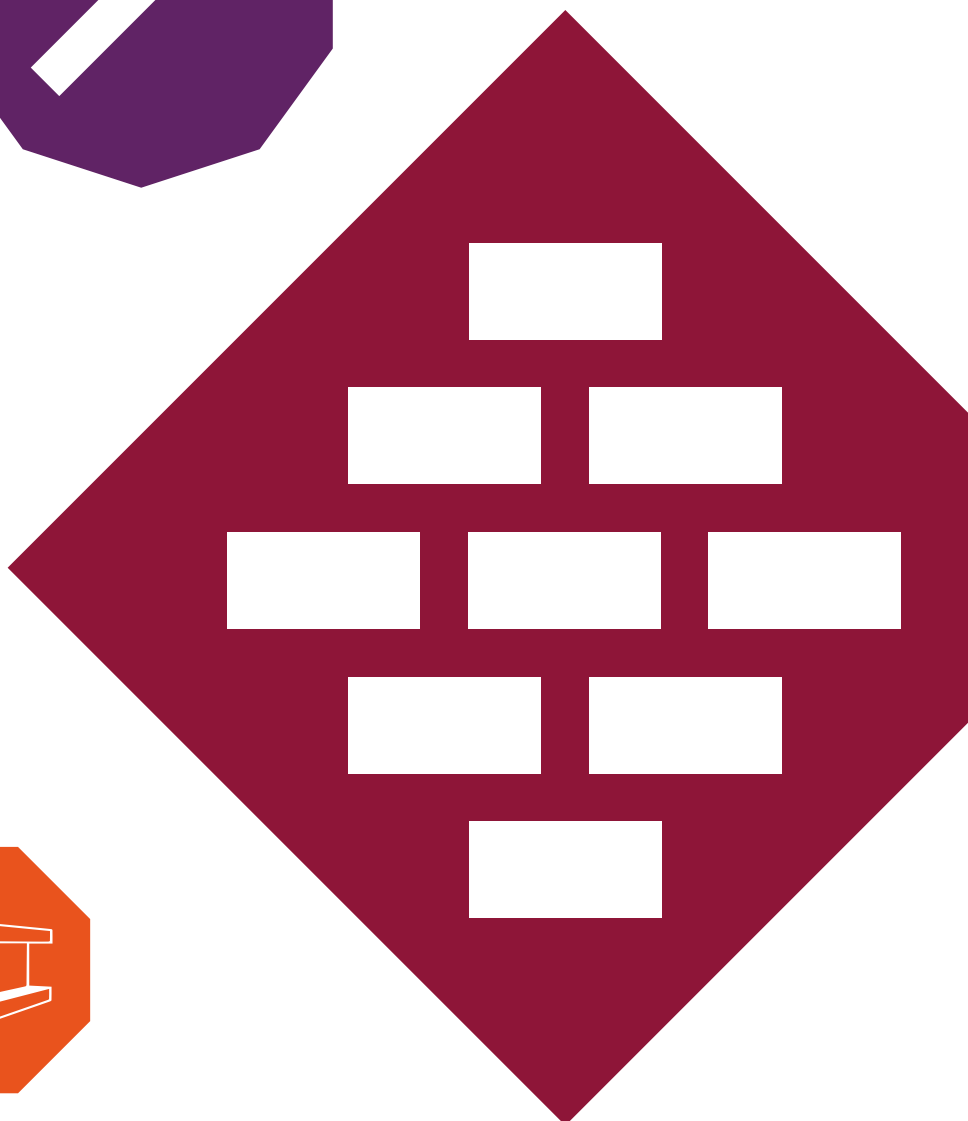
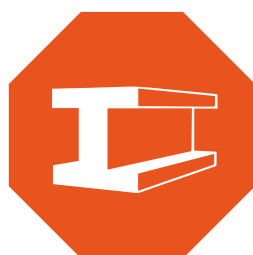


# People power sector report

## Construction





**67,000**  
new jobs are going to  
be created between  
2016-2024



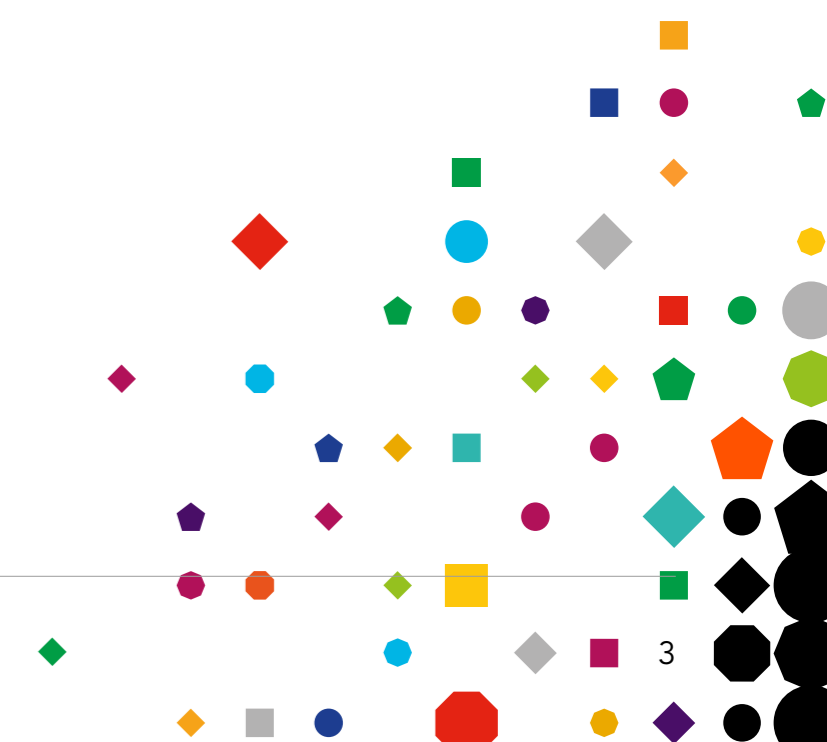
# Introduction

As Britain prepares itself to broker a new relationship with the EU, the skills gaps and shortages we have grappled with for years look set to increase significantly. This uncertainty is particularly difficult for certain industries who are most heavily reliant on a steady flow of international labour and haven't yet built up the right infrastructure to home-grow the talent they need.

Our projections show that from 2016-2024, more than 67,000 new jobs are going to be created in the construction sector. Those jobs will need filling by qualified professionals with the right skills. But the majority of employers in this sector anticipate skills shortages and issues with recruitment.

To better understand the skills gaps and shortages currently facing businesses in the construction sector, we spoke to employers about their growth plans, skills and development issues, and factors affecting their ability to succeed.

Skills gaps emerged as an area of concern, and opportunity for employers in the construction sector. While many are worried about recruiting the skilled staff they need in the next few years, particularly as some existing staff do not have the right skillset to support growth, encouragingly employers are prepared to invest in measures to improve training and development for talent. Employers in the sector also recognise the need for increased co-operation and collaboration between business, education and government, particularly in an uncertain economic and political climate.



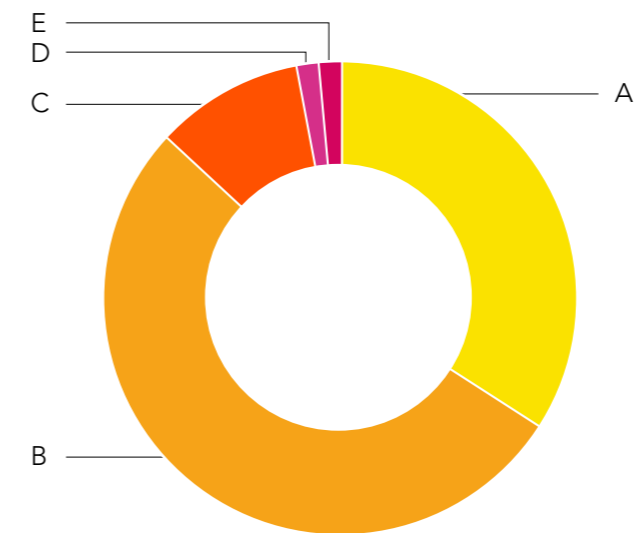
# Quantitative findings

1. Will your business grow in the next 12 months?
2. What internal factors might impact upon the productivity of your business over the next three to five years?
3. What external factors might impact upon the ability of your business to grow over the next three to five years?
4. What type of roles are you planning to recruit for in the next three to five years?
5. Do you currently struggle to recruit the skilled staff you need?
6. If yes, which job levels do you struggle to recruit most?
7. If yes, why do you have problems recruiting skilled staff?
8. In the next three to five years do you believe skills gaps in your business are likely to change?
9. What kind of impact do skills gaps have on your business?
10. How effective are the measures you have in place to address skills gaps in your business?
11. If you anticipate having to increase salaries to get the skilled staff you need in the next one to three years, how much do you think you will have to increase salaries by?
12. How do you encourage entrants to the workplace in your business?
13. What kind of training do you offer your staff?
14. What value do your training programmes bring to the business?
15. Currently what percentage of your staff come from the European Union?
16. What measures have you put in place, if any, to mitigate the negative impact of Brexit on your business's ability to recruit skilled people (tick all that apply)?
17. How do you believe that the skills gaps should be tackled in the UK?
18. Which piece of Government policy do you think will be most effective at tackling skills gaps?



## 1. Will your business grow in the next 12 months?

Despite some doom and gloom around the forecast for the construction sector's growth, 88% of employers surveyed predicted that their business will grow in 2018/19. More than half (51%) said they expected to grow moderately while 37% said that they would experience significant growth in the next 12 months.



