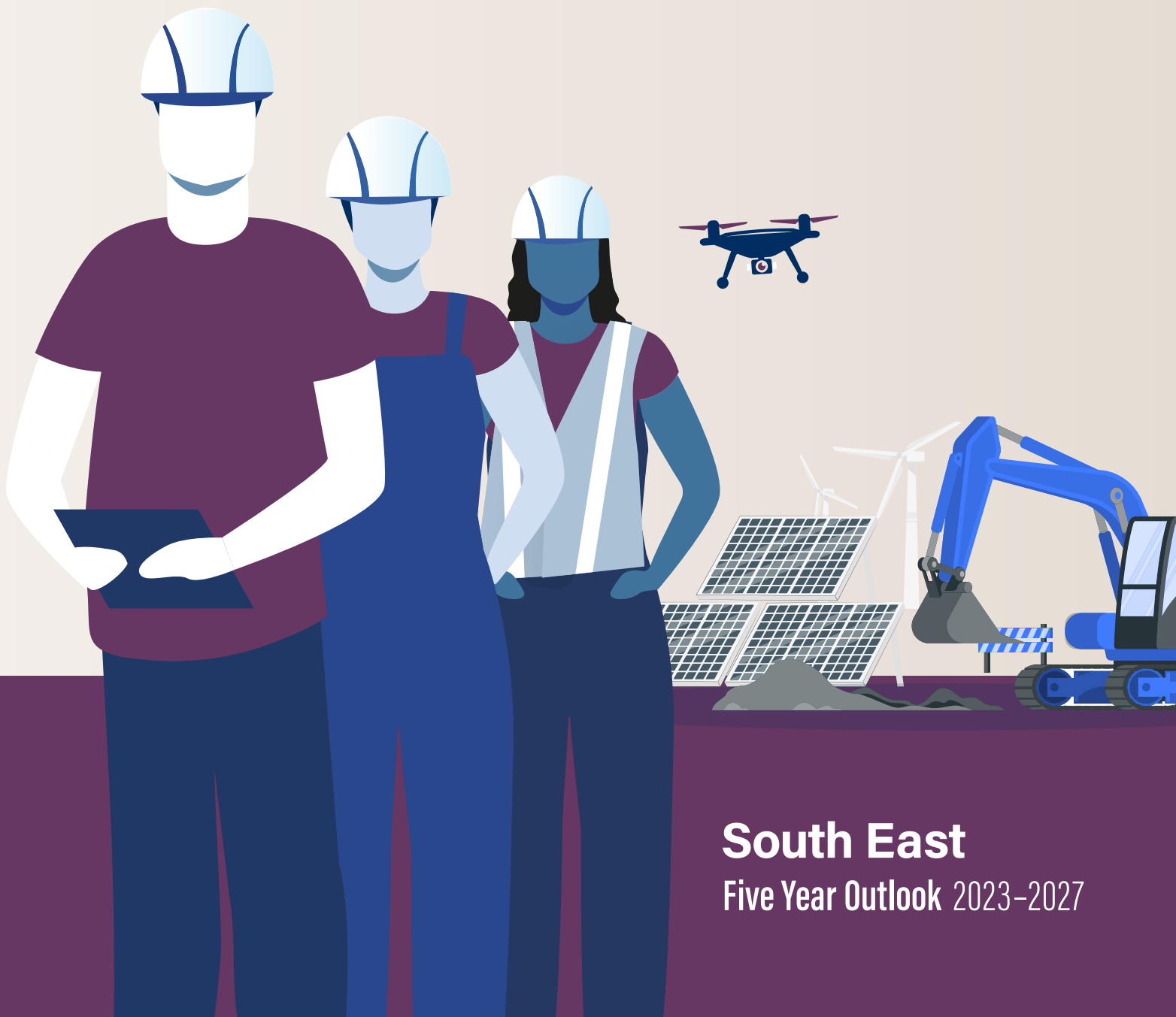


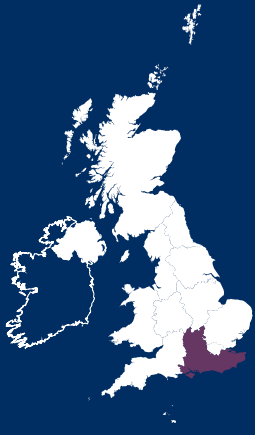
CONSTRUCTION SKILLS NETWORK

The skills construction needs



South East

Five Year Outlook 2023-2027



SOUTH EAST

The volume of construction work in the South East will grow, slightly above the UK forecast of 1.5% by an annual average rate of

