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CIOB PERSPECTIVES: AN ANALYSIS ON MIGRATION IN THE CONSTRUCTION SECTOR

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INTRODUCTION

Over the past 15 years there has been a marked jump in UK population growth to a rate not seen since the 1960s. This has inevitably stretched public and many private resources, but it has also supported economic activity.

Since 1999 the majority of this population growth has come from immigration. Between 2004 and the end of 2013 the UK population rose almost 4.5 million. More than half, 2.5 million, was from net international migration.

A long-running Ipsos Mori public opinion poll in December 2014[1] put immigration top of the most important issues facing Britain. Meanwhile the British Attitude Survey in 2013[2] showed 77% of the public wanted a reduction in immigration. This issue cannot be ducked by politicians.

There is however no one-size-fits-all single simple solution. Migration influences different groups differently and at different times. Attitudes towards immigration are complex, sometimes appearing contradictory. Inevitably there are tensions. Discussions can become heated and controversial.

Immigration is a topic many choose to avoid discussing publicly, but it is imperative that the voice of the construction industry is heard clearly in the debate so it can help shape a sensible policy on migration that meets both its needs and those of the wider community.

As an industry, construction appears broadly supportive of migration. A snap poll conducted by Building Magazine in early 2014[3] indicated that while opinions vary widely, those in construction appear broadly positive on migration and migrants. This fits with the broad conclusion of this report. In the 2008 House of Lords Economic Affairs Committee report, both employers and unions argued the case for migrant workers.

This report helps to reveal how UK construction benefits from freedom of movement of workers. It shows how central the industry is to the debate. How it attracts migrant labour, how UK workers migrate to other nations, how UK construction professionals and businesses prosper from working internationally and how the industry can ease the burdens through creating the extra buildings and infrastructure needed to accommodate the swelling UK population.

Importantly too it shows there are key responsibilities for industry, government and policymakers. Migrant workers must not become regarded by firms as a convenient ready-trained low-cost source of labour leading to a cut in training and fewer opportunities for UK citizens to fulfilling careers in construction.

In taking on the challenge of presenting construction's position within the immigration debate, it was seen as important not to stray into the wider intertwined political issues, such as whether the UK should be in or out of the European Union. The intention was to gather relevant facts and dispassionately assess the socio-economic losses and gains and the problems and solutions that flow from migration. The focus was to be firmly on the industry and its interests, but with a recognition that construction is at the heart of communities.

In terms purely of numbers of migrants drawn into the UK construction industry, the emphasis must fall on the trades. This inevitably means that today the analysis and policy choices need to take into account the rapidly worsening skills shortages in construction. The CITB's latest employment forecast[4] is that the industry will need to find almost 224,000 new recruits between 2015 and 2019.

To meet this challenge the industry has a simple set of choices: import from a ready supply of foreign talent, invest in training and development of UK citizens, or redesign the construction process. Importing labour is quick and relatively inexpensive. The others require time, effort, resources and co-ordination.

Immigration policy also has big implications for the industry's professionals and businesses that provide construction-related services. This sector is rapidly expanding its influence abroad and is reliant on free trade in services. Unlike trade in goods, trade in services often requires people moving between nations.

It is essential to state that the CIOB is an interested party. It is an international organisation influencing standards across the globe. But while the immigration debate is

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evidently of direct interest to the CIOB, its higher priority must be to make an honest assessment in the public interest, as governed by Royal Charter.

The political challenge this policy document seeks to address is how the nation can enable free movement of workers within a framework that maximises and widens the economic benefits to the UK and its citizens while reducing the overall and specific negative social and economic impacts.

The main conclusions of this report are:

- **Migration is necessary to construction. It dampens the harmful effects of having a volatile labour market. Tight regulation of migration would damage construction activity in the UK.**
- **The greatest opportunity to expand the UK base of expertise in construction lies in boosting overseas activity. A perception of having closed borders would greatly weaken the UK's prospects of expanding its positive balance in construction-related trade.**
- **Construction firms will be attracted to draw more heavily on migrant workers as the industry emerges from recession.**
- **Without regulatory control, the most effective way to reduce migration into construction jobs is to invest heavily in training, mentoring and developing young UK citizens. This in the process reduces the burden of youth unemployment.**
- **To reduce the skills shortages, the industry must find ways to retain older workers.**
- **If we wish to reduce the stresses on the community created by migration, investment in construction must rise.**
- **To reduce the migrant flows into and out of the construction industry, investment in the built environment needs to be such that it reduces volatility in demand nationally, locally and by sector.**

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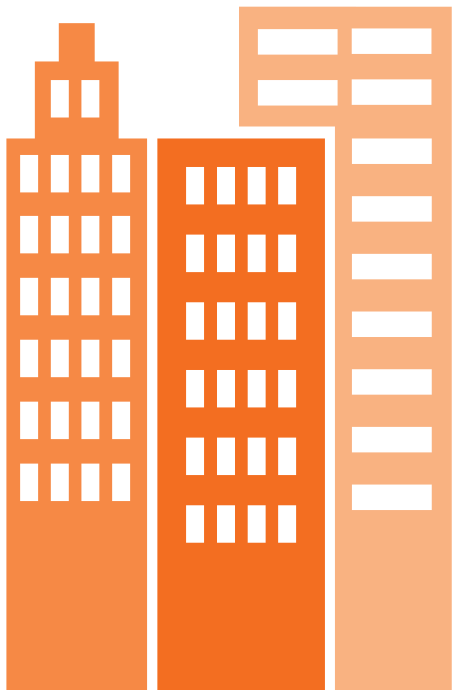

THE MAJOR POLITICAL ISSUES AND POLICY CHALLENGE

In late 2014, for the first time, "race relations / immigration / immigrants" topped the Ipsos Mori poll of the most important issues facing Britain, exceeding concern over the nation's economy. Never in the almost 40-year history of this particular poll has migration been a more widespread concern.