A. We will grow significantly	37%
B. We will grow moderately	51%
C. We will remain the same	8%
D. We will shrink moderately	2%
E. We will shrink significantly	2%
F. Other, please specify	-

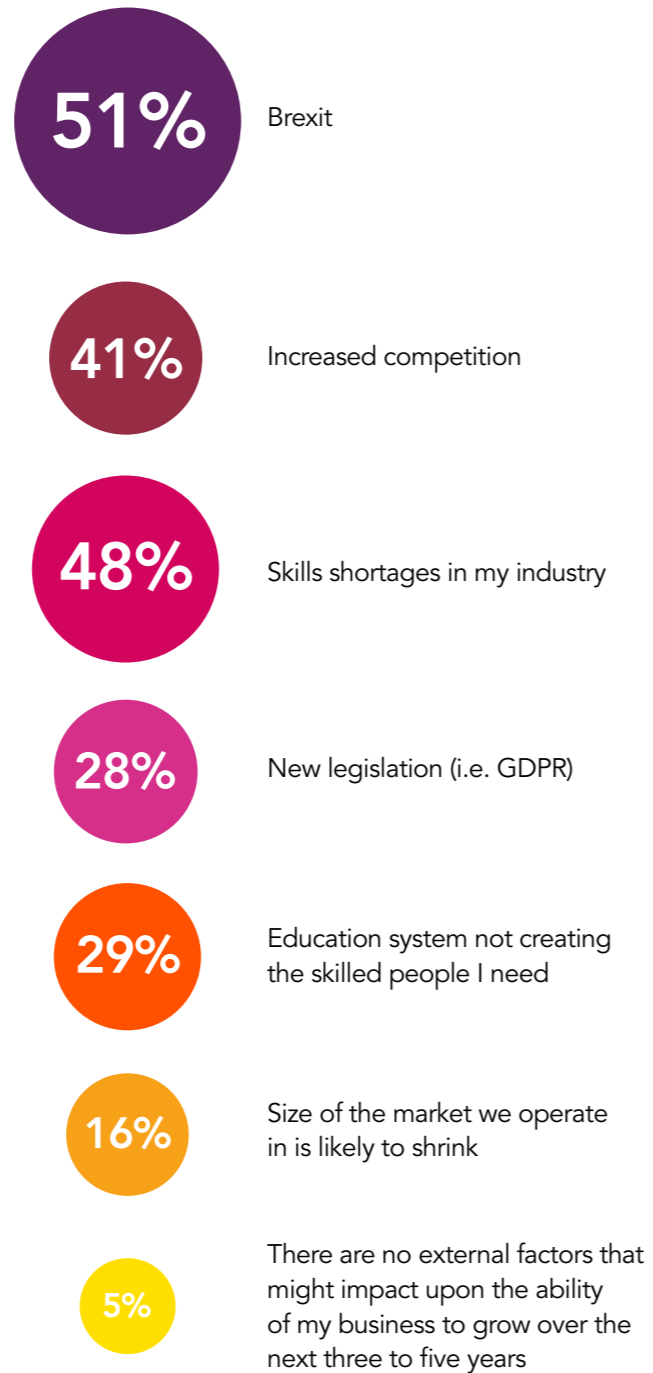
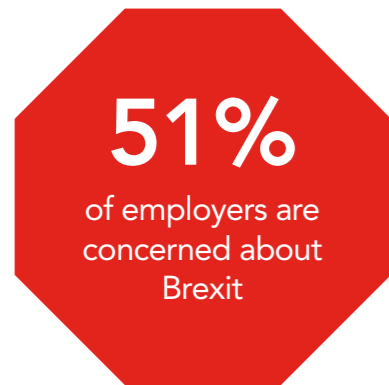
## 2. What internal factors might impact upon the productivity of your business over the next three to five years?

A number of factors were identified that might impact on productivity over the next three to five years, with skills gaps emerging as a core concern. The majority of employers (56%) said that they would likely struggle to recruit the skilled people that they need, while almost a third (30%) admitted that their existing staff did not have the right skillset.



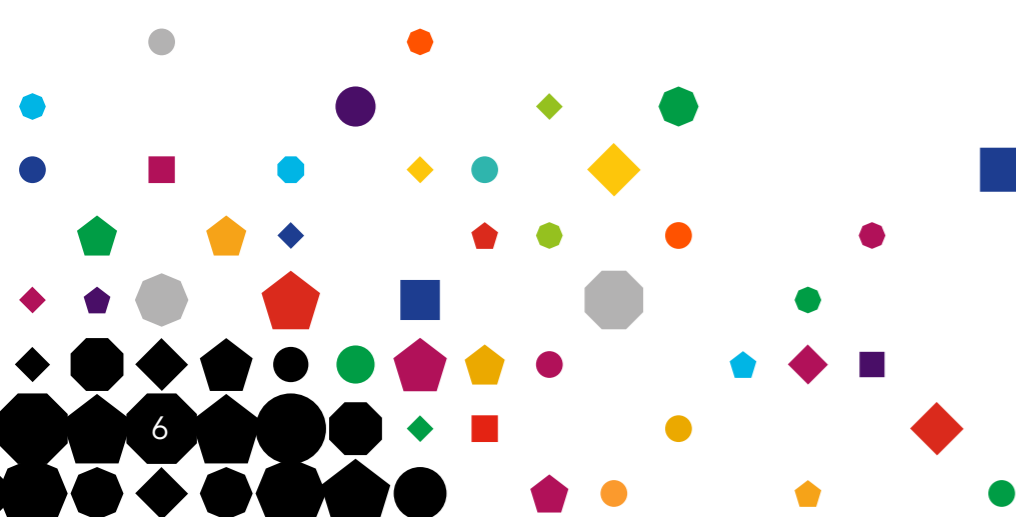
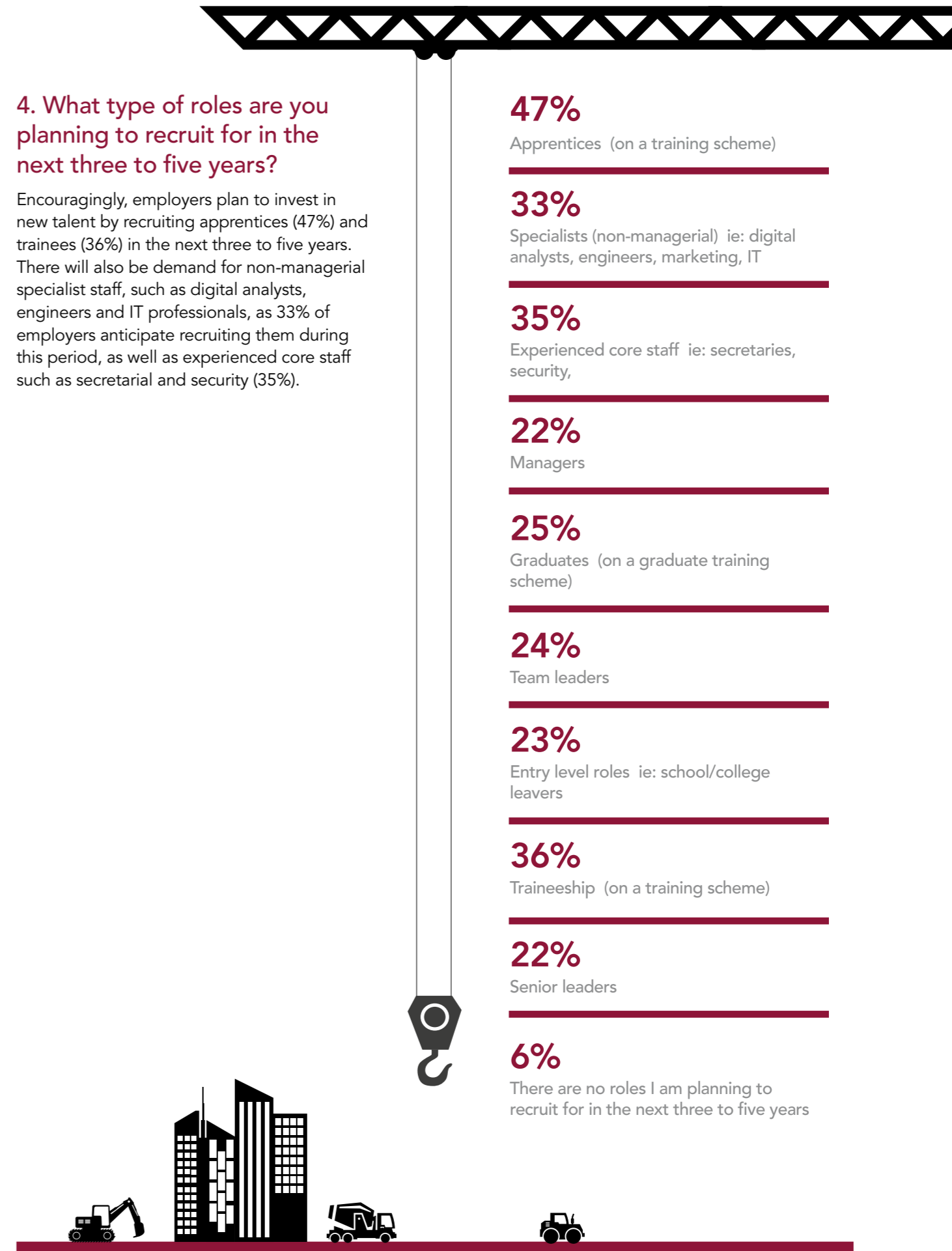
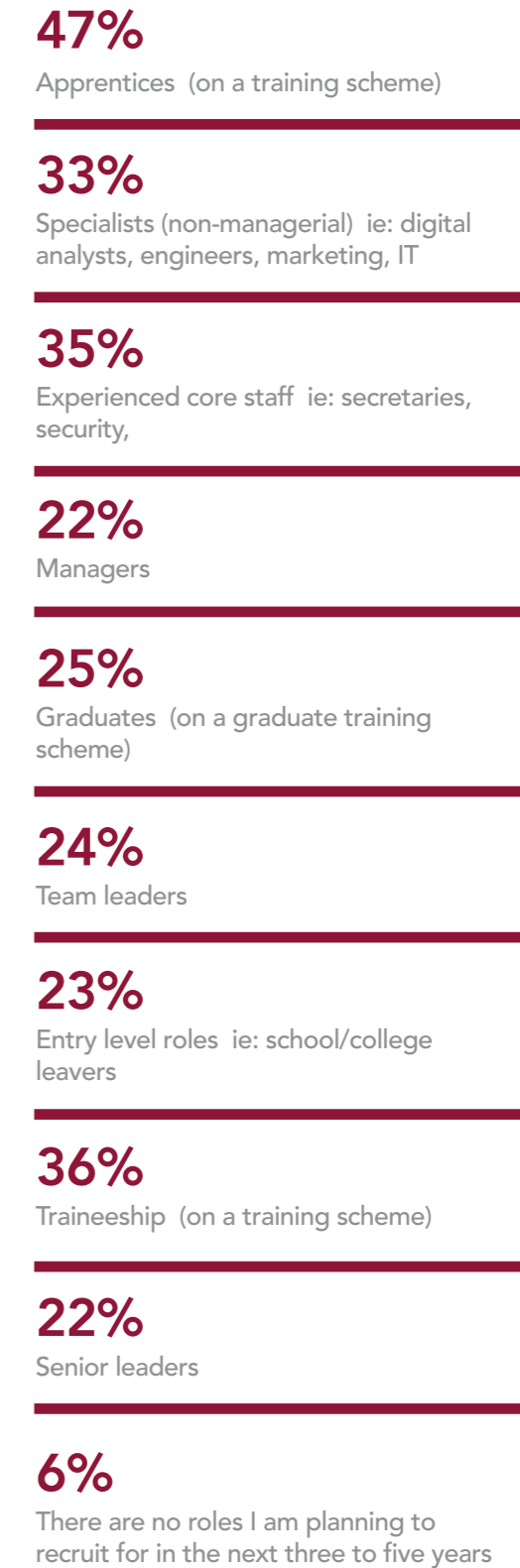
### 3. What external factors might impact upon the ability of your business to grow over the next three to five years?