↑ **1.8%**

Fastest sector rate of growth expected for

↑ **Private housing**
Commercial

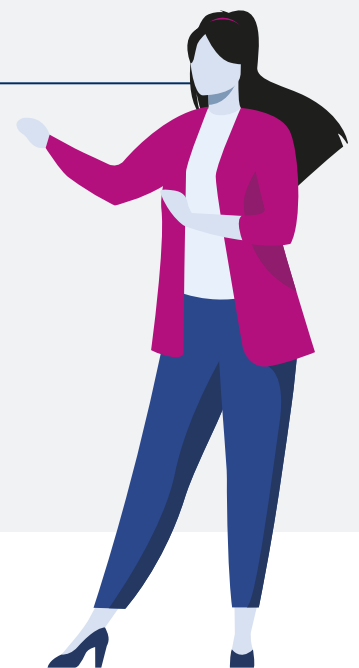
Non-housing Repair
and Maintenance

The occupations with the strongest additional recruitment requirement levels:

↑ **Non-construction professional, technical, IT**
and other office-based staff (1,540 per year)
Labourers nec* (540 per year)
Plumbing and HVAC Trades (350 per year)

Major projects in the South East include a number of very large scale/long term developments such as:

⊕ **Lower Thames Crossing** (£6.4-8.2bn)
East-West Rail project (£5bn)



Key facts and figures

2022

2023

2024

2025

2026

2027

2028

2029

The annual recruitment requirement in the South East of 0.9% per year is slightly below the UK average of 1.7% and means an extra 17,800 workers will be needed from 2023 to 2027.



UK Macroeconomic backdrop

Having bounced-back in 2021, with an annual increase in gross domestic product (GDP) of 7.5%, the UK's economic growth in 2022 slowed in the first half of the year, before declining by -0.2% in Q3. November's monthly data release points to the UK entering a recession by the end of 2022, when, as forecast, there will have been two consecutive quarters of declines in GDP.

The economic challenges were highlighted by monthly GDP at the end of September 2022 being 0.2% below its pre-pandemic level (February 2020), and in real terms, the UK is the only G7 economy where a shortfall relative to its pre-pandemic level exists. The S&P Global/CIPS Purchasing Managers Indices (PMI) shows business activity declining for three consecutive months as the UK composite index fell to 47.2 in October from 49.1 in September and 49.6 in August, with a reading of less than 50 indicating a decline.

Inflationary pressure on household budgets continues to drive up Consumer Price Index (CPI) inflation, which hit a 41-year high of 11.1% annually in October 2022. Inflation is expected to remain high well into the first half of 2023 and tackling this, while keeping mortgage rises down, is a priority for Government. However, as set out in the 2022 Autumn Statement, this requires difficult decisions to address Government debt and deficit through a combination of tax rises and controlling public sector spending.

The prevailing view of independent forecasters, the Bank of England (BoE), the Office for Budget Responsibility (OBR) and the UK's Chancellor when delivering his Autumn Statement in parliament, is that the UK is set to face a period of recession with GDP declines

through 2023 and possibly into 2024, before the economy then begins to pick up. However, the suggestion is that it will be a shallower recession when compared to the recent falls seen during 2020 and 2008.

While the UK economic conditions in 2022 were challenging, construction output held up better than expected. When GDP declined by -0.2% in Q3, construction output increased by 0.6% and is on track to show an annual increase of over 4% by the end of 2022, with new housing and repair and maintenance sectors being key contributors. However, growth has increasingly been driven by the backlog of work as new orders have fallen and are now at their weakest since June 2020.

It's unlikely that construction output will continue to outperform the economy, which is why we are expecting a decline in output during 2023 that picks up in 2024. The commercial, infrastructure and industrial sectors look set to weather this slightly better than new housing or housing repair and maintenance. Housing repair and maintenance work is likely to be squeezed as households reprioritise their spending, and there are signs of a slowdown in the housing market with fewer new buyer enquiries and a reduction in mortgage approvals.

We still see the construction industry having a long-term challenge when it comes to recruiting workers. Vacancy levels remained high throughout 2022, unemployment rates are low, inactivity due to ill health is rising, and construction will be competing against other industries to attract and retain the workers it needs.

Although the next five years will see a period of recession followed by slow growth, the UK construction industry will still account for at least 6% of UK GDP, have an annual output value of over £170bn and a workforce of over 2.6m. Recruiting and developing the workforce for the future will help to ensure that the industry is able to contribute to growth opportunities such as building the volume of homes the country needs, the infrastructure for energy and transport, and retrofitting the built environment to meet net zero targets.