It's too easy to dismiss public concern over immigration as irrational. There folly lies. Growing concern over immigration does track real changes. The data suggests concern grew after a rise in inward net migration as chart 2 shows (page 10), suggesting the public is reacting to real change rather than simply anticipated change. An Ipsos Mori report in 2014 on perceptions of immigration stated: "The relationship is clear enough to conclude that the number of immigrants is important to public attitudes."[5]

Importantly, however, the report stressed that the relationship between the number of immigrants and attitudes towards immigration is far from straightforward. Attitudes to immigration vary widely between age groups, where people live, their political allegiances, along with other factors. It also matters what type of immigrant is considered. The issue may not have polled as strongly as a major concern facing Britain in the past, but the report notes that even in 1978, when net migration had been negative for many years, about two thirds of the public polled said they feared "being swamped" by people of different cultures. The questions asked matter in unpicking this complex of rational and irrational concerns.

More practically, the concerns regularly voiced today include: the stress on the NHS, schools and other services; downward pressure on wages; taking jobs from local people; increased pressure on housing; 'benefit scrounging'; the dilution of the British culture; crime and a host of other real or imagined results of immigration.

A widespread concern today is that immigration stresses the public purse and public services despite immigrants being, on balance, net fiscal contributors as they are generally younger and more likely to work. The Ipsos Mori study found 76% polled agreed that immigration puts too much pressure on public services.

The picture painted suggests that public concern is based both in people's real experiences and in their imagination. Irrespective of what constitutes the mix of concerns, migration represents a major and growing political challenge.

The counterpoint in the political debate is the benefits of migration. Two of the most dynamic global cities, London and New York, stand as totems to the economic and cultural value of migration. Much of their vibrancy derives from a willingness over centuries to accept migrants internally and internationally. More recently, the global success of the Premier League, a major earner and cultural boon for the UK, has been underpinned by migrant workers plying their trade in the country.

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While there is public disquiet over the level of immigration, businesses and business leaders are broadly supportive of migration. CBI Director-General John Cridland in October 2014 argued that EU migration was essential for a healthy economy[6]. Many industries, including construction, have relied heavily over the years on migration to meet their skills needs. The NHS and the care sector are regularly flagged as services that would collapse without their foreign-born employees. However, just as the concerns of migration are complex, the economic case is again far from simple.

Many studies show very positive economic impacts. The Centre for Research & Analysis of Migration at UCL recently produced a report[7] that concluded: "…the recent wave of immigrants, those who have arrived in the UK since 2000 and driven the stark increase in the UK's foreign-born population, have contributed far more in taxes than they have received in benefits."

But this view is disputed by, for example, Migration Watch UK[8]. It quotes the 2008 House of Lords report on the economic impact of immigration[9]. It stated: "We have found no evidence for the argument, made by the government, business and many others, that net immigration – immigration minus emigration – generates significant economic benefits for the existing UK population".

This, however, does not really cover the counterfactual question of how much better or worse UK industries and the economy as a whole might have performed if immigration had been more tightly constrained. Added into this conflicting national policy puzzle of social and economic impacts are the obligations that the UK has to the wider international community, most importantly the European Union. Free movement of workers is a fundamental principle enshrined in Article 45 of the Treaty on the Functioning of the EU[10]. Given that much of the recent rise in net migration has been from the EU, this has added to the political stresses.

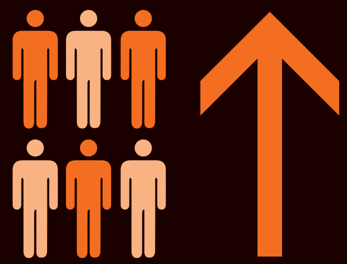
Boiled down, the political challenge if the UK wishes to remain within the EU is to enable, as far as possible, free movement of workers within a framework that maximises and widens the economic benefits to the UK and its citizens while reducing the overall and specific negative social and economic impacts.

"the relationship between the number of immigrants and attitudes towards immigration is far from straightforward"

FACT FILE

NOTE 1: NOTE ON MEASURING MIGRANT LABOUR

Data on migrant labour in construction are subject to significant errors and confusion resulting from difficulties such as varying definitions, high levels of fluidity in the population, survey design and small sample sizes. Two measures generally used to scale the number of migrants are foreign born and foreign nationals: neither is perfect. All migration figures should be treated with caution. Surveys are prone to underestimate the numbers when they are rising, as new arrivals and those set to leave can be underrepresented in survey samples and the census. Definitions of construction also vary, adding further to difficulties of interpreting the data.

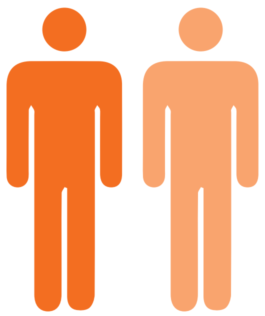


FACT BOX 1: MIGRATION GLOBALLY

Migration is not just a UK issue. It is a significant political issue globally. Data from the World Bank[11] shows how the number of people born in a country other than that in which they live (the international migrant stock) has grown rapidly over the past 30 years, from 93 million in 1980 to 213 million in 2010. Much of this is, however, down to the redrawing of national borders.