Unsurprisingly, uncertainty around Brexit is a clear concern for more than half (51%) of employers. However, it is not the only factor that could impact business growth in the short to medium term. Skills shortages in the construction industry (48%) and increased competition (41%) were identified as potential limiters of growth. And almost a third (29%) said that the current education system was failing to create the skilled people need for their business.



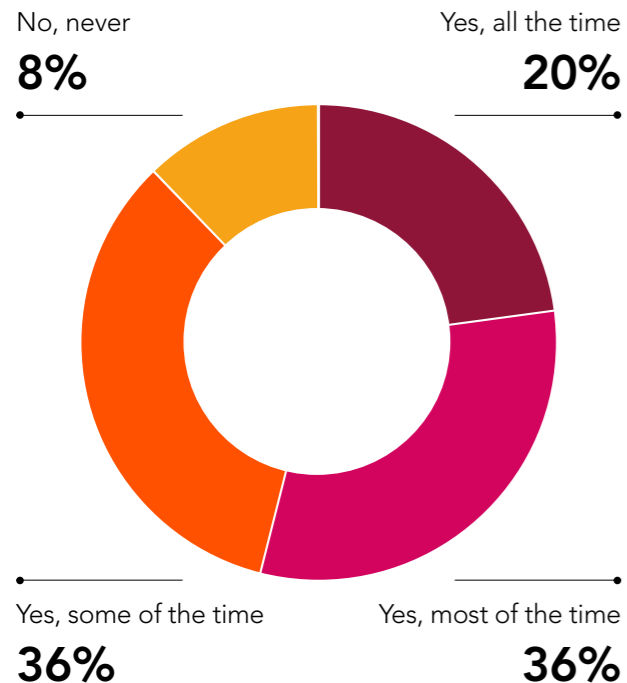
### 4. What type of roles are you planning to recruit for in the next three to five years?

Encouragingly, employers plan to invest in new talent by recruiting apprentices (47%) and trainees (36%) in the next three to five years. There will also be demand for non-managerial specialist staff, such as digital analysts, engineers and IT professionals, as 33% of employers anticipate recruiting them during this period, as well as experienced core staff such as secretarial and security (35%).



### 5. Do you currently struggle to recruit the skilled staff you need?

Even though employers plan to recruit staff in the next three to five years, almost all, (92%), report that they are currently struggling to recruit skilled staff at least some of the time.



### 6. If yes, which job levels do you struggle to recruit most?

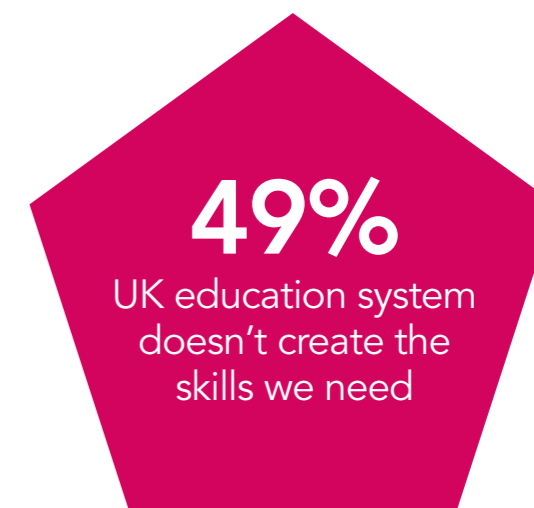
The same groups that employers plan to recruit in the next three to five years are the ones that they are struggling to recruit now. Non-managerial specialists (32%), experienced core staff (29%), trainees (24%) and apprentice talent (24%) are lacking.

Specialists (non-managerial) ie: digital analysts, engineers, marketing, IT	32%
Experienced core staff ie: secretaries, security,	29%
Managers	21%
Senior leaders	16%
Team leaders	13%
Apprentices (on a training scheme)	24%
Entry level roles ie: school/college leavers	21%
Graduates (on a graduate training scheme)	14%
Traineeship (on a training scheme)	24%
There is no job level I struggle to recruit for the most	1%
Other, please specify	—

### 7. If yes, why do you have problems recruiting skilled staff?

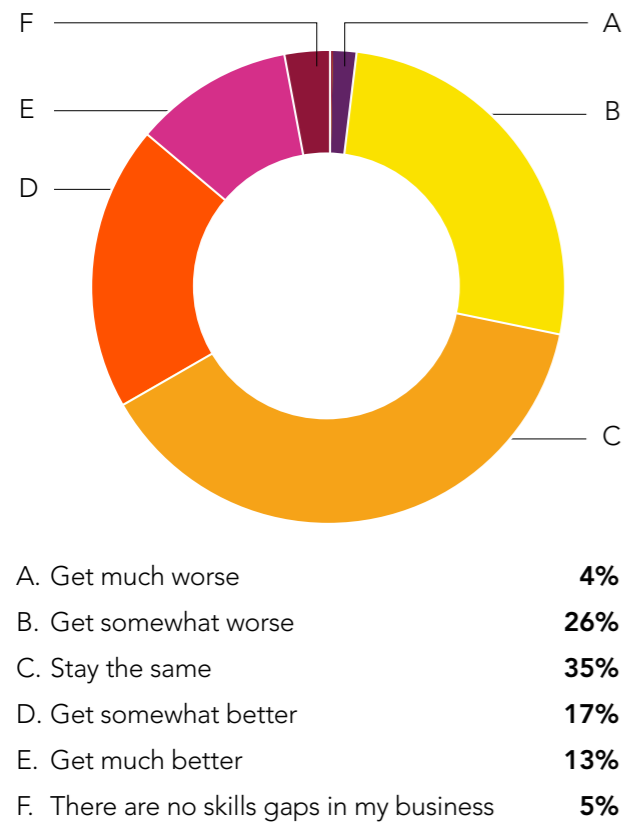
As a sector, the UK education system is failing to create the skills that are needed for the construction sector, according to 49% of respondents. Perhaps as a consequence, there is a high level of competition for skilled people which 41% of employers said was cause problems with recruitment.

High level of competition for skilled people in the area	41%
UK education system doesn't create the skills we need	49%
We can't compete on salaries/benefits	17%
The location of our business	21%
We aren't able to offer progression opportunities within the business	14%
We don't have the budget to train staff appropriately	21%
Our industry is not desirable	15%
I don't know	2%
Other, please specify	—



### 8. In the next three to five years do you believe skills gaps in your business are likely to change?

Optimism about future improvement in skills gaps among employers is low. Around two thirds (65%) believe that skills gaps will stay the same or worsen, while 30% are more hopeful about things getting better.