**THE UK IS THE ONLY
G7 ECONOMY WHERE A
SHORTFALL RELATIVE
TO ITS PRE-PANDEMIC
LEVEL EXISTS.**

Structure

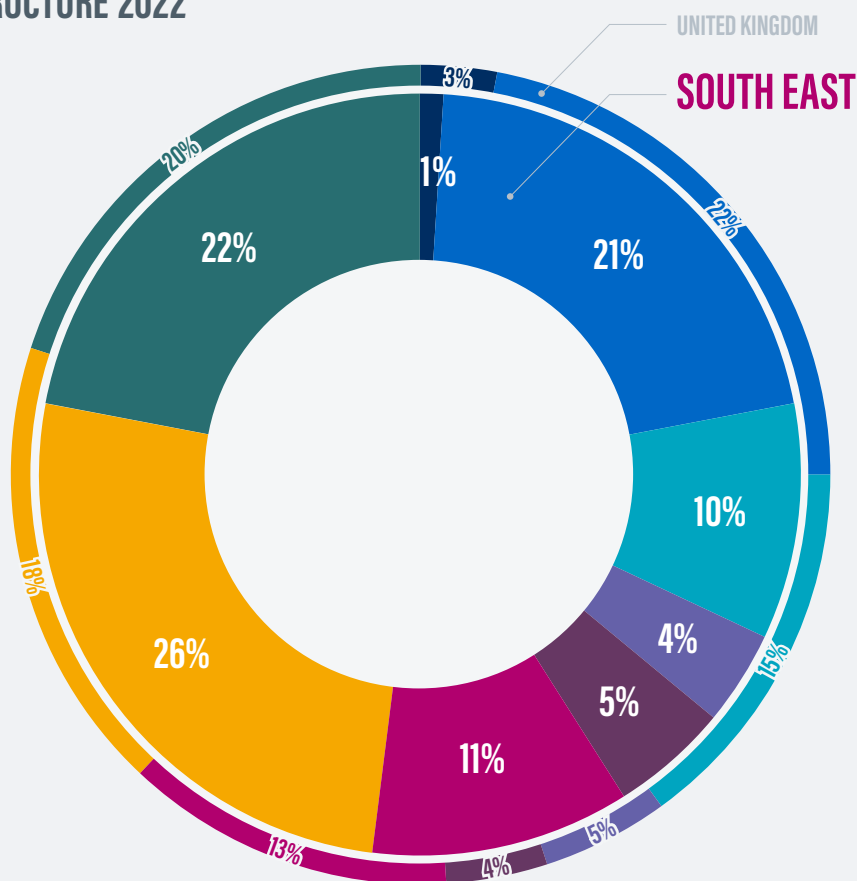
The construction industry in the **South East** has some significant differences to the UK structure.

The construction industry in the South East has 30,780 businesses with more than one employee, which makes up 15% of all employers in the region. For 2022 the construction industry is estimated to have total output of over £23bn which is split by sector as shown in the below chart. The South East has a much larger

share of housing R&M work compared to the UK at 26% compared to 18%. The South East also has a higher share of industrial work and non-housing R&M work than the UK. Together housing and non-housing R&M work make up nearly 50% of the South East construction industry structure.

CONSTRUCTION INDUSTRY STRUCTURE 2022 SOUTH EAST VS UK

- Public housing
- Private housing
- Infrastructure
- Public non-housing
- Industrial
- Commercial
- Housing R&M
- Non-housing R&M



Housing R&M output

26%

2022 view

Total annual output 2022

£23bn

Total estimated output 2023

£23bn

For 2022 we are anticipating output in the South East growing by 4.9% which is slightly ahead of UK output growth for 2022 at 4.1%.



2022 view

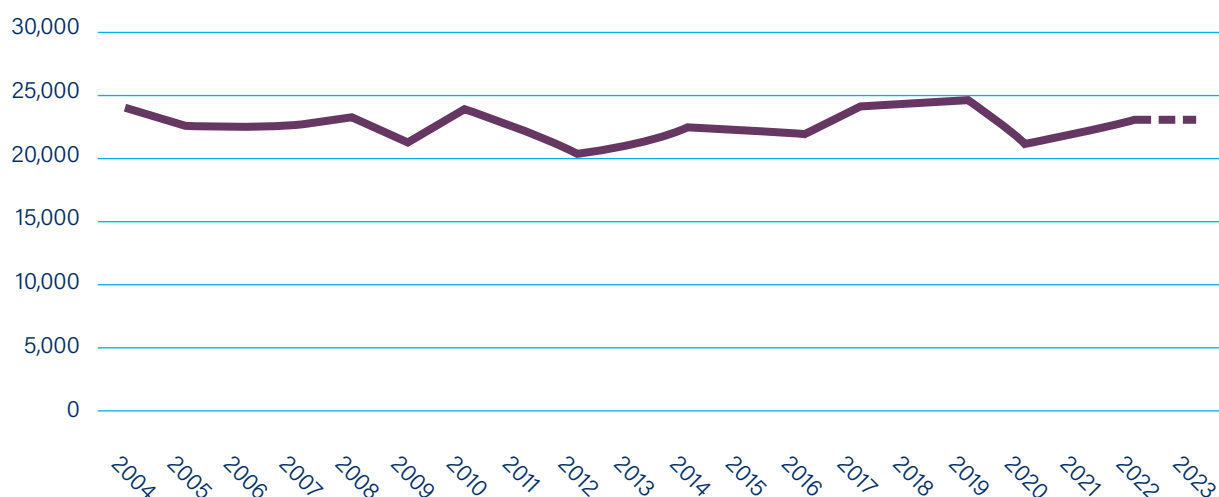
However, by 2023 we expect that output will see a 0.3% decrease in the South East. Growth seen in the industrial sector in 2022 has been extremely strong for the South East at 37.5%, although it is still not as strong as growth seen in the sector for 2020 at 43.9%. Growth in 2022 hasn't been as strong in all sectors with