FACT BOX 2: PROPORTION OF NON-UK BORN AND NON-UK NATIONALS IN THE WORKFORCE

ONS Labour Market Statistics show the share of non-UK nationals in the workforce almost doubling over the 15 years to 2013, rising from 4.1% to 9.8% of the workforce. The proportion of non-UK born workers rose from 8.4% to 17.3% of the workforce. More than a third of the rise in non-UK born workers over the past 10 years was from the new entrants to the EU.



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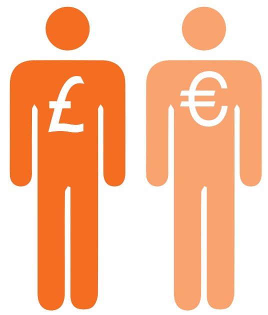
FACT BOX 3: HOW UK MIGRATION STATISTICS COMPARE WITH OTHER LARGE EUROPEAN NATIONS

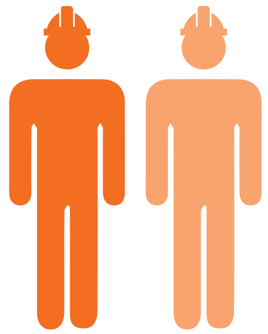
According to OECD data, in 2012 the UK had a similar proportion of foreign-born residents to France and the Netherlands (approximately 12%), but saw a greater rise over the past decade. Germany, Spain and Sweden have more (between 13% and 16%). Spain has seen the greatest rise in the numbers of foreign-born residents from 6.4% in 2001 to 14.3% in 2012, compared with 8.2% and 11.9% for the UK.



FACT BOX 4: PROPORTION OF NON-UK BORN CONSTRUCTION WORKERS

Census data suggests that the proportion of non-UK born people working in UK construction in 2001 was 5%. The 2011 census data available for England & Wales suggests a rise to 10.6%. However the proportion of Irish-born in the industry fell from 1.5% to 1%. Assuming an even share in Scotland, this suggests a rise from 3.5% to 9.6% in the proportion of construction workers born outside the British Isles.

Labour Force Survey data published in a 2009 report[12] by the OECD put foreign-born employment in construction in 2009 at 228,000. This is about 10% of the workforce. Given the loss of jobs by then from recession, the peak is likely to have been higher. Later editions of the report measuring foreign nationals rather than foreign-born suggest migrant numbers have risen since 2010.



FACT BOX 5: OVERSEAS TRADE IN PROFESSIONAL SERVICES RELATED TO CONSTRUCTION

The latest ONS data for 2013[13] shows a positive trade balance for construction services of £1.5 billion. The architectural, engineering and other technical services sector, which includes a large element of construction-related work, had a positive trade balance of £7.8 billion. There is als o a slice of the professional and management consulting services sector which directly relates to construction. This sector had a net balance of trade worth £9.8 billion. The trend in the balances in all these sectors is upward. Many billions of pounds worth of high-value trade in services is tied to UK construction activity abroad.

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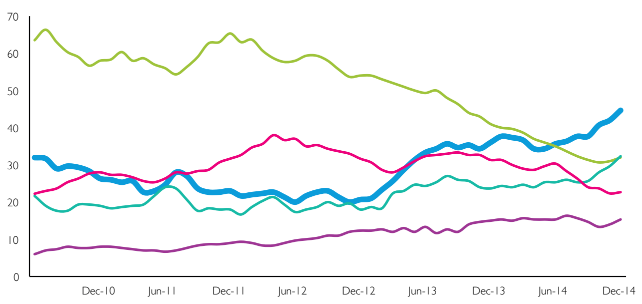
FACT FILE

Chart 1

MAJOR ISSUES FACING BRITAIN

(% responses, 3-month moving average)

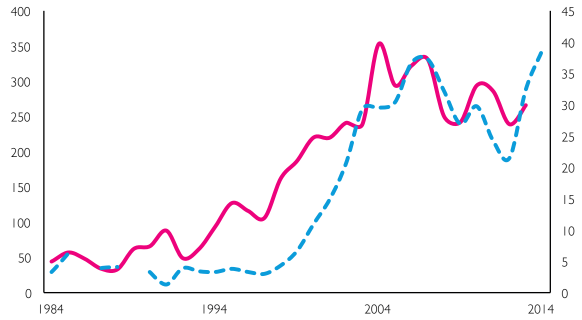


- Economy
- Unemployment
- Immigration
- NHS
- Poverty

Sources: Ipsos Mori

Chart 2

CONCERNS OVER IMMIGRATION AND NET MIGRATION OF NON-BRITISH CITIZENS



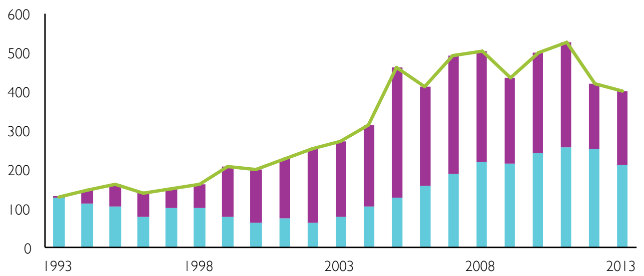
- Net inward migration of non-British citizens (thousands)
- Ipsos Mori "immigration" poll result (% of respondents)

Sources: ONS, Ipsos Mori

Chart 3

MAIN DRIVERS OF UK POPULATION CHANGE

(thousands)