### 9. What kind of impact do skills gaps have on your business?

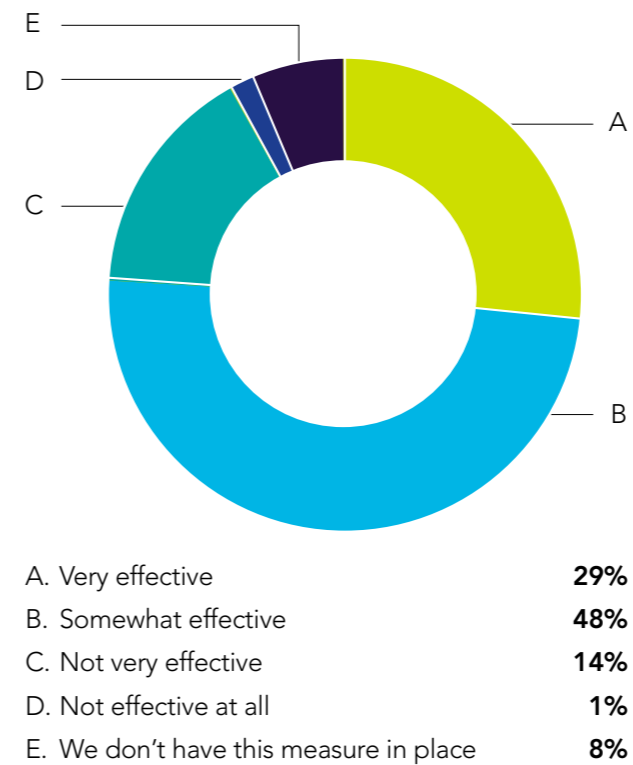
Skills gaps have a significant impact on employers' ability to efficiently run their businesses. Around a third claimed that skills gaps meant they had difficulty meeting customer demand (37%), produced higher operating costs and increased salaries (33%), and meant they were forced to outsource work elsewhere (35%). Almost 30% of employers fear losing business to competitors due to skills gaps.



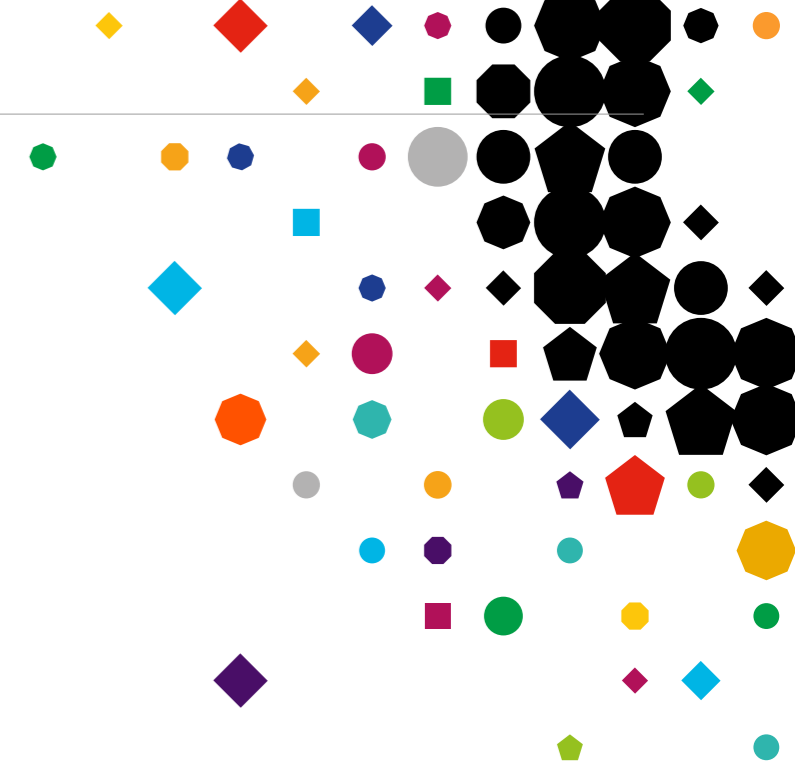
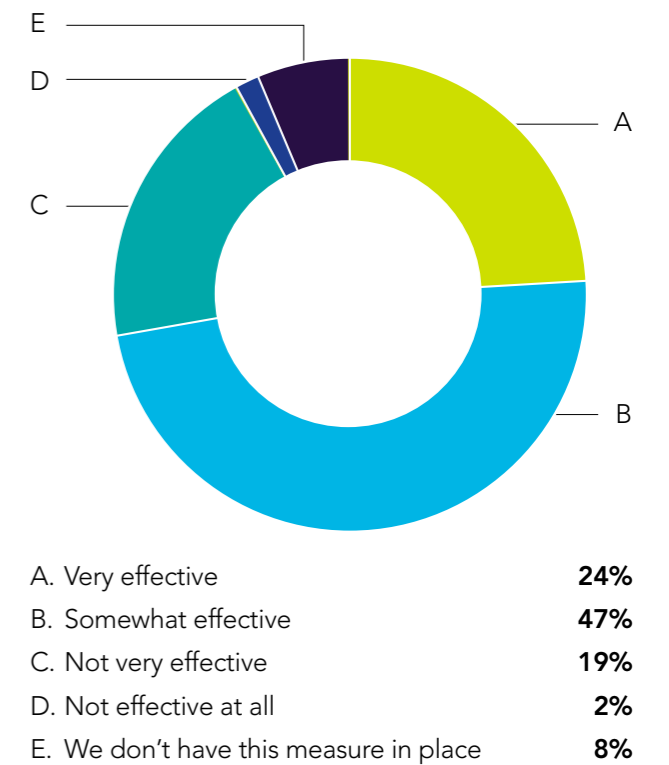
### 10. How effective are the measures you have in place to address skills gaps in your business?

Employers recognise the importance of addressing skills gaps and put various measures in place. 77% report that putting talent management measures are effective and 71% say that investing in leadership and training is effective in addressing skills gaps. While 66% of employers say that increasing their spend on recruitment can help, more than a quarter (27%) say that this doesn't help at all. Unsurprisingly, offering higher salaries seems to be an effective way of attracting talent and filling gaps, according to 71% of employers. Just 54% recruit staff from overseas.

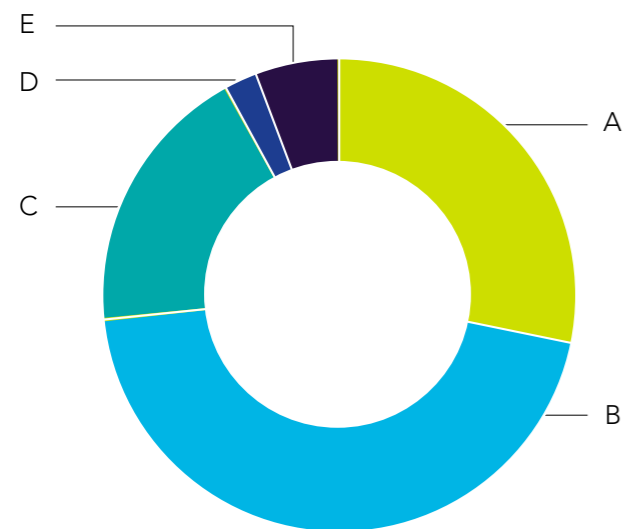
#### We have a structured talent management programme



#### We invest in leadership and management training

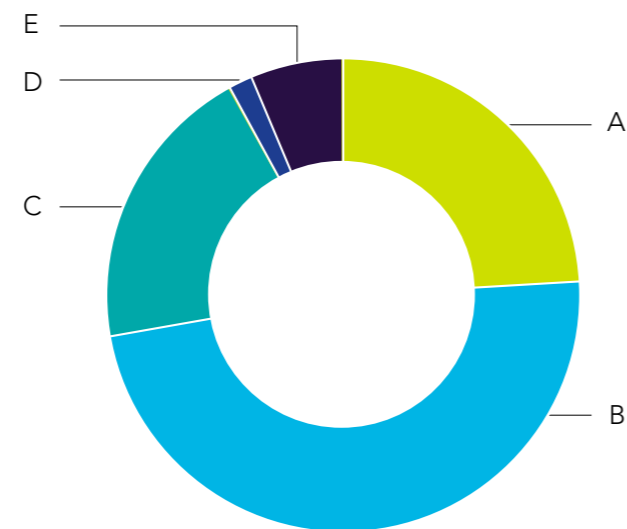


**We are increasing recruitment spend**



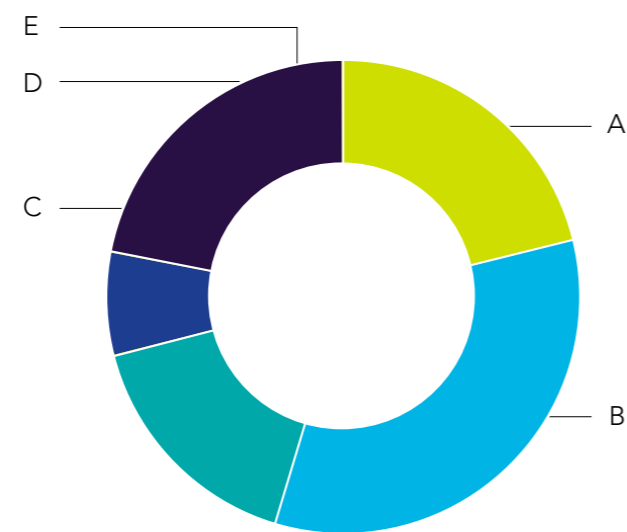
A. Very effective	<b>28%</b>
B. Somewhat effective	<b>38%</b>
C. Not very effective	<b>24%</b>
D. Not effective at all	<b>3%</b>
E. We don't have this measure in place	<b>7%</b>

**We are offering higher salaries**



A. Very effective	<b>27%</b>
B. Somewhat effective	<b>44%</b>
C. Not very effective	<b>18%</b>
D. Not effective at all	<b>4%</b>
E. We don't have this measure in place	<b>7%</b>

**We recruit staff from overseas**



A. Very effective	<b>21%</b>
B. Somewhat effective	<b>33%</b>
C. Not very effective	<b>16%</b>
D. Not effective at all	<b>8%</b>
E. We don't have this measure in place	<b>22%</b>

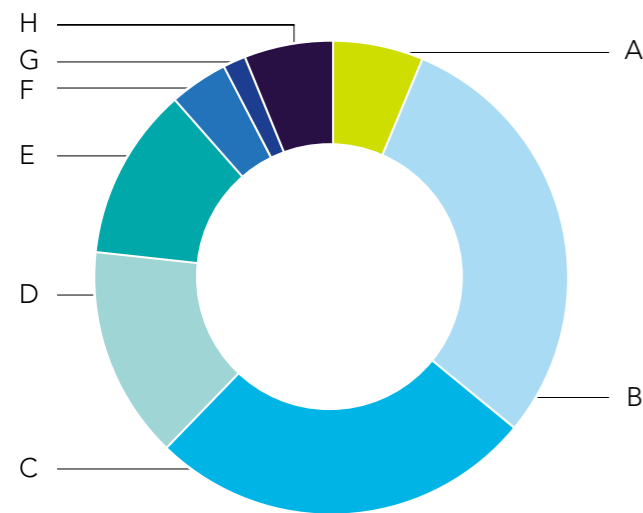
# 29%

of employers anticipate salary increases of between 6% and 10%, while 30% say they will have to increase salaries by between 11% and 20% in the next one to three years



### 11. If you anticipate having to increase salaries to get the skilled staff you need in the next one to three years, how much do you think you will have to increase salaries by?