the infrastructure and public non-housing sectors seeing a decline in output in 2022 which may be contributing factors to the reason overall construction output is still below levels seen in 2019, before the pandemic.

CONSTRUCTION OUTPUT 2004 - 2023 SOUTH EAST

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

£m, constant 2019 prices



OUTPUT FORECAST 2023 - 2027

In the South East, the volume of work will grow by an annual average rate of 1.8%, which is just above the UK rate of 1.5%¹. All sectors, other than the infrastructure sector will see growth over the forecast, with new work stronger than R&M by 1%, and most following a pattern of higher growth in the latter years, with some declines in growth seen in 2023 and 2024. The exception to this rule is the

infrastructure sector which sees growth in 2023 and a decline in growth from 2024 to 2027. The industrial sector also sees it's highest growth rate during 2023.

While the industrial sector has the highest annual average growth rate at 4%, it has a relatively low share of total output at just 5%. The biggest gains in output are set to come from the private

housing (+£950m), non-housing R&M (+£571m) and commercial (+£381m) sectors, accounting for more than 85% of the total output increase.

Average growth rate for the South East

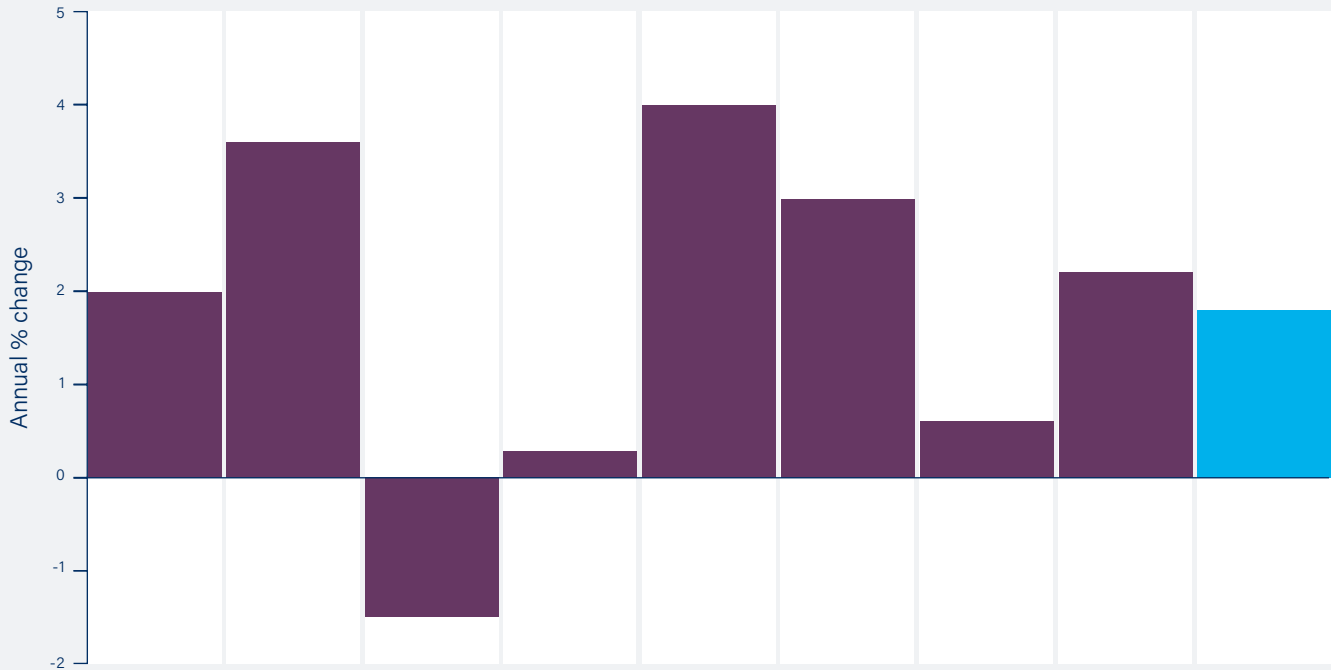
1.8%

Forecast

ANNUAL AVERAGE OUTPUT GROWTH BY SECTOR 2023-2027 SOUTH EAST

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
2.0%	3.6%	-1.5%	0.3%	4.0%	3.0%	0.6%	2.2%	1.8%