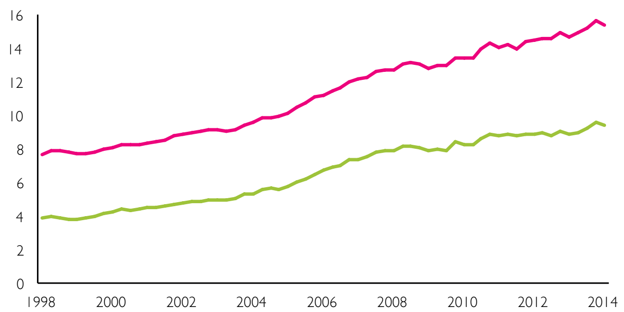


- Net international Migration & Other
- Births minus Deaths
- Overall Net Change

Source: ONS

Chart 4

PROPORTION OF UK EMPLOYMENT BY FOREIGN-BORN AND FOREIGN NATIONALS

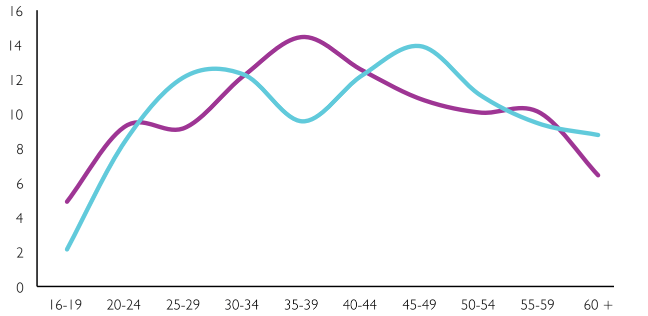


- Non-UK born in workforce (%)
- Non-national in workforce (%)

Source: ONS

Chart 5

AGE PROFILE OF THOSE EMPLOYED IN CONSTRUCTION 2004 AND 2014 (%)



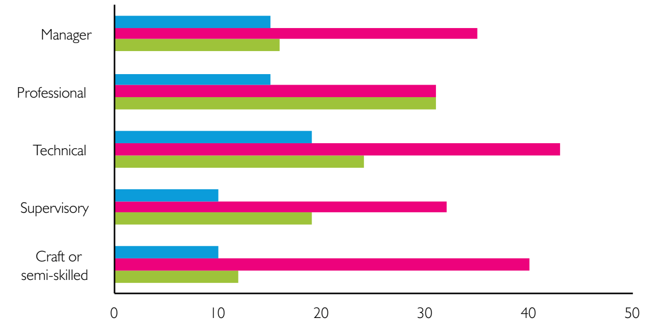
- 2004
- 2014

Sources: ONS Labour Force Survey via CITB

Chart 6

MOBILITY WITH CONSTRUCTION EMPLOYMENT

(% of each group within sample)



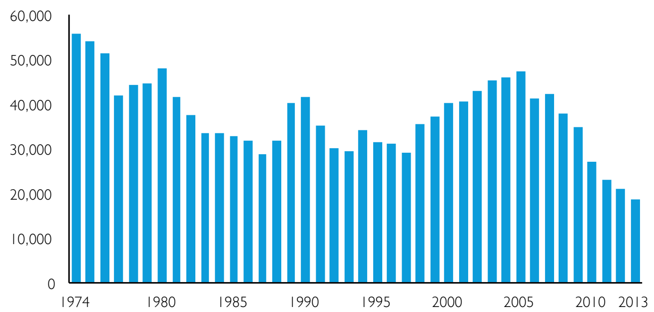
- Worked abroad
- Stayed away
- Relocated

Source: CITB

Chart 7

FIRST-YEAR CONSTRUCTION TRAINEES

(1974 to 2013, Great Britain)



Source: CITB Training Numbers Survey

WHY IMMIGRATION MATTERS TO CONSTRUCTION

Construction and migration have been intimately linked for millennia.

Ancient Egyptian pyramid builders were migrants (not slaves) from towns throughout Egypt. Thriving today, Boulder City in Nevada, US, was born in the 1930s as migrant workers arrived to build the Hoover Dam. When in the past Britain has struggled to find construction workers, it turned to Ireland. The Irish duly became an integral part of this nation's industry.

Importantly, Britain has a history exporting construction talent and the industry has long attracted those with wanderlust. Foreign shores have offered a lifeline to UK workers facing recession at home, as captured in the sitcom Auf Wiedersehen Pet. During the 1980s recession, unemployed British construction workers took flight to Germany and again in the 1990s when German reunification fuelled a building boom as UK construction slumped.

Globally, the strengthening link between construction and international migration is very evident. In Qatar, migrant construction workers greatly outnumber the local population.

In the UK, the greater construction industry provides about one in ten of the nation's jobs[14]. Its potential to influence and be influenced by migration is large.

To unravel the complex influences of migration, construction is best viewed as three linked streams of activity: contracting (putting up and refurbishing/maintaining the buildings and structures); manufacturing of products for use in construction; and construction-related services (planning, designing, administrating, leasing equipment and delivering materials).

The huge contracting element of construction is very different from most office or factory-based work. Rather than a single work location, the workforce is constantly in flux moving from site to site, often large distances apart. This presents unique labour supply issues. Local labour markets can provide a fairly steady level of underlying construction activity within reasonable travel-to-work distances for many workers. But the workforce needed for major or highly-specialised projects is seldom met by the local labour market. This means the industry needs a highly flexible, in part itinerant, workforce to call on.

This local volatility is exacerbated by the boom and bust nature of construction activity, caused in part by what economists would describe as the accelerator effect, whereby fluctuations in the broad economy tend to be amplified in the construction sector. Even a modest boom in the general economy can create far more rapid growth in investment, much of which is construction. Data shows that construction is highly sensitive to changes in GDP. It is worth noting that rapid population growth, all other things equal, will raise growth in GDP and prompt faster growth in construction.

