) have contractor/agency/self-employed workers currently working for them.

Output constraints

- While there are still concerns regarding insufficient demand/uncertainty in the economy and this continues to be the most frequently mentioned constraint to business sales and output, it was less frequently mentioned than two years ago (12%, compared with 17% in 2014). Labour shortages and access to a skilled workforce were more frequently mentioned this year than in 2014, suggesting that a stronger economic environment has put some pressure on existing workforce skills.

- Overall, more than half of both employers and the self-employed (53% and 56% respectively) did *not* perceive any constraints on their business. This compares with around two-fifths in 2014, which also suggests a more positive economic environment for construction businesses, with fewer constraints, now.
- There is a similar picture with regard to *anticipated* constraints on output in the next 12 months. Again, insufficient demand/uncertainty in the economy is the most likely to be mentioned, but by a higher proportion of businesses than mention it as a recent constraint (25% of employers; 21% of the self-employed).
- The majority of employers reported no change in the number of staff employed in the last 12 months (65%) but, if there had been change, this was more likely to be positive rather than negative: 24% of business reported an increase while 10% reported a decrease.

Recovery leading to a tightening labour market

- One in six employers (18%) reported that, for *some* of the last year, they have not had enough skilled workers and a further 8% reported that for *all or most* of the last 12 months they had not had enough skilled workers. Both these proportions are slightly higher than in 2014 (13% and 5% respectively).
- More than two-fifths of employers (46%) have tried to recruit skilled labour directly during the last 12 months. This represents a significant increase compared with the 2014 figure of 39% which was also a significant increase on the previous 2011 figure of 26%. This suggests a strong upward trend in recruitment.
- Just over two-fifths of employers (43%) have turned work down in the last 12 months as a consequence of lacking skilled workers. This proportion is significantly higher amongst construction than professional services businesses (47%, compared with 31%).
- Two-fifths of employers (40%) have actually recruited staff in the last 12 months, compared with 33% in 2014.
- In the last 12 months, more than a quarter (28%) of those that have recruited any new direct employees have taken on someone into their first job on leaving school, college or university. This equates to 11% of all employers.
- A similar proportion of businesses (28%) that have recruited education-leavers have also recruited *other* young people – under the age of 25 – who were *not* entering their first post-education job.
- If education-leavers are taken into account, more than three-fifths of businesses that have recruited in the last 12 months (62%) have recruited a young person or education-leaver. This equates to 25% of employers (when those which did not recruit at all are included in the base for the calculation), which is higher than in 2014 (19%).
- Nearly half of employers that have tried to recruit skilled staff have experienced difficulties in filling the positions. This compares with significantly fewer in 2014 (36%). This equates to 30% of all employers, compared with 18% in 2014. Thus,

there has been a strong upward trend in the incidence of hard-to-fill vacancies since 2011 (21% in 2011 to 36% in 2014 to 47% in 2016).

- The most frequent recruitment difficulties for businesses within the construction sector were for carpenters/joiners and bricklayers; while professional services businesses were most likely to have difficulty recruiting engineers that were not civil or mechanical engineers.
- The most frequently cited cause of hard-to-fill vacancies is that applicants lack the skills required (88%), while not enough young people being trained in the construction industry is also a significant cause (79%). Both are mentioned to a greater extent this year than in 2014.
- This year, personal skills, such as attitude, motivation and common sense have increased in importance as skills that are difficult to obtain (34%), while a lack of experience and knowledge also continue to be relatively significant (27%).
- Recruitment difficulties have had an impact on 95% of employers that have reported them. This impact is most likely to have been the increased use of overtime and higher workloads for existing staff (74%).
- More than half of employers that have had hard-to-fill vacancies report having lost business or turned down bidding for work (54%), while half of employers (50%) that have had hard-to-fill vacancies cite an increase in operating costs.

Skill gaps

Skill gaps are present but not extensive.