CONSTRUCTION OUTPUT - SOUTH EAST (£ MILLION, 2019 PRICES)

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

	Estimate	Forecast (Annual % change, real terms)					Annual average
	2022	2023	2024	2025	2026	2027	2023-2027
Public housing	307	-4.1%	2.5%	3.7%	4.0%	4.1%	2.0%
Private housing	4,887	1.0%	3.7%	4.3%	4.5%	4.6%	3.6%
Infrastructure	2,375	2.8%	-5.5%	-1.2%	-1.6%	-1.6%	-1.5%
Public non-housing	863	-3.6%	0.6%	1.0%	1.7%	1.9%	0.3%
Industrial	1,143	6.3%	4.8%	2.4%	3.2%	3.2%	4.0%
Commercial	2,385	2.6%	2.4%	3.4%	3.4%	3.3%	3.0%
New work	11,960	1.7%	1.5%	2.6%	2.9%	2.9%	2.3%
Housing R&M	6,031	-4.6%	0.7%	1.8%	2.5%	2.7%	0.6%
Non-housing R&M	5,038	0.0%	1.4%	3.5%	2.9%	3.0%	2.2%
Total R&M	11,069	-2.5%	1.0%	2.6%	2.7%	2.9%	1.3%
Total work	23,029	-0.3%	1.3%	2.6%	2.8%	2.9%	1.8%

The annual average growth rate is the rate of growth between the end of 2022 and the end of 2027, i.e., a five-year period.

In the South East there are a number of **very large scale/long term developments** that will deliver output for a number of sectors.

The Lower Thames Crossing is a major project for the South East and a major project in the UK's road network as it would be the longest road tunnel in the country. It is estimated to cost between £6.4bn-£8.2bn and be completed by 2030, with its main aim being to relieve pressure on the existing A282 Dartford Crossing.

The East-West Rail project is also a big project for the region. The project aims to construct a line linking Oxford and Cambridge via Bicester, Milton Keynes (at Bletchley) and Bedford, using the trackbed of the former varsity line. The connection to Cambridge is still in the planning stages whilst construction is underway and in the early stages for other parts of the project. The link is estimated to provide a £1.1bn boost to the economy and in the September 2022 mini budget it was listed as one of the infrastructure projects with high priority.

There are also large housing projects in the region including the 3,500 home Burgess Hill development named Brookleigh. The housing estate will be surrounded by 80 hectares of green space and will also feature new leisure facilities, primary and secondary schools, and employment opportunities. The Hoo Peninsula is another big housing development for the region which has work spanning across 17 years and looks to provide 10,000 homes with work ongoing in Ebbsfleet Garden City.

Lastly Manston Airport, which is a £350m infrastructure project for the region, has been granted development consent. The airport will look to handle at least 10,000 air cargo movements per year whilst also offering passenger, executive travel and aircraft engineering services.

 **East-West Rail infrastructure project**

£5bn

 **Manston Airport infrastructure project**

£350m

Workforce² forecast

The level of output growth in the South East gives an annual average increase of 0.1% in the construction workforce, which matches that of the UK.

During 2023 we are anticipating workforce numbers dipping to 378,600 from 380,600 in 2022. By 2027 we do expect to see workforce numbers pick up again to 382,700 which will be higher than workforce numbers seen in 2022. With an overall increase over the forecast of 0.1% the workforce in the South East will remain fairly stable between 2022- 2027.

Over the forecast we are expecting to see a fall in the numbers of workers in some trade areas of construction, for instance there will be a fall of 2.8% in the number of glaziers, a fall of 2.1% in the number of floorers and a fall of 1.7% in the number of electrical trade and installation workers in the construction industry. On the flip side to this, architects will see a 3.1% increase in workforce numbers over the same time period.