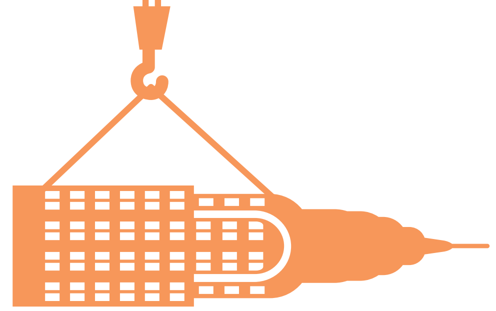
The construction industry is therefore prone to gluts and shortages in labour. So some migration into and out of the country is then both inevitable and desirable for contractors as it helps to dampen the volatility in the labour market. Construction Industry Training Board (CITB) research[15] shows that 14% of those working in the construction industry have worked abroad, including 10% of the craft and semi-skilled workforce.

Construction-related services present a different relationship with migration. The UK has a long history of selling construction services across the world, in the past sending professionals to foreign markets. The CITB research indicated 19% of technical staff have worked overseas.

The development of information technology means that more international work can now be done in the UK with less reliance on expat professionals. The export of architectural and engineering consultancy work from the UK is rapidly growing, providing a strong positive boost to the overseas trade figures. The net balance in favour of the UK trade in construction-related services today runs into many billions of pounds a year. We are seeing the development of a hub of international construction expertise within the UK, which both attracts and benefits from talent from abroad. Migration is therefore an important issue.

For the most part the construction materials sector can be seen as part of the manufacturing base. It is increasingly global, with large cross-border conglomerates dominating the market. With a growing market for high-end construction-related products and materials, there is a clear opportunity for exploiting links in research and development with a vibrant globally-focused consultancy sector, such as in the UK. So immigration policy clearly matters to the development of this sector as part of the wider construction industry in the UK.

Whatever the flow of costs and benefits from migration, its relationship with construction is intimate.



> *"Ancient Egyptian pyramid builders were migrants (not slaves) from towns throughout Egypt"*

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HOW IMMIGRATION INFLUENCES CONSTRUCTION

The effects of immigration on construction are wide ranging, influencing the supply side, demand and industry culture and practice.

Looking at the supply side, migration is essential to provide the flexible supply of labour needed to meet volatile demand generated at a local level. It reduces shortages when activity expands rapidly. It reduces unemployment among construction workers when workloads plunge. It can help to smooth otherwise volatile wage rates, reducing financial uncertainty for clients, contractors and workers.

It may be coincidental, but the levels of unemployment experienced in the recent harsh recession were less severe than in the past. Construction-sector unemployment rates are even now comparable with pre-recession levels.

Within the professions, access to the best global talent provides an opportunity to improve the efficiency and effectiveness of UK firms and their international competitiveness. Firms benefit not only from talented foreign employees but from the knowledge transfer.

However, a ready source of high-quality migrant labour can reduce the incentive to invest in training UK citizens, especially when demand for labour rises sharply. A supply of ready-trained migrants becomes very attractive with construction training expensive, lengthy and time consuming.

The cost of training in construction is high relative to most industries. Estimates in 2011 of the cost to employers of training an apprentice in construction was put at £24,000, rising to £26,000 when the cost of drop-outs were factored in[16]. Beyond this, firms will consider the uncertainty attached to how good the young adult employed might prove to be, when they will become productive, how much mentoring, pastoral care and supervision might be needed, whether they might drop out and how long they might stay before leaving the firm.

These challenges help explain why the CITB exists when most industry training boards were disbanded. Grants are available but they are unlikely to cover the full cost to a firm of taking a trainee through to becoming a skilled and productive worker.

There are costs in establishing links to sources of suitable migrants, but they will be significantly lower than training.

Once arrangements between labour agents and firms are set up, they open a route to a steady if not accelerating flow of workers whose training costs fall lightly on the UK industry.

This is a danger that needs watching. Construction plays a vital role in providing UK citizens, including those who may struggle with academic life, a route to a solid career. It allows progression from trade roles to a profession, and provides construction management careers to graduates. Importantly, it facilitates upward social mobility. It represents a tool to combat structural unemployment that can be applied from a local level and beyond.

The CITB training numbers survey shows a decline from a peak in 2005 in the number of first-year trainees to levels not seen in the 40 years of the survey. This fall coincides with the influx of migrant workers following the expansion of the EU. It also corresponds with a booming economy, where UK youth had many other options, followed by a deep slump, where demand evaporated. Further to this, 19% of the UK's construction workforce is set to retire within the next five to ten years[17] while, on the professional side, enrolment on undergraduate construction degrees has seen a 43% reduction since 2008[18].

Whatever the reasons behind the numbers, the fall graphically illustrates the urgency for greater effort to attract and train UK youth. This is no simple task. That the CITB remains as a statutory training body when most were abolished is testament to how tough it is for the UK construction industry to provide training.

There are fears that large scale immigration suppresses local wage rates. The evidence suggests this effect has been slight. The general view among experts is that it may suppress low-end wages, especially of other migrants, and may slightly boost incomes at the top[19].

A report by the Migration Advisory Committee[20], an advisory non-departmental public body, in January 2012 stated: "Studies estimating the impact of migrants on UK wages have generally found little or no impact on average wages. However, in some studies migrants were found to increase wages at the top of the UK wage distribution and to lower wages at the bottom."

Given the highly flexible and volatile nature of the construction labour market and the high level of self-employment, it is likely that an available pool of skilled migrant workers does reduce the risk to firms of wage shocks when demand rises. Similarly it should lead to less dramatic cuts in wages as demand falls, as the net flow of migrants into the industry slows or reverses.

