

Secretariat
Construction Leadership Council
Department for Business, Innovation and Skills (BIS)
1 Victoria Street
London
SW1H 0ET

29 February 2016

Re: CIOB response to Construction Labour Market review

To whom it may concern,

Please consider this letter an official response from the Chartered Institute of Building (CIOB) to the Construction Leadership Council's study into the construction labour market.

We are pleased that BIS and the CLC have recognised the Arcadis report *People and Money* as the basis for this study as the report brought home a number of hard-hitting truths about the industry's lack of investment in its workforce and provided wide-ranging, practical recommendations to tackle this. The report's housebuilding focus can be transferred in a wider construction context, but the margins on projects operated by contractors outside of housebuilding are small, which means the opportunities for investment in training and skills development are even further reduced.

It is important to note that the construction industry is exceptionally flexible and will find labour and resources as it requires them. This has been evident recently and will likely continue in the short-term. What is essential, though, is that this process is both efficient and in the best interests of the nation and local communities, especially where public funds are being invested.

The latest recession saw over 400,000 redundancies in the construction sector. While some effort has been made to recover this, the overall loss of skills is already driving, and will continue to drive, firms to look abroad for labour. This increases the attractiveness of the UK to migrants, but of course a central pillar of current Government policy is to reduce immigration - the impending EU referendum additionally produces a further degree of uncertainty. A migrant workforce has always been part of construction's employment composition and will continue to be; this is a global occurrence and is by no means limited to the UK. However, we recognise that relying too deeply on a migrant workforce reduces the incentive to invest in training. A balance is therefore necessary. By investing in skills development, the industry will work to create employment opportunities for UK nationals and reduce the need to depend so heavily on talent from abroad. In 2015, CIOB launched a report analysing the issue of migration in the UK construction sector – this can be accessed here: <http://policy.ciob.org/research/>

There is an argument to be made for training more multi-skilled professionals (i.e. an individual who possesses or acquires a range of skills and knowledge and applies them to work tasks; for example, a bricklayer who is also proficient at joinery) as a means to meet demand and improve productivity. This also reduces complexity and fragmentation as it potentially removes layers of subcontracting.

An expansion of the private rented sector (i.e. a build to rent model) in a way that accelerates the flow of capital is one such business model that can broaden the participants in the UK housing market. For example, a joint venture that draws on a developer's local market knowledge and

expertise in overseeing delivery, backed up by an institutional investor's equity support may be a strong proposition, reducing short-term risk and maintaining a return over a longer period. Investors are often reluctant to take on the risk associated with construction, meaning it is important that trusted contractors themselves are involved in such joint ventures. On high-density developments, where construction may be fairly repetitive by its nature, major opportunities exist for the use of modern methods of construction and off-site manufacturing to improve quantity, quality and productivity.

The CIOB agrees with the essence of the *People and Money* report that creating the right conditions and certainty of future work is the biggest incentive for the industry to invest in its workforce. This demand only becomes effective with funding, either public or private. We recommend that industry, developers, investors, central government and local government work together to establish a long-term demand model that will essentially eradicate the worst of the boom/bust cycle.

Given the recent population expansion, the low cost of borrowing and the recognised need for the UK to raise its productivity, the theoretical case for increased funding for construction and infrastructure, above the level outlined in the Spending Review, is very strong. The prospect of an expansion in demand opens a potential opportunity for the construction industry to be bolder and look to renew, reshape, expand and improve the workforce as a whole, to make it more efficient and more effective. This would not only make the nation more productive, but improve the lives of its citizens.

We are happy to be involved in the debate as it develops. On the issue of productivity, CIOB will be producing a report in May to broaden the understanding of productivity among decision makers and policy makers within both construction and government. We will make these findings available to the Construction Leadership Council.

Yours faithfully,

David Hawkes
CIOB Project Coordinator

e: dhawkes@ciob.org.uk
t: 01344 630 735