TOTAL WORKFORCE BY OCCUPATION - SOUTH EAST

	Actual	Estimate	Forecast	
	2021	2022	2023	2027
Senior, executive, and business process managers	29,600	29,200	29,000	29,300
Construction project managers	8,900	8,800	8,700	8,800
Other construction process managers	25,500	25,800	25,700	27,200
Non-construction professional, technical, IT, and other office-based staff	60,500	60,800	60,500	63,100
Construction trades supervisors	5,100	5,200	5,200	5,000
Wood trades and interior fit-out	36,500	36,100	35,500	32,800
Bricklayers	8,100	8,200	8,400	8,300
Building envelope specialists	12,700	13,400	13,500	13,900
Painters and decorators	14,300	14,500	14,500	14,500
Plasterers	5,100	5,100	5,000	4,800
Roofers	8,700	8,500	8,400	7,800
Floorers	3,600	3,600	3,600	3,200
Glaziers	3,300	3,200	3,200	2,700
Specialist building operatives nec*	5,500	5,400	5,400	4,900
Scaffolders	2,400	2,300	2,200	2,300
Plant operatives	5,100	5,400	5,600	5,100
Plant mechanics/fitters	4,600	4,700	4,600	5,000
Steel erectors/structural fabrication	2,200	2,400	2,500	2,300
Labourers nec*	21,500	21,600	21,500	22,000
Electrical trades and installation	24,200	23,800	23,300	21,800
Plumbing and HVAC Trades	25,500	25,400	23,900	24,000
Logistics	3,500	3,600	3,600	3,700
Civil engineering operatives nec*	1,500	1,600	1,700	1,600
Non-construction operatives	3,000	3,000	3,000	3,100
Total (SIC 41-43)	320,500	321,300	318,400	317,200
Civil engineers	7,000	7,600	7,900	7,600
Other construction professionals and technical staff	37,800	38,400	38,700	42,700
Architects	4,000	4,100	4,200	4,800
Surveyors	9,000	9,200	9,400	10,300
Total (SIC 41-43, 71.1, 74.9)	378,400	380,600	378,600	382,700

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

Annual Recruitment Requirement (ARR)

While the workforce levels are remaining static, there is still a need for the construction industry in the South East to increase the recruitment of new workers. In a typical year, the region's construction industry would recruit between 23,000 – 30,500 workers, the usual the movement of people into and out of the industry or workforce churn. When looking at the future recruitment demand, we recognise that a level of churn will always take place and take this into account to producing the ARR figure.

The average annual recruitment requirement in the South East is set to average 0.9% per year, based on 2022 workforce levels, which is just lower than the UK figure of 1.7%. This means the construction industry would have to increase current recruitment by 3,560 new workers each year to deliver the expected work between the start of 2023 and end of 2027.

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

- Non-construction professional, technical, IT, and other office-based staff (1,540 per year)
- Labourers nec* (540 per year)
- Plumbing and HVAC Trades (350 per year).

ARR BY OCCUPATION – SOUTH EAST

	ARR as % of 2022 workforce	ARR value per year
Senior, executive, and business process managers	-	-
Construction project managers	0.7%	60
Other construction process managers	-	-
Non-construction professional, technical, IT, and other office-based staff	2.5%	1,540
Construction trades supervisors	11%	60
Wood trades and interior fit-out	0.5%	170
Bricklayers	1.6%	130
Building envelope specialists	-	<50
Painters and decorators	-	<50
Plasterers	-	<50
Roofers	-	-
Floorers	-	-
Glaziers	-	-
Specialist building operatives nec*	-	<50
Scaffolders	3.4%	80
Plant operatives	2.2%	120
Plant mechanics/fitters	-	<50
Steel erectors/structural fabrication	-	-
Labourers nec*	2.5%	540
Electrical trades and installation	-	-
Plumbing and HVAC Trades	1.4%	350
Logistics	-	<50
Civil engineering operatives nec*	-	-
Non-construction operatives	-	-
Total (SIC 41-43)		3,050
Civil engineers	3.3%	250
Other construction professionals and technical staff	0.3%	100
Architects	2.4%	100
Surveyors	0.7%	60
Total (SIC 41-43, 71.1, 74.9)	0.9%	3,560

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

However, there would also be pressure on occupations, such as plant operatives and civil engineers where demand is high compared to their workforce level. 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.

The number of vacancies in the South East has dropped off since around April 2022 which may be a reflection on the cost of living crisis that is sweeping the UK, significantly effecting the economy and growth forecasts as well as vacancies. The lower ARR figure for 2023-2027 also reflects a lower growth forecast than for 2022-2026.

Whilst there is a cost of living crisis and the level of vacancies has fallen there are still a large number of vacancies to fill in the region.



To fill vacancies and recruit new staff, construction companies can look at several routes such as:

Attracting skilled workers who are already working elsewhere in the construction industry, although this obviously moves existing workers around rather than meet overall industry need