- Twenty per cent of businesses said they had skill gaps in their existing workforces. This figure compares with 8% in 2014 and 10% of employers within the construction sector who said, in UKCES' Employer Skills Survey of 2015, that they had skill gaps. This suggests that there has been a significant increase in the prevalence of skill gaps in the last year or two.
- Among workers, skill gaps most commonly affect scaffolders (29% of those employed in this occupation) and quantity surveyors (28%). Among the self-employed, architects are most likely to have skill gaps (31%).
- The majority of employers reporting skill gaps cite lack of experience or staff having been recently recruited as the reason (37% of those with skill gaps).
- When asked about the impact of skill gaps on business performance, just 16% of employers report that they have had a major impact, with 41% of employers reporting that the impact has been minor.
- The majority of employers (72%) with skill gaps are increasing training activity in order to overcome these gaps.
- The most frequent driver of new skills and knowledge among employers is new legislative or regulatory requirements (60%) closely followed by the introduction of new working practices (53%) and the introduction of new technologies or equipment (also 53%). These drivers have changed little since 2011.

- Among employers in the construction sector, managers/directors are the occupation group most likely to be affected by the need to acquire new skills or knowledge (22%); among those in professional services, architects are most likely to be affected (20%).
- The four areas in which skills and/or knowledge are most frequently reported as needing improving or updating as a result of the drivers are health and safety/first aid (25%), legislation/regulations (22%), general/all sorts (19%) and technical/trade-specific skills (18%).

Trends in training

The proportion of employers which train their staff has increased and other training indicators are positive.

- Nearly two-thirds of all employers (64%) have funded or arranged any training, on or off-the-job, informal or formal, for any staff in the last 12 months.
- This is a higher proportion than reported in 2014 (57%) and among construction businesses in the UK-wide 2015 Employer Skills Survey (UKCES) (also 57%).
- Employers who provide training were asked about changes in their training in the last 12 months. Across a series of indicators, positive changes from 2011 to 2014 to 2016 were observed. Proportions of workforces trained, training expenditure per trainee, and the amount of training that has led towards recognised qualifications all increased.
- More particularly, 43% of employers have funded or arranged *on-the-job* training for any staff in the last 12 months, compared with 39% in 2014.
- On average, employers provided each person trained with 16 days on-the-job training last year. In 2014, the mean number of on-the-job training days per trainee provided by employers was 8. Hence, there has been an increase over the last two years in the average number of days allocated to on-the job training per trainee trained on-the-job.
- Fifty-three per cent of employers had funded or arranged *off-the-job* training for staff in the last 12 months, compared with 45% in 2014. On average, employers provided each trainee who trained off-the-job with 6 days off-the-job training last year. This is a similar figure to that reported in 2014 (5 days).
- As in 2014, training is most likely to have been provided by private training providers and internally, by staff. There was a higher incidence of training provided by professional institutions or through an industry federation or body in 2016 than in 2014.
- Of employers that provided training in the last 12 months, 42% provided training towards a nationally-recognised qualification. This is a lower proportion in 2014 (50%), which suggests that while the amount of training towards a nationally-recognised qualification has increased within some training employer organisations, fewer have provided qualifications-based training.

- Three-fifths (61%) of employers that funded or arranged training in the last 12 months formally assess whether the training and development received has an impact on the trainee's performance. This is a similar proportion to that reported in 2014 (60%).
- Half of employers *that funded or arranged any training in the last 12 months* (50%) reported that they would have provided more training if they had been able to do so. This is a higher proportion than in 2014 (40%).
- Being unable to spare more time for staff to be away from their jobs (49%) and lack of funds (45%) are the main reasons for these employers not providing more training.
- Respondents who had *not funded or arranged training in the last 12 months* were asked for the reasons why they have not done so. The main reason given was that all staff are fully proficient (63%), although this is a lower proportion than reported in 2014 (81%).

Apprenticeship

There has been an increase in support for Apprenticeship in the last two years.