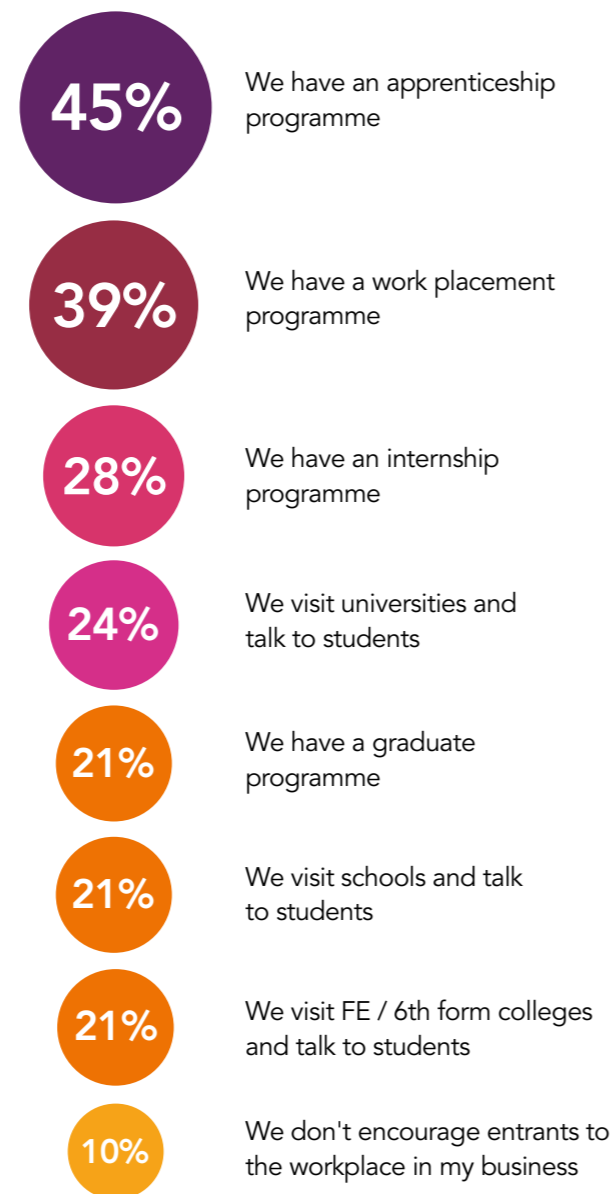
Just 7% of employers think that they can attract skilled staff in the short term without increasing salaries. Almost a third anticipate increases of between 6% and 10%, while the same amount say they will have to increase salaries by between 11% and 20% in the next one to three years.



- A. 1% – 5% 7%
- B. 6% – 10% 29%
- C. 11% – 20% 30%
- D. 21% – 30% 10%
- E. 31% – 50% 9%
- F. 51% – 75% 5%
- G. 76% – 100% 3%
- H. I do not anticipate having to increase salaries to get the skilled staff I need in the next one to three years 7%

### 12. How do you encourage entrants to the workplace in your business?

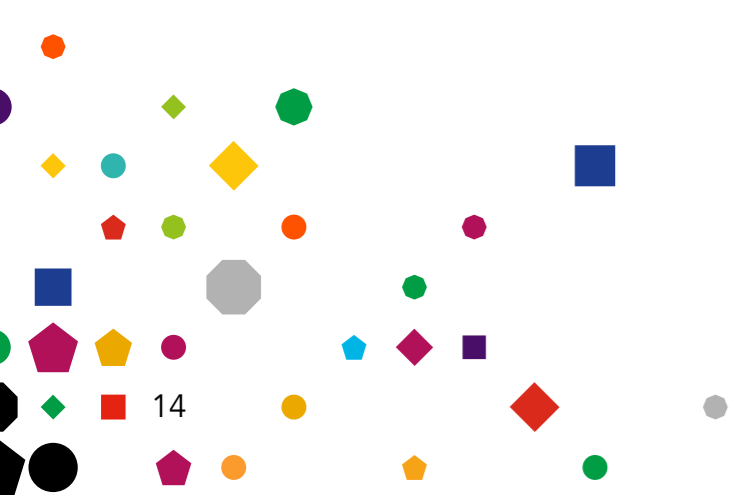
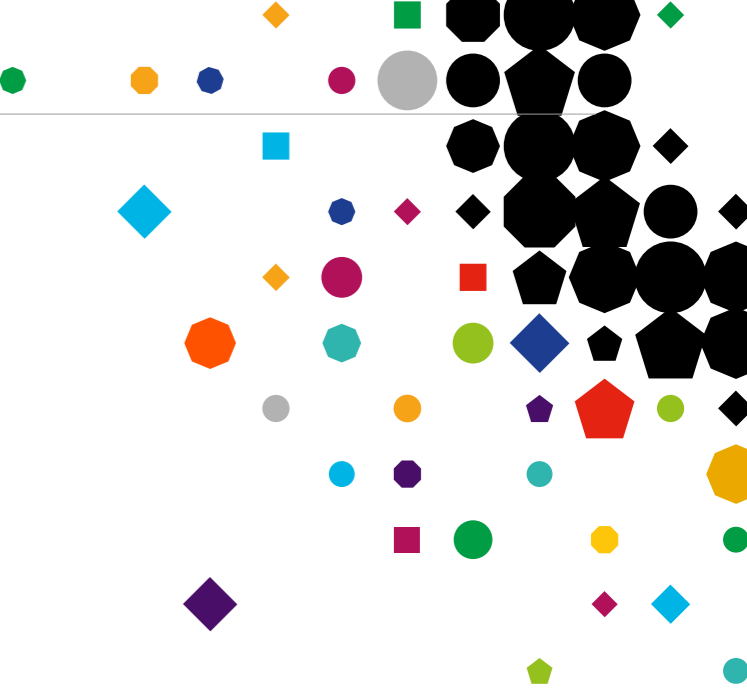
The overwhelming method to attract new entrants into construction businesses is through on-the-job training such as apprenticeships (45%) work placement (39%) or internship (28%) programmes. Other methods included going directly to places of education such as schools, universities and colleges to talk directly to students about joining the industry.



### 13. What kind of training do you offer your staff?

Promisingly, only 6% of employers admit that they don't offer training for their staff. Of the options, apprenticeships (51%), traineeships (44%) and in-house, accredited programmes (41%) are the most popular methods for training employees. There is also a recognition of the need for middle and senior level training, with 28% of employers offering leadership and management development opportunities for staff.

Apprenticeships	51%
In-house training programmes accredited by an awarding organisation (i.e City & Guilds)	41%
Traineeships	44%
Leadership and management	28%
Unaccredited in-house training programmes i.e. anti-bribery,	19%
Degree	19%
Masters / MBA	21%
License to practice i.e. construction, dentist	22%
We don't offer any training for our staff	6%
Other, please specify	1%







**46%**

of employers said offering training has a valuable impact on staff loyalty and retention, while the same amount said that training helped them attract new talent to the business

### 14. What value do your training programmes bring to the business?

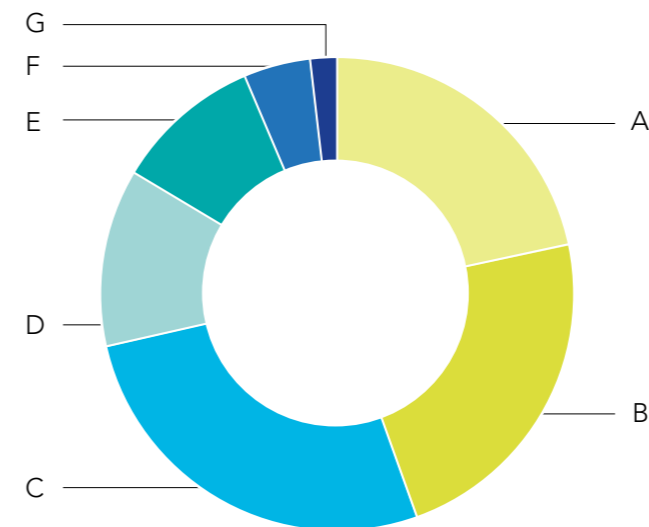
Employers recognise that training programmes bring great value to their businesses, not only for existing staff but potential ones as well. Almost half (46%) said that offering training has a valuable impact on staff loyalty and retention, while the same amount said that training helped them attract new talent to the business. Training also increases productivity, improves customer experience by creating better service levels, and has a noticeable positive impact on staff well-being, according to employers.