Attracting 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

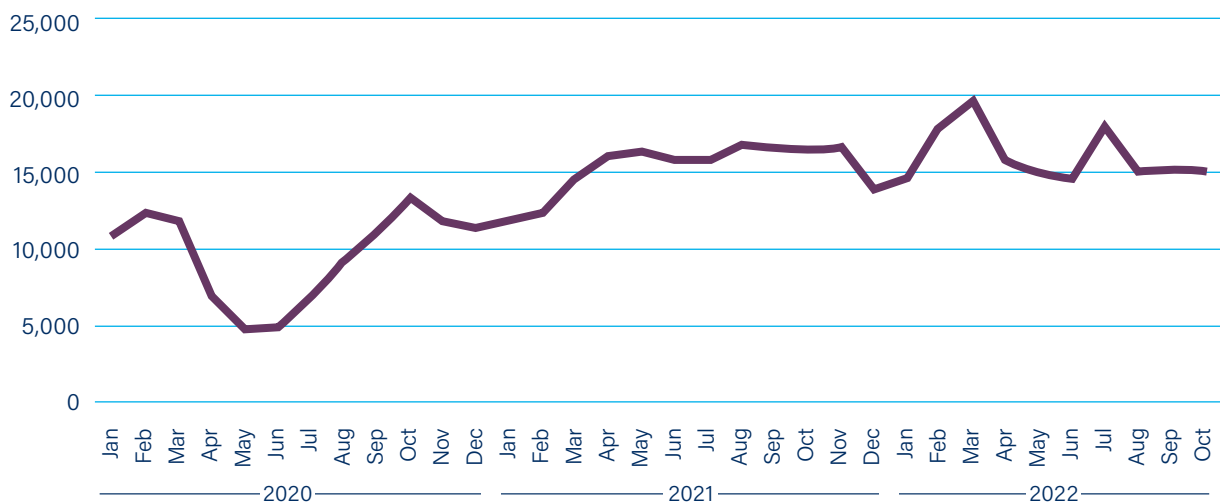
Recruiting and training new entrants into construction from those leaving school, further education, higher education or migration

Improving the retention of workers within the industry

Looking at **how productivity can be improved.**

MONTHLY UNIQUE ONLINE JOB POSTINGS - SOUTH EAST

Source: Lightcast, selected construction occupations, South East



Responding to a skills shortage is likely to be a mix of options, as the continued strength of the jobs market, and relatively low levels of unemployment means 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, flexible working to have a positive work/life balance and creating a culture of fairness, inclusion and respect.

There are also recent trends in training to consider as the GB wide drop in employer training, which was expected with the impact of Covid-19, had started to pick-up in 2021, although there is a slightly mixed picture.

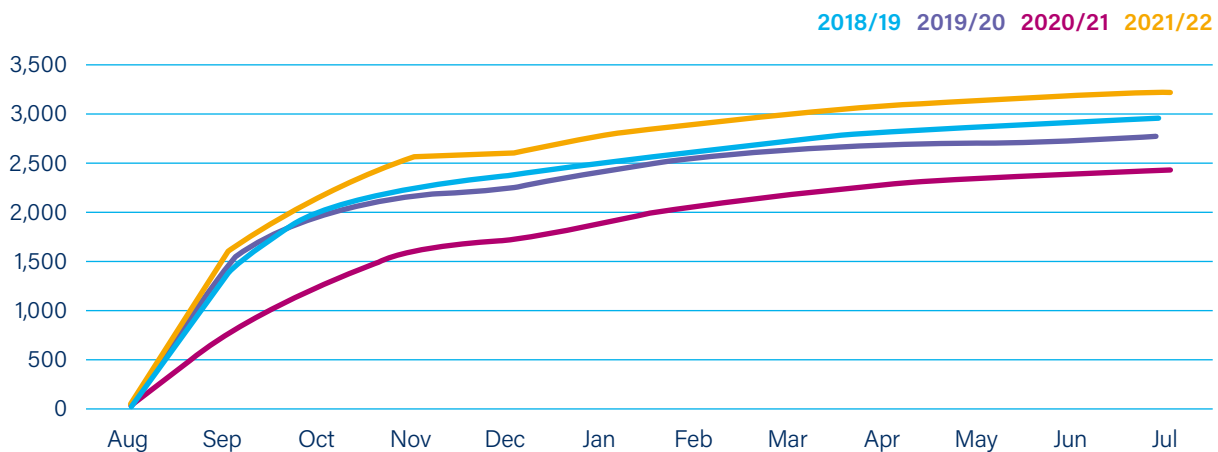
Construction apprenticeship starts in England have increased in 2021/22, and in the South East, they have picked up strongly, ending the 2021/22 academic year 31% up on 2020/21, and above figures from earlier years.

However, looking over the wider range of construction training delivered across England there isn't the same level of qualification achievements, with numbers in 2022 down compared to 2021 and 2019.

This points to a slightly different position between apprenticeships and other training, indicating that the construction industry has work to do to get overall training numbers back to pre-covid levels and then increase to meet current and future demand.