- Nearly one in four employers in the construction sub-sectors (23%) currently has staff undertaking Apprenticeships. This is higher than previously (14% in both 2014 and 2011).
- One in seven construction employers (15%) offer Apprenticeship opportunities but do not currently have an apprentice. This is also an increase on 2014 (10%).
- A third of all construction employers (33%) said it was likely that they would take on someone on an Apprenticeship in the next 12 months. This includes 14% that consider the possibility as very likely.
- More than three-fifths of employers that currently have Apprentices (62%) consider it likely that they will take on new Apprentices in the next 12 months. This is a slightly higher proportion than reported in 2014 (55%).
- Compared with 2014, there is no change in the proportion of employers who are *not* currently offering Apprenticeships that consider it likely they will start to offer Apprenticeships in the near future (16% in both 2016 and 2014).
- Employers in the construction sector that offer Apprenticeships were asked if the number of Apprentices and new trainees recruited has changed in the last 12 months. A third (34%) reported that the number has increased, while just 12% reported that the number has decreased.
- The positive trends in the extent to which Apprenticeships are offered noted in 2014 have continued into 2016.

2. Discussion

A substantial survey has examined some key aspects of the UK construction sector's labour market and the recruitment and training activities of the industry's businesses.

Constraints on output

Over half of businesses – 53% – did not perceive *any* constraints on their businesses – a proportion which has risen since 2014 (from 44%). This suggests greater industry buoyancy – a perception which is reinforced by the findings that economic uncertainty was mentioned less frequently as a constraint in 2016 (by 12% of employers) than in 2014 (when the figure was 17%) and that general labour shortages and skill shortages, usually a symptom of growth, were mentioned more frequently as constraints.

This positive view – of an industry continuing to grow in confidence in the years following the global financial crisis – must necessarily be tempered by the fact that fieldwork for the survey took place before the UK's referendum vote to leave the EU. Even at that point, more employers in the survey, 25%, saw economic uncertainty as a *future* constraint on their business than, as above, as a present constraint (12%) and it may be assumed that, following the referendum, that proportion will have increased further.

Growth at the time of the survey reflected in labour market indicators

Increasing levels of business activity in any sector are usually associated with employment growth, increased recruitment, and labour market tightening – expressed as increasing labour and skills shortage. These phenomena were evidently present in the industry when the survey was undertaken:

- Employers were more likely to report employment increases (24%) than decreases (10%) with the 'increase' figure having risen from 19% in 2014 whilst the 'decrease' figure remained the same.
- 46% of employers had tried to recruit skilled labour in the 12 months prior to survey compared with 39% in 2014.
- 40% of employers had actually recruited staff in the previous 12 months compared with 33% in 2014.
- The proportion of employers reporting that there had not been sufficient work for their staff fell from 17% in 2014 to 10% in 2016.
- 18% of employers reported shortage of skilled workers compared with 13% in 2014.
- The proportion of employers reporting hard-to-fill vacancies has increased steadily from 2011 (21%) through 2014 (36%) to 2016 (47%).

Recruitment difficulties and skills shortages

In occupational terms, the broad pattern of where recruitment difficulty occurs remains consistent. Woodworkers and bricklayers remain the most frequently difficult staff to recruit but with recruitment difficulties in many other trades also being reported though in lesser numbers. The figures for frequency of recruitment difficulty of particular occupations may at least partly reflect the base number of staff and of vacancies in the industry rather than particular issues with the training or development of the particular trades – for example, the fact that 18% of employers reported that they had had difficulty in recruiting bricklayers compared with the 3% reporting difficulty recruiting glaziers may simply reflect the relative frequency of jobs and vacancies in these trades. However, it is noticeable that while the broad *order or frequency* of recruitment difficulty associated with different trades was more or less constant between 2014 and 2016 (with woodworkers and bricklayers at the top of the list), the *actual level* of difficulty (in line with the general indicators of labour market tightening noted above) has increased – for example, from 14% to 27% in the case of carpenters and joiners and from 9% to 18% in the case of bricklayers.

Essentially, the industry does not yet show evidence of getting on top of its long-term skill supply problems – these retreating somewhat in industry downturns but re-emerging and accelerating as, at the time of this survey, the industry was expanding.

It remains evident, too, that the ‘skill shortage’ problem is not simply a matter of insufficient numbers of people with the necessary job-specific skills. When employers were asked what skills they found most difficult to find amongst their applicants, three times as many (34%) mentioned personal skills (attitudes, motivations, common sense, etc.) as mentioned job-specific or trade skills (11%) with the ‘personal skills’ difficulty also being mentioned more frequently than lack of experience (27%). Thus, this kind of survey data suggests that winning the industry’s continuing struggle to attract the right calibre of entrants may be at least as important to the overall skills supply position as the efficiency of its systems for developing the technical and practical skills which are needed.