Staff loyalty and retention	<b>46%</b>
Improved productivity	<b>36%</b>
Higher productivity	<b>33%</b>
Staff engagement	<b>33%</b>
Better customer service	<b>36%</b>
Increased staff well-being	<b>35%</b>
Reduced staff turnover	<b>31%</b>
Attraction of new talent	<b>46%</b>
Our training programme(s) bring no value to the business	<b>2%</b>
Other, please specify	<b>—</b>

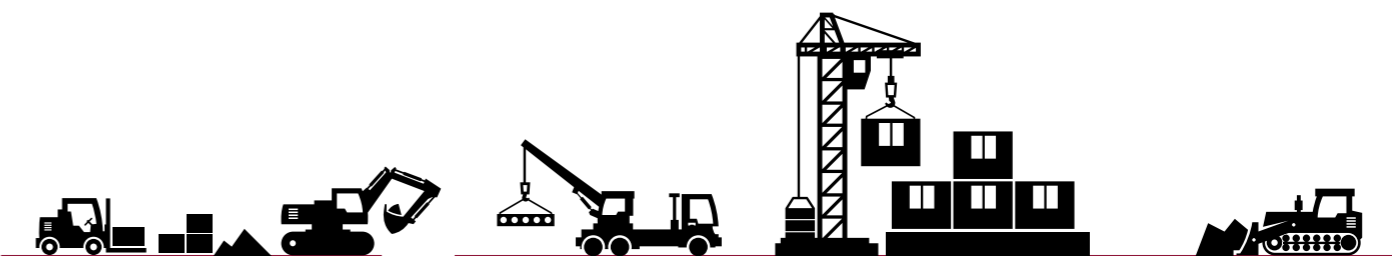
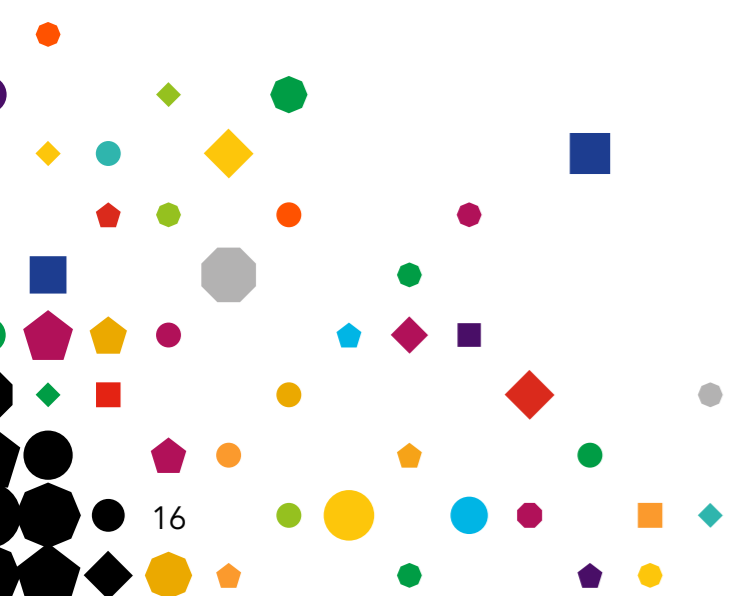
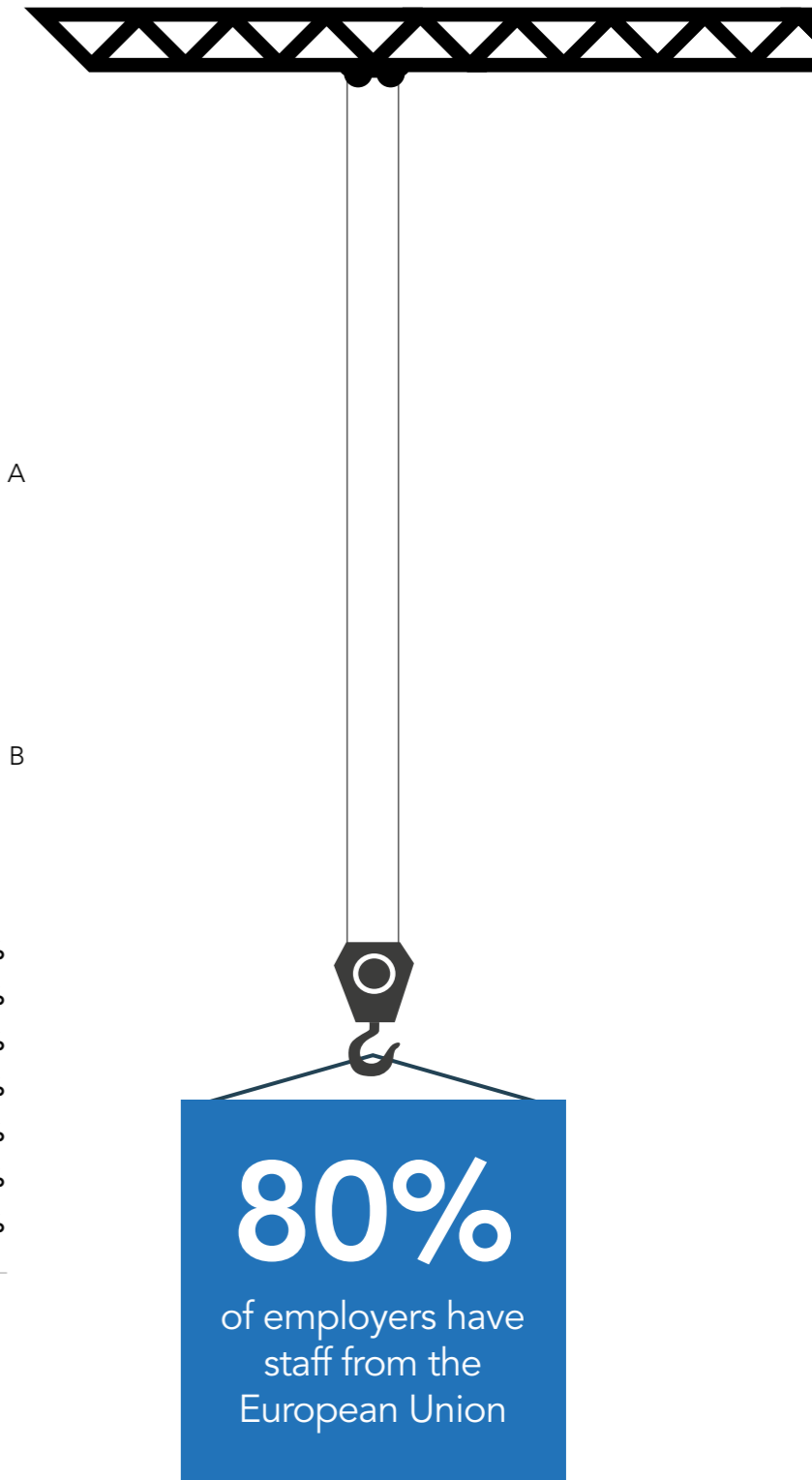
### 15. Currently what percentage of your staff come from the European Union?

More than 80% of employers have staff from the European Union.

Mean (% not including 'I don't know')



A. None	<b>18%</b>
B. 1% - 10%	<b>22%</b>
C. 11% - 24%	<b>26%</b>
D. 25% - 49%	<b>13%</b>
E. 50% - 74%	<b>13%</b>
F. 75% - 100%	<b>7%</b>
G. I don't know	<b>1%</b>



### 16. What measures have you put in place, if any, to mitigate the negative impact of Brexit on your business's ability to recruit skilled people (tick all that apply)?

Brexit has spurred the construction industry into action to attract, retain and train home-grown talent. Popular means include improving pay and benefits or training and progression opportunities, to investing in upskilling the current workforce and increasing apprenticeship numbers. Interestingly, almost a fifth (19%) of employers say that they haven't put any measures in place, perhaps due to optimism around Brexit or perhaps a "wait and see" approach.

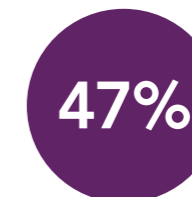


We are going to upskill our current workforce	25%
We are taking steps to make our business more attractive to UK workers (e.g. improving pay and benefits, improving training and progression opportunities)	31%
We are increasing our apprenticeship numbers	29%
We are considering employing more international staff (from outside of the EU)	23%
We are taking steps to make our business more attractive to international workers (e.g. improving pay and benefits, improving training and progression opportunities)	16%
We are engaging more with schools to increase local recruitment	21%
We have not put any measures in place to mitigate the negative impact of Brexit on my business' ability to recruit skilled people	19%
We will have to outsource work	13%
I will redeploy staff from other parts of the business	20%
Greater automation	16%
We are considering relocating our business	8%
Other, please specify	—



### 17. How do you believe that the skills gaps should be tackled in the UK?

A combination of better co-operation and collaboration, and investment in training will solve the problem of skills gaps, according to employers. Business, the education sector and the government need to better collaborate, and be better aligned to the needs of the industry. Inter-company collaboration within the construction industry needs to improve and individuals need to be more invested in their own training and development.