ONS analysis in 2010[21] found the impact of job losses in 2009 was proportionately less on UK-born construction workers than on non-UK born. Redundant UK-born workers will fall back on benefits. Many redundant migrant workers will return home. The net effect, all other things being equal, is a softer blow to the exchequer from construction job losses.

There is much made within the immigration debate of the impact of migrant labour on unemployment. But the House of Lords Economic Affairs Committee report of 2008 found little compelling evidence either way.

It stated: "The available evidence is insufficient to draw clear conclusions about the impact of immigration on unemployment in the UK. It is possible, although not yet proven, that immigration adversely affects the employment opportunities of young people who are competing with young migrants from the A8* countries."

Both the construction employers and union representations emphasised the need for migrant workers in the construction sector. But there was a suggestion within representations made by the unions and others, including the Department of Work and Pensions, that there were risks that too much migration could reduce the incentive for training.

Importantly, rising net immigration increases the need to expand the built environment. A rapid rise can create exceptional demand if the quality and effectiveness of the nation's infrastructure is to be preserved.

A major public objection to immigration is pressure put on the housing stock. In the latter half of the 20th century, more homes were built per year than the number of extra people in the population. This raised living standards for ever smaller families. But this pattern has reversed and, unsurprisingly, pressure has mounted on the construction and development industry to boost house building.

All other things being equal, population growth boosts GDP and strong economic growth means even faster capital investment. The recent leap in population growth suggests strong underlying demand for construction. This is reflected in the crisis in housing and growing concerns over school places. It will also be reflected in the need for extra public and private buildings elsewhere and in the need to improve and expand the nation's other infrastructure.

Beyond supply and demand, a higher proportion of migrants will influence the culture of the industry. Construction is a highly fractured industry with many layers of firms of an extreme mix of sizes and functions producing mainly bespoke products in dispersed and disparate locations. This means it relies heavily on trust and individuals operating appropriately. Providing adequate oversight is not straightforward. Controlling standards of health and safety, communication, training and payment is paramount to avoid exploitation and corruption. Migrants, unfamiliar with UK customs and practice, can be targeted as easy victims or become unwitting or potentially willing collaborators in unsuitable behaviour.

"Firms benefit not only from talented foreign employees but from the knowledge transfer."

*The A8 countries are comprised of the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia, who joined the EU in May 2004.

CONSTRUCTION: CENTRAL TO THE SOLUTION

If the challenge is to maximise the advantages of migration and mitigate the burdens, it must first be recognised that the UK construction industry, as it stands today, benefits from migration.

Migration provides vital flexibility within the labour force. It facilitates rapid growth. It reduces the cost to the industry and nation of carrying a "reserve army" of workers. It can improve productivity and enhance the talent pool making the UK more effective both at home and in its international trade in construction-related services and products.

However, there are costs and dangers. The high cost of training and the volatility of the industry could potentially lead to firms importing "job-ready" migrant labour at the expense of training, thus denying valuable job opportunities to UK citizens, especially the young and unemployed.

In the 2014 cross-party parliamentarians' inquiry 'No more lost generations', Nick Raynsford MP and Lord Richard Best OBE wrote: "As the construction industry recovers from recession, we ought to see a significant growth in training and employment opportunities for young people. Instead we hear increasingly dire warnings of looming skills shortages, amid expectations that vacancies are most likely to be filled by migrants from other European countries"[22].

There is huge demand for new entrants into construction as it seeks to recover from 400,000 job losses while replacing increasing numbers retiring from its ageing workforce. A typical UK construction worker is now aged between 40 and 50. History suggests retirement from construction rises rapidly among 50 year olds. And research by CITB suggests the physical and arduous nature of the work was cited by almost a third as their reason for retirement.

While construction will need to recruit migrant workers to cope with the upswing in work, the opportunity is there to train many more UK youngsters. Investing heavily in training, development and mentoring should, over time, suppress the flow of migrant workers into the industry while opening up career opportunities for UK nationals. Meanwhile, the presence of a ready source of high-quality migrant labour would act as competition, encouraging the industry, government and related agencies to invest in UK workers to raise their productivity.

From the above we see there are practical solutions within construction to reduce the call on migrant labour. The industry also holds many solutions to the burdens high levels of migration can place on a nation. It builds and renews the homes, schools, offices, shops, roads, railways, cycle routes, sewer systems, waterworks and the rest that an expanding population demands.

As mentioned before, population growth boosts GDP. Strong economic growth creates an accelerator whereby investment grows faster. Hence the recent leap in population growth suggests strong underlying demand for the fruits of construction.

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However this demand only becomes effective with funding, either public or private. Given the recent population expansion, the low cost of borrowing and the need for the UK to raise its productivity, the theoretical case for funding more construction is very strong.

The prospect of a rapid expansion in demand opens a potential opportunity for the construction industry to be bolder and look to renew, reshape expand and improve the built environment 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.

"There is huge demand for new entrants into construction as it seeks to recover from 400,000 job losses"

POLICY OPTIONS

To aid a better understanding of the options open to government and their relevance to construction, we characterised the policy approaches available below under four broad headings. They are stylised for clarity and are not meant to be complete or their elements exclusive to any one potential overall policy framework.

DO NOTHING

Migration both internally and externally has served construction over the years, as outlined above. On balance, the costs and benefits to construction from migration appear to be weighted heavily towards the positive. But there are troublesome issues that should not be ignored.

From a national perspective, migrants increase the demand on existing services, buildings and infrastructure. These costs must be addressed and remedies found.