Skills gaps

The survey also shows that 20% of employers report skills gaps in their existing workforces, compared with 8% in 2014.

The survey suggests, however, that the most common source of skills gaps is that they are present in workers who are still being trained or are in their early stages of employment with an employer and haven’t yet got sufficient experience or adjusted to the particular skills needs of that employer. Thus, an increased level of skill gaps is likely to reflect not only an influx of new workers into the industry as it grew over the 2014-2016 period but also increased mobility of workers from employer to employer as opportunities widened.

Only a minority of employers with skill gaps (7%) attributed skill gaps to failure to train affected staff and ‘skill’s gaps were, in fact, most often associated with lack of experience or with poor attitudes and motivations.

Again, therefore, the survey suggests that an apparent ‘skills’ issue for the industry – a rising proportion of employers with skills gaps – is not one which is largely caused by lack of training (indeed, employees *in* training were, as above, a frequent source of skills gaps) but is again associated with a tightening labour market and, to some degree, with the industry’s inability to recruit sufficient people with the personal qualities which employers want.

Training and workforce development

Although it has been suggested above that rates of recruitment difficulty, skills shortages, and skills gaps are often a reflection of levels of demand for industry output and that skills supply problems are not wholly concerned with job-specific skills as such, of course, it remains critical for the industry that it maintains an adequate supply of recruits and a high level of support to industry training.

The survey delivers a series of encouraging findings in this respect:

- 79% of employers (up from 68% in 2014) recognise that various ‘drivers’ (most frequently, legislation and regulation, new working practices, and new technologies) will require new skills and knowledge in the industry.
- Over seven out of ten employers with skills gaps report increasing their training activity or trainee programmes to improve their skills position.
- The proportion of employers who have recently recruited a young person leaving school, college or university increased slightly from 26% in 2014 to 28% in 2016.
- 64% of employers had supplied training to staff in the year prior to survey – up from 57% in 2014 and above the average rate for employers across the construction sector, reported in the 2015 UKCES Employer Skills Survey (also 57%).
- The proportion of employers supplying off-the-job training rose from 45% in 2014 to 53% in 2016.
- The average number of training days supplied to people trained on-the-job rose from eight in 2014 to sixteen in 2016.
- A series of training indicators, including expenditure on training per employee, show consistent gains in positive behaviour across surveys in 2011, 2014, and 2016.
- 23% of employers – up from 14% in 2011 and 2014 – report employing apprentices and 34% report increasing the numbers of apprentices they employ (compared with 27% in 2014).

3 Summary

In 2014, the report of an earlier edition of this 2016 survey suggested that findings supported a view of an industry recovering successfully from the 2008/2009 recession.

This survey suggests that that recovery was, overall, continued in the 2014 to 2016 period. Industry constraints on output and concern about economic demand reduced.

In parallel with growth, the labour market for construction staff tightened with increases in recruitment difficulty, skills shortages, and skills gaps.

The survey suggests that skills shortages and gaps are not, however, matters which are concerned simply with the stocks and flows of technical, practical, or job-specific skills of the industry. The survey shows that the quality of industry recruits and workers – their attitudes, motivations and other personal qualities are also frequently significant. The industry's concern not just with its formal training systems and levels of training activity but also to improve its attractiveness and image to potential high-quality recruits is, thus, supported with such survey evidence.

However, though training is not, as above, the only solution to skills supply challenges, it is obviously still a critical factor in meeting those challenges. It is encouraging, therefore, that the survey shows varied evidence that industry employers recognise this and are increasing their training activity, intensity, and investment.

Overall, thus, the survey offers a positive picture of the industry's output performance and its responsiveness to skills issues. The question at the time of writing (August 2016) is whether this picture, accurate when survey fieldwork was completed in Spring and early Summer 2016, can and will be maintained in more uncertain economic conditions following the UK's referendum on EU membership.

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