

# The Chartered Institute of Building

submission to the

## The parliamentary inquiry into construction and youth employment

The Chartered Institute of Building  
Englemere, Kings Ride  
Ascot, Berkshire  
SL5 7TB

## Parliamentary inquiry into construction and youth employment

### Introduction

The Chartered Institute of Building (CIOB) is at the heart of a management career in construction.

We focus on those entering and already in a management career in construction by delivering qualifications and certifications that meet the needs of a changing industry. We work with members, employers, academia and governments across the globe to drive forward the science and practice of management in construction.

### Background

There are close to one million young people (16-24) unemployed in the UK. The UK has one of the worst levels for youth unemployment in the developed world, with just Spain and Greece experiencing higher levels within the Organisation for Economic Co-operation and Development (OECD). Additionally, the UK has experienced the quickest rise in youth unemployment than any other country in the G8 since the start of the recession<sup>1</sup>.

The issue of youth unemployment is not a new one and continues to challenge policy makers. The scale of the problem can be seen over the past 30 years, where the youth unemployment figure has failed to fall below 500,000<sup>2</sup>. More recently, the global financial crisis has been cited as one of the primary causes for youth unemployment, affecting not only school leavers, but increasing numbers of graduates.

Measures implemented by the coalition Government addressing youth unemployment and increasing social mobility both have so far had a limited effect. With a large number of employers asking why the education system has failed to produce job-ready young people? Further questions should also be asked in respect to why so many industries, such as construction, face skills shortages; and why wealth has not been spread more equally around the UK to aid the creation of jobs.

For young people, long term unemployment can have scarring effects that last a lifetime, harming aspirations and confidence, and we acknowledge that construction, as a major contributor towards GDP and jobs, has a role in supporting young people.

### Full response

*What are the problems which need to be overcome?*

**Apprenticeships:** In 2011, the coalition Government invested £1.2 billion into apprenticeship schemes, describing them as the ‘*new norm*’ for school leavers opting not to go to university. In the same year, 457,200 people started training as apprentices; more than double the average number starting them in the last decade.

<sup>1</sup> The Work Foundation, *International Lessons: Youth unemployment in the global context*, January 2013

<sup>2</sup> House of Commons Work and Pensions Committee, *Youth Unemployment and the Youth Contract*, 19 September 2012

The rise in tuition fees has aided “earn and learn” programmes. However, the term apprenticeship is often used to describe schemes such as retraining, and does not always involve a new recruit in a new role. Despite the rapid growth in the number of apprenticeship starts there is clear variation in quality between industries. For example, research from the National Audit Office (NAO) suggested that many of these apprenticeships have been created in ‘fast growing’ sectors, such as IT and telecoms and, of this figure, a fifth of apprenticeships lasted fewer than six months.

Despite the growth in numbers, the term apprenticeship has become distorted to suit the needs of both government and companies appearing to fill quotas. All too often, anything that involves training is referred to as an apprenticeship. This in turn has damaged the value of apprenticeships. Furthermore, since the rise in numbers in areas such as business administration, we have witnessed a decline in the numbers applying in construction, which is a traditionally apprentice-reliant industry. However, the decline in apprenticeship recruitment in construction can also be attributed to the following:

- **Financing apprenticeships is expensive:** Small and medium-sized businesses (SMEs) account for over 80% of construction companies. SMEs are the most risk-averse when it comes to recruiting and training new staff, particularly during austere economic times. Financing an apprenticeship is expensive; the Warwick Institute for Employment Research found that the average net cost to a construction employer of a three year apprenticeship was £22,000, compared to a£2,300 for a similar scheme within retail<sup>3</sup>.
- **Efficiency drive:** With Government strategies aiming to make construction more efficient, this does not give employers an incentive to hire and train young people, who are, of course, not going to be as efficient and effective as more experienced workers.
- **Image problem:** Construction is often perceived to be a dirty, difficult and dangerous industry. Construction, in its entirety, encompasses a large number of roles and professions and these are not reflected through careers advice and advertising.
- **Immigration:** It is generally known that the construction industry employs a large number of migrant workers. We have evidence that a large number of contractors actively favour employing staff from the EU and although this is well within legality, it is not the best solution for improving youth employment.
- **Geographical variations:** Job opportunities vary across the UK and this is even truer in regards to the sporadic nature of construction workloads. For example, the North East has some of the highest concentrations of youth unemployment and a combination of a lack of available work and socio-cultural factors can lead to pessimism over future job prospects.

### **Section 106 planning obligations for employment and skills:**

As part of planning developments, Section 106 agreements are in place to include contributions that ensure developments complement and benefit the local labour

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<sup>3</sup> UKCG, *Maintain ‘gold standard’ apprenticeships*, UKCG says, 07 September 2012

market and economy. Specific measures include training, employment advice, interview guarantees and work placements. Developers and contractors are required to submit plans for their sites and demonstrate that they will work with local training and apprenticeship providers.

There is not much evidence that supports a concerted approach being taken across local authorities in the use of Planning Agreements and we suspect a stronger partnership involving construction and local authorities is needed to help address these issues. It is also interesting that some of the Legacy goals derived from the London Olympics also appear to have some questions about the reality of what this has meant for local jobs and perhaps how that is recorded and recognised.