From a construction perspective, the increase in demand for buildings and infrastructure is a clear opportunity for expansion. Irrespective of public finances, the boost to economic activity resulting from an expanded population will drive construction growth.

A laissez-faire approach might appear to suit construction. However there are downsides. A ready source of unfettered migrant workers can easily become accepted as a more-flexible and less-expensive substitute for training UK citizens. This approach would lead to a less resilient industry in the long term, with its destiny resting on migrant labour. It would also deprive UK citizens of valuable careers.

TIGHTEN THE NON-EU MIGRATION REGIME

Ultimately legislation to toughen non-EU migration may prove extremely awkward in relation to construction, given international agreements. Notable are the moves to liberalise trade in services by the World Trade Organization General Agreement on Trade in Services (Note GATS mode 4, the presence of natural persons). This could in theory apply to the international supply of construction trade or professional services.

Assuming workable legislation could be implemented to curb non-EU migration it may prove ineffective in reducing the bulk of construction-related immigration.

A fall in non-EU migration is likely to be countered by a rise in EU inward migration. This would mean deeper associations with fewer countries, which may facilitate rather than restrain migration.

There are other dangers in seeking to further control non-EU migration. It could limit UK firms' access to the world's best talent, putting them at a competitive disadvantage, particularly in overseas markets. This would be detrimental at a time when the UK is establishing itself increasingly as a hub of construction expertise.

TIGHTEN THE EU AND NON-EU MIGRATION REGIME

Seeking to restrict EU migration would prove very troublesome to negotiate as it conflicts with the basic EU principle of freedom of movement. To "gain control of our borders" would in all likelihood require leaving the union.

If the UK were able to curb EU migration, other international agreements, such as GATS, would create international political and legislative difficulties.

As mentioned above, international legislation is leaning towards greater liberalisation of the movement of labour as the global trade in services grows. This would make blanket controls difficult to implement and with potentially negative side effects for construction.

The UK benefits by many billions of pounds a year from overseas trade in construction services. As a nation seeking to expand its trade in services internationally, these efforts could be jeopardised if tight controls of foreign workers were viewed as anti-competitive. Furthermore they could hamper the ability of UK firms to compete for the best international talent.

Assuming controls could be put in place, an overall clamp on migration into the UK would restrict the construction industry's ability to grow. It would hamper innovation and reduce the talent pool of trades and professionals available to the industry. The UK would also lose out on an opportunity to benefit from any fresh ideas migrants frequently bring from their home countries.

Furthermore, it could also frustrate the outward migration of UK construction workers in times of slack demand. The dampening effect two-way migration provides to the volatile construction labour market is beneficial.

The loss of the dampening effect of migration on the UK construction labour market would, all other things equal, make working in construction more precarious and less attractive. It would also mean huge losses in the investment in human capital from period bouts of deep job losses.

The benefit of tighter migration is that, arguably, it would oblige UK firms to train more UK nationals. But given the fragmented nature of the industry and the ease with which trained workers are poached, the outcome could be more people trained less well, which would hamper the industry's productivity and reduce the quality of its products.

FOCUS ON NON-IMMIGRATION-RELATED MEASURES TO MITIGATE COSTS AND MAXIMISE BENEFITS

Retaining the pool of migrant workers available to draw on during periods of rapid expansion in construction has strong net benefits to the industry. However, relying too heavily on migrant labour across business cycles has downsides.

These are discussed above. Opportunities to develop UK citizens can be undermined. Migrants can be exploited. And rapid rises in net migration puts pressure on housing and services, creating resentment and unease within the broader community.

Policies can be developed that lean against over reliance on migrant labour. High on the list would be developing the local workforce and improving the route of young local people into construction firms. This would reduce the need for firms to seek workers from overseas.

This would mean higher levels of investment in training and development, which in construction is expensive. However the financial return from reducing the long-term cost of supporting thousands of NEETs is great. There would be benefits to the exchequer, society and the NEETS.

At the other end of the age spectrum, the industry faces a rapid increase in job shedding as a demographic bulge in workers shifts into the 50's age range.

Reducing the numbers leaving the industry in their 50's would greatly reduce the demand for migrant labour to fill the skills gap.

Furthermore the reduction in the number of migrants needed to support construction industry growth would mean less pressure on services and housing.

Policies could also be pursued to strengthen policing of standards and provide better support and advice for legitimate migrant workers. This would help to undermine any competitive advantage unscrupulous firms might gain from exploiting migrants, associated corruption and other bad practice.

Looking at maximising the benefits of migration, policies could be adopted to encourage to the UK the best construction talent from around the world. Construction-related planning, design and management services are becoming increasingly globalised. The UK has a fine international reputation in terms of its education, standards and the quality of its businesses, a reputation enhanced by the London Olympics and Paralympics.

Creating an international hub of construction-related expertise in the UK offers great hope to the nation as it looks to rebalance the economy. But it would require attracting leading lights from around the world.

RECOMMENDATIONS

The construction sector appears to be once again on the cusp of another strong business cycle following a severe downturn. It must repair itself and will need to recruit huge numbers of workers not just to grow, but to prepare for the impending flood of older workers that are likely to leave the industry.

To meet their demand for labour, construction businesses face a simple set of choices between importing from a ready supply of foreign talent, investing in training and development of UK citizens, or redesigning the construction process.

One is quick and relatively inexpensive, but is a short-term fix. The others require time, effort, resources and co-ordination, but will pay-off with enormous long-term benefits.

These recommendations primarily address the issue of importing labour in the context of migration. But they should also be seen in the context of an industry looking to a fresh start.

The substantial repair needed to the industry's damaged fabric provides numerous opportunities to make far reaching changes for the better. Furthermore the global construction industry offers greater opportunities to expand on the world-class talent in the UK.