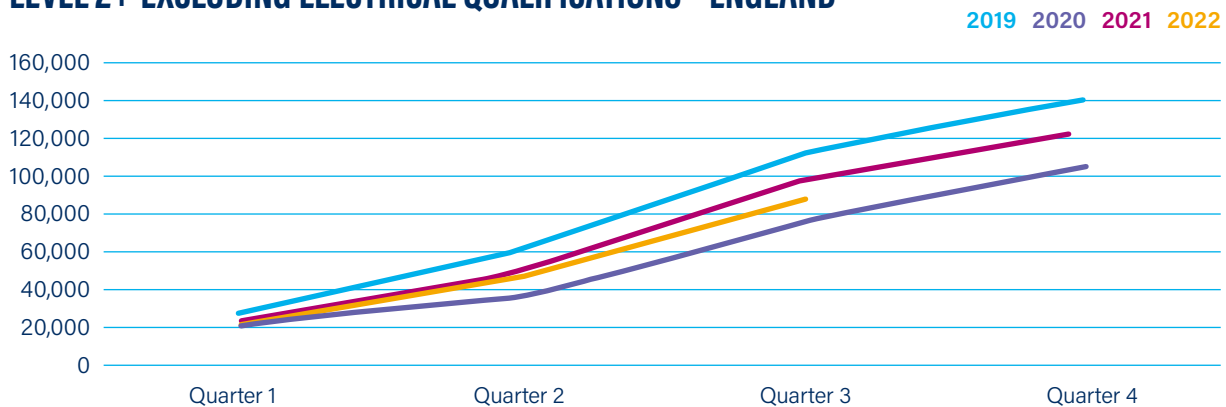
SOUTH EAST CUMULATIVE APPRENTICESHIP STARTS FOR CONSTRUCTION, PLANNING AND THE BUILT ENVIRONMENT SECTOR

Source: Department for Education



CONSTRUCTION SECTOR QUALIFICATION CERTIFICATES ISSUED LEVEL 2+ EXCLUDING ELECTRICAL QUALIFICATIONS - ENGLAND

Source: Ofqual



CITB support to the construction industry in the South East

CITB England will continue to support industry through various ongoing initiatives.

CITB is looking at a range of actions that will help to support construction companies to invest in training such as 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. In 2022 CITB launched the [Apprenticeship Toolkit](#) to provide 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. There are now nine hubs across England creating a talent pipeline to meet the needs of local construction employers and to support construction career opportunities for people from local communities. The programme will result in 7,780 people becoming employment and site-ready with 3,350 people securing sustained employment within the next three years.

In the South East, CITB work with employers, training groups, providers and stakeholders to deliver informative sessions on grants, funding and CITB support. CITB Engagement Teams continue to work closely with Apprenticeship providers and employers in the region to support apprenticeship

recruitment. A New Entrant Support Team provides dedicated apprenticeship support for employers, making the apprenticeship journey simpler and supporting employers with their needs from recruitment through to completion.

Employers and FE Providers are being encouraged to use the Talentview Construction portal with employers posting apprenticeship vacancies as well as work experience opportunities. Providers are encouraging students to register onto the portal so that they can be matched to job opportunities.

CITB has offered support to ERBs (Employer Representative Bodies) in support of the Local Skills Improvement Plans (LSIP), to help inform and develop the plans through:

- Harnessing CITB Industry Insight & Forecasting Evidence Based Research;
- Creating Guidance that identifies themes and offers practical recommendations for ERBs to help solve construction skills issues in their community through LSIPs
- Connectivity with local employers to assist in gaining insight on skills and training needs.

Overcoming skills shortages by supporting training and recruitment in a more competitive labour market at a time when the economy will be in a recession requires combined action from CITB, construction companies and government. Having a workforce that is competent and trained to make the most of the future opportunities is vital to ensuring the South East has the volume of energy efficient homes it needs, the infrastructure to ensure the economy thrives, and to tackle the retrofit of the built environment to meet net zero targets. As the report sets out, over the next five years the construction industry will continue to support around 381,000 and contribute around £23bn worth of output each year from an industry that accounts for 15% of all business that employ people in the South East.

The construction industry will continue to contribute around

£23bn

Regional breakdown within England

North East

North West

Yorkshire & the Humber

East Midlands

West Midlands

East of England

Greater London

South West

South East

South East

Adur

Arun

Ashford

Basingstoke and Deane

Bracknell Forest

Brighton and Hove

Buckinghamshire

Canterbury

Cherwell

Chichester

Crawley

Dartford

Dover

East Hampshire

Eastbourne

Eastleigh

Elmbridge

Epsom and Ewell

Fareham

Folkestone and Hythe

Gosport

Gravesham

Guildford

Hart

Hastings

Havant

Horsham

Isle of Wight

Lewes

Maidstone

Medway

Mid Sussex

Milton Keynes

Mole Valley

New Forest

Oxford

Portsmouth

Reading

Reigate and Banstead

Rother

Runnymede

Rushmoor

Sevenoaks

Slough

South Oxfordshire

Southampton

Spelthorne

Surrey Heath

Swale

Tandridge

Test Valley

Thanet

Tonbridge and Malling

Tunbridge Wells

Vale of White Horse

Waverley

Wealden

West Berkshire

West Oxfordshire

Winchester

Windsor and Maidenhead

Woking

Wokingham

Worthing

For more information about the Construction Skills Network, contact:

Amelia Pipe

Analyst

Amelia.Pipe@citb.co.uk