The potential to maximise employment and training opportunities for unemployed young people (not forgetting those that are skilled and unfortunately unemployed) needs to be dealt with in a way that creates real opportunities and a sense of longevity at the local level. A key driver for this is how Local Enterprise Partnerships (LEPs) develop a long-lasting partnership with business and the local community and construction has a key role to play.

The opportunities inherent to boost local employment opportunities and also upskill supply chains can help ensure that employees are qualified as they work. There is also a big opportunity to ensure that procurement processes support local development needs and that this is tied-in to the LEP strategy locally.

### **Role of Construction Industry Training Board (CITB):**

Whilst the aims of the CITB and use of the levy **was** primarily aimed at achieving a fully qualified workforce within the next five years from 2004. It is fair to question how successful this has been and how value for money is evaluated and aims have developed since then.

By definition, levy funding collects more than it gives out and of course there are incurred running costs as a result. It would be interesting to measure and understand as a consequence whether the CITB is adding value or whether there is a consequential effect of reducing monies for training in the construction sector, using this money to explore other possible activities.

*How can construction train and upskill more young people?*

**Increase capital spending across the regions:** Increasing capital spending and ensuring there is a visible and stable pipeline of work is key to rebuilding confidence for employers. Enabling them to accurately predict workloads will ensure they are able to guarantee work over longer periods as well as addressing skills that may be needed for future projects.

**Shared apprenticeship schemes:** Employers that may not be able to commit to a full two or three year apprenticeship may benefit from shared apprenticeship schemes. The flexibility of such a scheme enables the apprentice to benefit from the full duration of the placement (normally two or three years), as well as the opportunity to experience working for different organisations. The scheme is also highly workable during times of reduced workloads.

**Reducing bureaucracy and duplication:** Employers can recruit trainees through a variety of schemes. Although the Construction Industry Training Board

(CITB) carries out a large proportion of these through the levy system, there are still a plethora of schemes, adding to bureaucracy and confusion on the part of employers.

**Embed the training of young people as a contractual requirement:** Enforcing requirements for training and apprenticeships through the procurement process would increase the number of young people in employment. On public sector work, contractors should not be awarded a contract unless they have made a visible commitment to take on trainees as a percentage of their total workforce.

*How can the Construction sector improve engagement with young people?*

**Enhance the image and appeal of the industry:** As aforementioned, construction often suffers from an image problem. The industry must reach and interact with younger generations who may be the next leaders in construction. Improving engagement with schools and colleges is vital and initiatives such as *Open Doors* and *National Construction Week* have the ability to broadcast the importance of construction as well as showcase what a career in the industry could look like.

We also feel that face-to-face engagement with young people is vital. The CIOB's Novus programme helps attract new people to the industry by providing opportunities for those who wish to engage in construction careers through social networking where they can gain information on careers, jobs and CPD. The CITB also runs a Construction Ambassador scheme, for those in the construction industry who wish to share their positive experiences with young people who are considering careers in construction. However, we are unsure as to whether this scheme is promoted and used enough to reach those unemployed and looking for work more generally.

**Promote the diversity of opportunities in construction:** An issue that is rarely communicated is the diversity of construction roles that exist. All too often construction is perceived to be a dirty, difficult and dangerous industry requiring a low-level of competence to operate within it. Construction is the UK's biggest industry, and the range of roles must be broadcast, from that of the trades such as bricklaying and carpentry to professional and management careers in architecture and construction management. However, if this is to happen, a step change in the quality and standards of career advice must be made and it may be worth exploring whether a comprehensive careers service for construction could be established.

**Embrace the digital age:** The opportunities of digital technologies, such as Building Information Modelling (BIM) could lead to the creation of highly skilled jobs for young people with an interest in computing and design. Indirectly, the computer games industry, through craft based games such as Minecraft, is developing transferable skills in 3D modelling and integrated design. Minecraft has sold over 20 million copies and with commitment from the industry these skills could lead to fully-fledged careers in construction and engineering.

### **Final comments:**

The construction industry contributes 7.4% towards GDP and equates for around about 2.04 million workforce jobs in the UK, or 6.4% of all workforce jobs. Allied with the number of young people who are unemployed, we believe that the industry should be capable of employing at least 75,000 to 100,000 of the 1 million 16-24 year olds currently unemployed.

**Annex 1: Apprenticeship starts by sector subject area – Academic years (1 Aug – 31 Jul)**

<b>Fig.1 Apprenticeship starts by sector subject area – Academic years (1 Aug – 31 Jul)</b>			
	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
Agriculture, Horticulture and Animal Care	5,690	7,380	7,570
Arts, Media and Publishing	440	1,030	1,210
Business, Administration and Law	76,590	133,820	164,830
<b>Construction, Planning and the Built Environment</b>	<b>25,210</b>	<b>29,090</b>	<b>24,000</b>
Education and Training	860	4,070	7,120
Engineering and Manufacturing Technologies	37,860	48,970	59,480
Health, Public Services and Care	44,150	89,970	109,410
Information and Communication Technology	12,570	19,520	18,520
Leisure, Travel and Tourism	14,690	21,590	19,770
Retail and Commercial Enterprise	61,620	102,770	108,300
<b>Total</b>	<b>279,700</b>	<b>457,200</b>	<b>520,600</b>