Every policy decision, every initiative should be seen in this light.

"the industry's damaged fabric provides numerous opportunities to make far reaching changings for the better"

OUR KEY RECOMMENDATIONS:

- The CIOB believes that government should not resort to legislation that would greatly restrict migration. The evidence suggests that the construction sector is best served by free movement of labour. Judicious constraints and safeguards may be appropriate, but should be based on sound evidence. Introducing policies that threaten labour mobility or threaten the view that the UK is among the more open trading nations would damage the reputation of the construction industry in international markets. Construction work is expanding most rapidly in developing nations. A loss of reputation would damage potentially highly lucrative international trade in construction-related services and in so doing would damage the wider UK economy.

- *Construction remains an industry that simply does not train its own people in sufficient numbers. Industry and government should look with urgency at boosting support for training, mentoring and developing young UK citizens in construction skills as the most effective way to moderate the inflow of migrant workers into the construction sector. The most effective way to control the inward migration of construction workers without resorting to immigration legislation is to provide UK citizens with high levels of training. The construction sector as a whole should with urgency look holistically at the long-term financial and social costs and benefits of boosting training and development in construction in light of the current high levels of demand for construction, high youth unemployment and the value it places on lower levels of migration.*

- Central and local government should seek, as public procurers and planning regulators, to secure from developers and construction businesses workable obligations to train and develop local people. The quality and long-term effects should be monitored thoroughly. Consideration should be given to a system of payments or reimbursements to businesses that secure lasting beneficial results and value added. This would provide an incentive to achieve excellence and encourage firms not to seek "easy wins" in the selection of trainees.

- *Communication is vital in the recruitment process. If more UK citizens are to be attracted to construction, the industry needs to continue and enhance its outreach work in schools, ensuring the careers advice presents a fair representation of the huge opportunities available at both trade and professional levels. The industry also needs to raise awareness of these opportunities among experienced workers who may be considering a career change, or those facing redundancy, particularly among those with similar or easily-convertible skills. Such communication needs to be supported by presenting and providing clear pathways for candidates into the industry.*

- The industry needs to put greater emphasis on mentoring and pastoral care if it wishes to attract and retain young adults. Construction is at the heart of communities and has a social responsibility within these communities. It can play a hugely significant role in transforming troublesome youths with little future into responsible adults with fine prospects – and there are examples to prove it. The industry, working with other agencies, should seek to establish new mechanisms to fund and deliver higher numbers of disadvantaged young people into the construction workforce and provide adequate support to retain and develop them.

- *With rising life expectancy and a rising pension age it is incumbent on business to rethink its approach to older workers. Construction firms and the industry as a whole need to take urgent action to avoid its demographic bulge in older workers tipping rapidly into retirement over the next five to ten years. It needs to find and develop long-term solutions that will retain older workers for longer within the workforce. This will involve creative thinking. It may mean reshaping the work. It may mean finding new roles, such as training, overseeing and mentoring apprentices. But the industry can ill afford to lose so much human capital at such an early age when the demand for skills is rising.*

- The industry must remain vigilant and ensure migrant workers receive excellent induction and suitable training, particularly in relation to health and safety. Adequate monitoring should also be in place to discourage the exploitation of migrants.

- *To mitigate the effects of migration there should be cross-party support to prioritise investment in the future infrastructure needed to boost productivity and accommodate and take advantage of the expanded population. With borrowing costs exceptionally low, the government should take a more pragmatic and long-term view of capital investment.*

- Much of the public's concern over immigration relates to the growing housing crisis. House building has remained at low levels despite numerous incentives and large-scale state interventions to stimulate the private sector. If the evident market failure continues, the government should not for ideological or political reasons shy from greatly increasing direct investment in house building and align this with a major policy of locally-based construction skills training and development. Such an intervention could be designed to be revenue neutral in the long-run or indeed designed to result in a net surplus to the Treasury.

CONCLUSIONS

From the evidence we have gathered, the free movement of labour is clearly in the DNA of construction. It is in its interest and, as an industry of strategic importance to the nation, it is in the public interest. But unchallenged it represents a threat.

The evidence seems to point directly to three main conclusions.

The first is obvious and, coming from the industry, may seem self interested. Many of the stresses felt by local communities rely essentially on delivering more construction. We do need to invest more to provide more homes and better infrastructure. This would not simply improve the quality of life for UK citizens but improve the productivity of the nation and its long-term future.

The second conclusion is that a crude clamp on freedom of movement of labour would be to the detriment of the industry. As a volatile industry, construction benefits from the two-way migration with foreign workers finding jobs in the UK and UK workers finding jobs abroad.

But the most important conclusion is that migration should not become a substitute for training UK citizens in sufficient numbers to provide a sensible base of workers needed within the nation's construction sector.

Construction offers young people a route to a fulfilling and exciting career. It offers greater social mobility than is found in most sectors of employment. It takes those that may not be academically inclined, but who can contribute the enthusiasm, insight and talent to produce buildings and structures that benefit us all.

If we wish to contain the level of migration into construction it is greater effort here that is needed. Supporting efforts to turn those too often dismissed as a burden into a benefit for Britain.

We should not seek to close jobs to foreigners. We are seeing a surge in UK professional services sold across the globe. It is an ever larger positive contributor to the nation's balance of trade as the UK is rapidly growing as a major hub of international construction expertise. The more this star shines, the more bright young talent will be attracted to the industry from both the UK and abroad.

Immigration offers threats that must be met. But it offers, for the construction industry and, as a result to the nation, many more opportunities.

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