Educational institutions need to be better aligned to the needs of business



Companies need to invest more in training their staff



Businesses, education sector and Government need to collaborate better



Companies within my industry need to collaborate together better



Individuals need to be willing to invest more in their own training



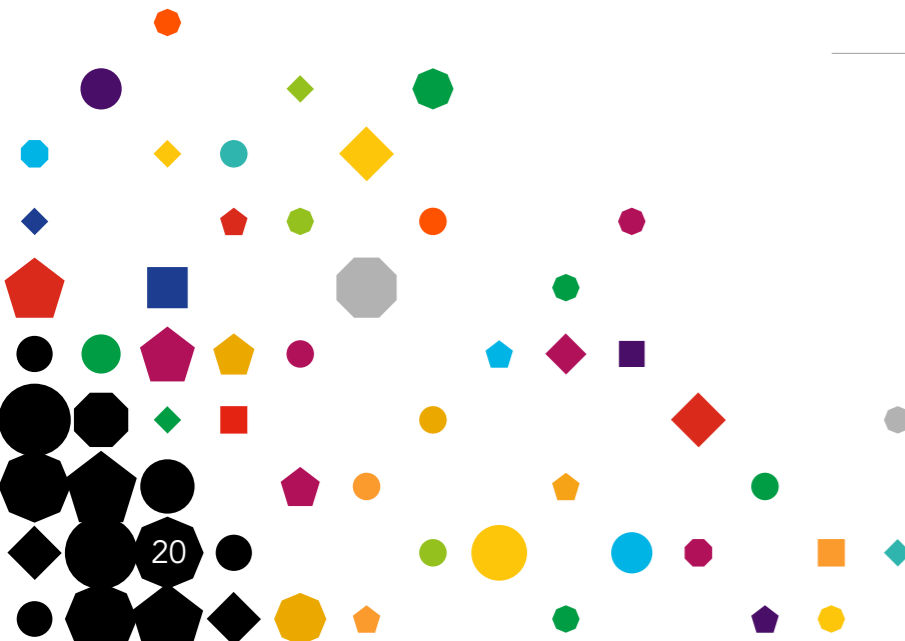
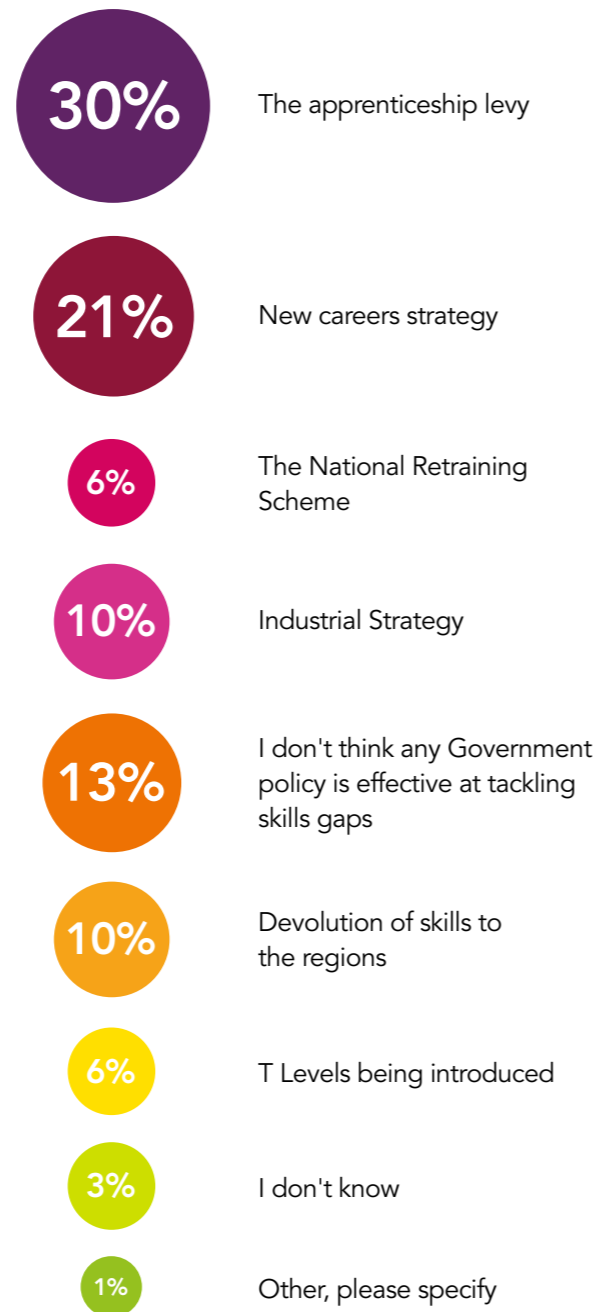
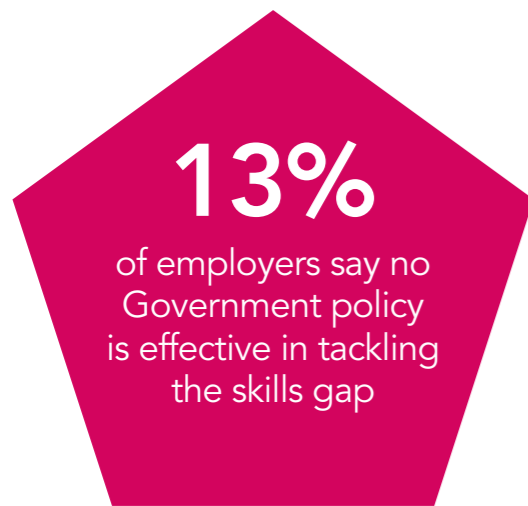
I don't think there are skills gaps in the UK



I don't know

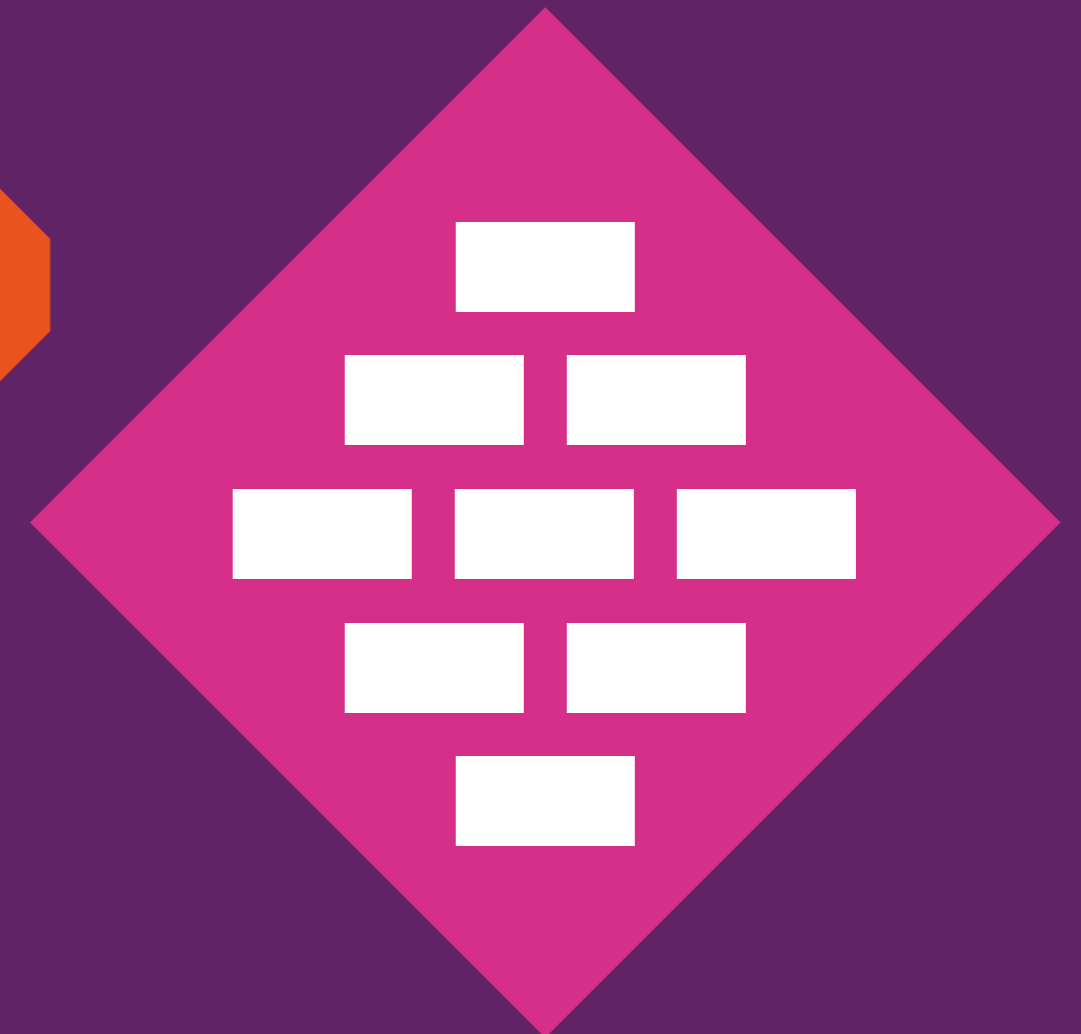
### 18. Which piece of Government policy do you think will be most effective at tackling skills gaps?

The Apprenticeship Levy emerges as a clear leader in Government policy to improve the provision of skills, with 30% of employers identifying the levy as having the potential for effecting change. However a noticeable amount (13%) say that no Government policy is effective in tackling the problem.



# 30%

of employers identify the Apprenticeship Levy as the clear leader Government policy to tackle the skills gap.

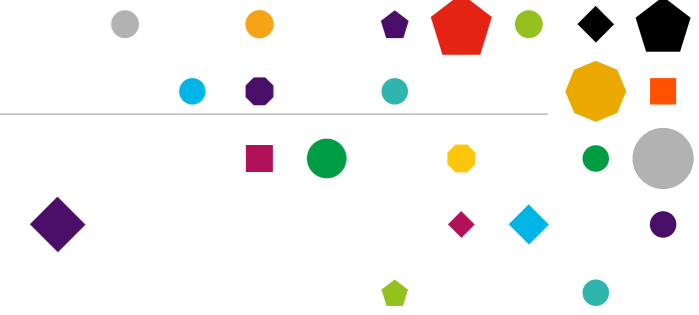


# Recommendations

Our research has shown that UK employers are facing significant challenges as a result of skills gaps and skills shortages. Brexit is on the horizon and remains a largely unknown quantity, productivity is lagging behind other developed nations and there is a very real threat that skills gaps could significantly impact the UK's ability to perform on a global scale. Added to this, increased digitalisation, AI and automation are also playing their roles in contributing to the current state of flux.

We have set out nine recommendations for Government, employers and the education sector which address the concerns raised in this report. We believe these will help to create a skills system that is fit-for-purpose and can support a thriving UK economy, both now and in the future.

The statistics given in our recommendations are from employers across all industries.



## 1. Careers education, information, advice and guidance (CEIAG) needs to be redesigned for the modern world

Despite just 19% of our respondents telling us that they believed the careers strategy was the most effective way to tackle skills gaps, there is clear evidence to show that a lack of co-ordinated careers advice and guidance is hampering young people's chances of securing a successful career. This in turn contributes to the skills shortages faced by 9/10 employers who responded to this research.

We need to rethink the way that CEIAG is delivered to young people today. Generation Z are digital natives who are adept at consuming data on smart phones and devices. Making greater use of digital channels will democratise access to information about careers, with young people from all areas of the country and all walks of life able to access the same information from the same sources whilst also making sharing of information more efficient for employers and Government alike

## 2. T Levels could help to reduce skills gaps and provide a good route into work for young people if they are better promoted and embedded

T Levels are, in theory, a positive policy intervention that, if implemented correctly, could support young people into meaningful careers with real progression whilst at the same time helping to reduce the skills shortages many industries are facing. However, Government must recognise that it's a real risk for young people to choose to study an untested qualification that is not widely understood by employers. We know from recent research with AELP that just 17% of employers have a good understanding of T Levels. Our research echoed these findings with just 8% of employers stating T Levels were an effective skills policy intervention.

The Government will need to invest heavily to promote T Levels to young people and their parents so that they achieve the desired take up. There is also more work to be done to distinguish them from apprenticeships and make it clear to employers why both routes into work are valid and needed. Finally, what distinguishes

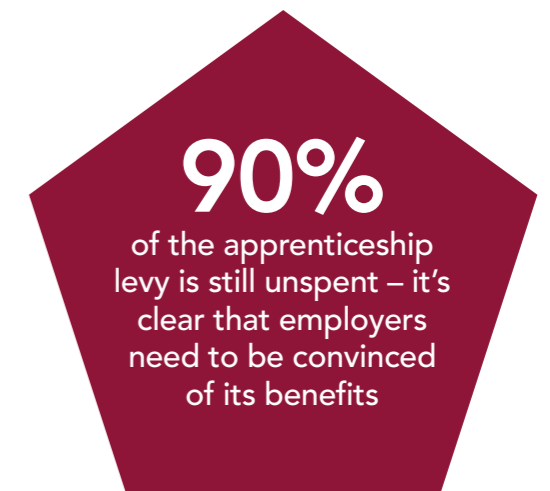
T Levels from other qualifications is the industry placement so it is essential Government provides enough financial support and guidance to ensure employers and providers can successfully deliver this essential element of the programme

## 3. Make the most of the apprenticeship levy to build a talented home-grown workforce and upskill employees at all levels

Brexit could create huge skills challenges particularly in sectors such as accommodation and food services, construction and retail.

The apprenticeship levy is an effective tool for developing home-grown talent and enabling people to progress through the workforce. However, with 90% of the levy still unspent it's clear that employers need to be convinced of its benefits. Employers should look at their talent development plans and see where the levy can be used to support reskilling and upskilling, as well as entry level recruitment.

Employers need greater support and advice from Government to help them recognise the benefits of apprenticeships and better understand how to access the system. Some thought should also be given to simplifying the current system, as employers have told us they find its complexity off-putting.



#### 4. Government should consider widening the apprenticeship levy to meet employer needs

Whilst the apprenticeship levy was the most popular of the current Government initiatives to tackle skills shortages, still only a fifth (21%) of our respondents stated that it was the most effective piece of policy.

There has been a significant amount of media coverage since the launch of the apprenticeship levy focusing on the fact that the new system does not fully meet the needs of employers.

Government must be willing to listen to employers to make sure that the new-system genuinely works for them. There is appetite from across industry to broaden the scope of the levy and Government must work with employers to understand how they want to use their levy to support skills development in their organisations. This may require employers to provide evidence of investment in apprenticeships to unlock some use of levy for other reskilling/upskilling programmes.

#### 5. Investing in training and development activity can have a significant impact on business performance

Our findings show that high-quality training programmes could help to tackle skills shortages by not only upskilling employees to do roles but also by encouraging current staff to stay with the business. Almost half (46%) of our respondents told us that their training programmes helped increase staff loyalty and retention.

Our findings also demonstrate that training helps to improve productivity within businesses (45% of employers agreed).

However, despite this proven business benefit, Britain has some of the lowest levels of employer investment in skills development in Europe with only Greece, Poland and Romania providing less employer-funded training. It is encouraging that almost half of respondents to the survey (45%) recognised that employers themselves need to invest more in training to help address skills gaps and Government and the education sector can play their part by demonstrating the value of skills investment through evidence-based case studies.



#### 6. Employers should consider investing in quality on-boarding and engagement programmes

As noted in the research 9/10 employers experienced problems with skills gaps, hanging onto the people that you have already managed to recruit will help to mitigate some of these issues.

It is estimated that on average one third of new employees leave within the first six months of taking up a new role<sup>1</sup>. Recruitment is expensive and laborious so having a comprehensive programme to pre-board, welcome and support new recruits into a business will mean that employers retain much more of the talent that they have invested so much time and effort in attracting.

Employers should consider allocating a buddy for new hires whilst they settle in, potentially elongating their on-boarding process to as long as a year and ensuring that staff have adequate access to any necessary training and advice needed to do their jobs effectively.

#### 7. Effective leaders and managers will be essential to help businesses navigate Brexit and in the post-Brexit world

Employers cited Brexit as the single most concerning external factor facing their business, with almost half (46%) of respondents stating it would impact their productivity in the coming years. This is coupled with other skilled labour immigration constraints, all of which require UK Plc to look inwards for recruitment and staff development.

Having effective leaders and managers in place during this tumultuous time will be critical in helping businesses navigate change and transition from a pre-Brexit to post-Brexit world. Yet employers told us that leader and manager posts were most difficult to fill with almost half (47%) stating that they struggled to recruit these roles.

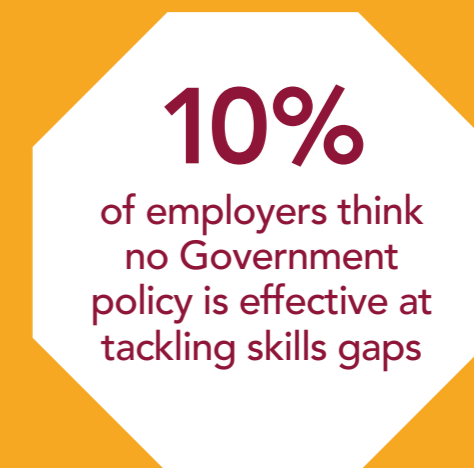
Only a quarter of respondents (27%) told us that they were planning to upskill their current workforce to mitigate the impact of Brexit and just a third (34%) told us that they offered leadership and management training.

Employers who aren't already doing so, should consider putting in place a talent management programme to identify future managers and leaders within their own organisations. Through the use of diagnostics tools they can identify talent within organisations and begin to develop it. This in turn will help with staff retention and engagement.

#### 8. Training and development activity needs to be linked to business performance and its effectiveness constantly measured and evaluated

There was a clear mismatch between how effective employers believed their activity to develop skills was, with 77% stating that their talent management planning and management and leadership training activity was effective or very effective, with the incredibly high level of skills gaps and shortages that they were experiencing.

HR budgets and activity need to be seen as vital to business performance and HR departments must constantly measure their outcomes in terms of productivity and business performance



#### 9. An independent body is needed to have oversight of UK skills policy and make sure it meets current and future skills needs

Employers were less than enthusiastic about any existing policy interventions; our research showed that 10% of employers think no Government policy is effective at tackling skills gaps.

Even less (8%) felt T Levels would be effective and just 14% of respondents felt the National Retraining Schemes would be the most effective way of tackling skills gaps

Part of the issue is that skills policy is currently developed in different places and in silos, resulting in disjointed policy that is not as effective as it could be at meeting UK skills needs now and in the future. Government often also lacks the required level of buy-in from employers when implementing policy (as has been seen with the apprenticeship levy.)

We believe a Skills Policy Institute should be created with representatives from across policy makers, education/training and industry to take a holistic view of existing skills policy and look at how it can be most effectively implemented now and in the next 5 to 10 years.



# Methodology

We worked with economic modellers Emsi to map the UK jobs market and identify occupation changes over the next six years. All jobs and industries throughout this analysis use either 1-digit or 4-digit Standard Occupation Classification (SOC) and Standard Industry Classification (SIC) codes.

We also worked with researchers Censuswide and polled 1,000 employers to understand their first-hand experience of the labour market, get their thoughts about what they believe the future holds for their business over the next three to five years and how well equipped they feel they are to meet the challenges of today and tomorrow. Research was undertaken in March/ April 2018.

## Methodology for employer research carried out by Censuswide

The research was conducted via online survey by Censuswide, with 1,006 UK C-Suite level personnel in UK between 05/04/2018 – 30/04/2018. Censuswide abide by and employ members of the Market Research Society which is based on the ESOMAR principles.

Methodology for economic modelling carried out by Emsi

Emsi labour market data is created from a collection of nine Government sources, which they combine to provide multi-layered cross-checking. This includes:

Business Register Employment Survey (BRES); Workforce Jobs Series (WJS); Working Futures (WF); Annual Survey of Hours and Earnings (ASHE); Labour Force Survey (LFS); Annual Population Survey (APS); Mid-Year Population Estimates; Subnational Population Projections; Annual Business Inquiry (ABI).

