

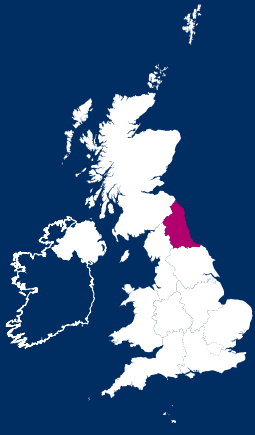
CONSTRUCTION SKILLS NETWORK

The skills construction needs



North East

Five Year Outlook 2023-2027



NORTH EAST

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

↑ **0.9%**

Fastest sector rate of growth expected for

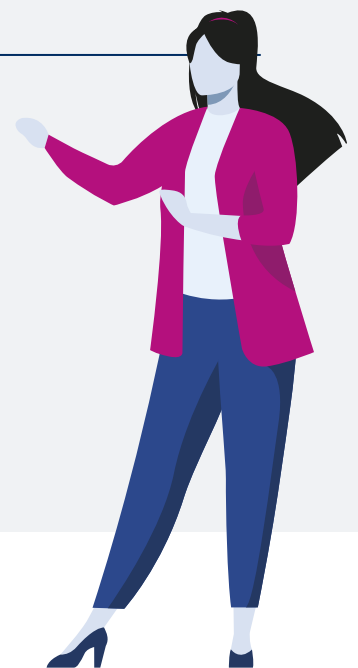
↑ **Private housing** **Commercial**
Non-housing Repair **Industrial**
and Maintenance

The occupations with the strongest additional recruitment requirement levels:

↑ **Non-construction professional, technical, IT,**
and other office-based staff (350 per year)
Plant operatives (320 per year)

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

+ **Blyth Gigafactory** (£2.6bn)
Teesworks Freeport project (£200m)
Skerningham garden village
(4,500 new homes)



Key facts and figures

2022

2023

2024

2025

2026

2027

2028

2029

The annual recruitment requirement in the North East of 1.6% per year is slightly below the UK average of 1.7% and means an extra 7,900 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 **North East** has some significant differences to the UK structure.

The construction industry in the North East has 5,725 businesses with more than one employee, which is 13% of all employers in the region. In 2022 the industry is estimated to have total output of £5.6bn which is structured as per the below chart. The construction industry in the North East is slightly different to the UK for the new work sectors. 2021 saw a significant increase

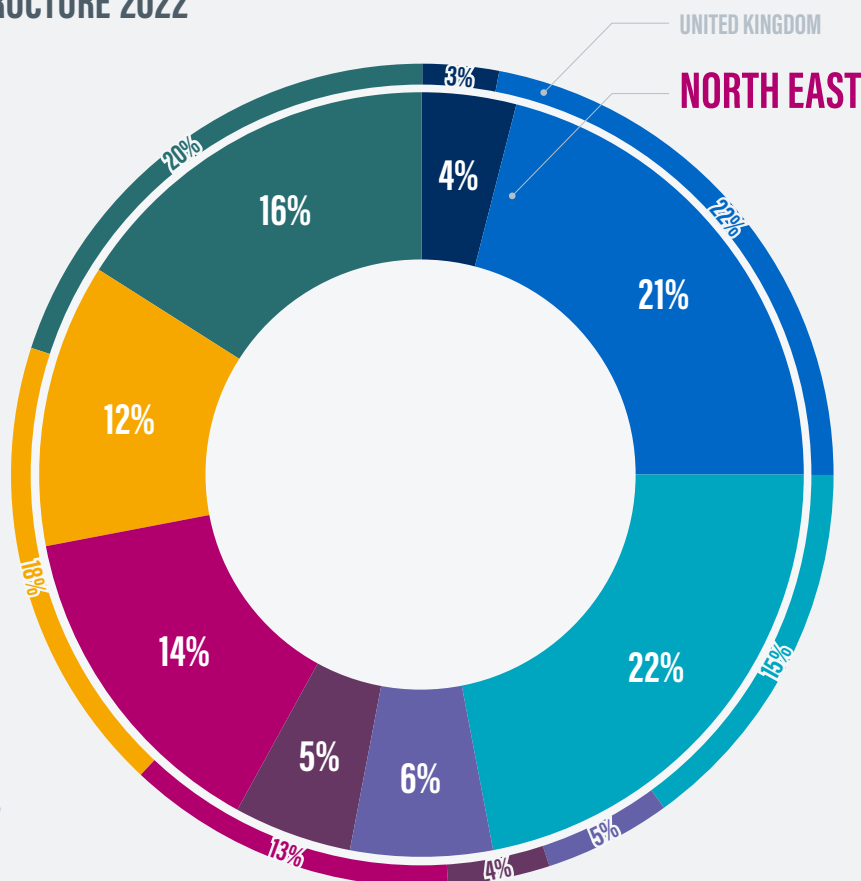
in infrastructure work and it is still the main sector for the region at 22% of total output and just ahead of private housing which is slightly behind on 21%. Other new build sectors were close to the UK structure.

There continues to be a difference in the R&M sectors with the North East having lower shares compared

to the UK. This region saw a large drop in output for housing R&M work in 2020, down by nearly 20%, compared to the UK, while non-housing R&M then dropped by over 20% in 2021. This means output for both R&M sectors is still coming back from a lower level when compared to the UK.

CONSTRUCTION INDUSTRY STRUCTURE 2022 NORTH EAST VS UK

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



Infrastructure output

22%

2022 view

Total annual output 2022

£5.6bn

Total estimated output 2023

£5.5bn



In 2022 construction output in the North East is estimated to have grown by 3.6%, which is close to the UK level of growth of 4.1%.

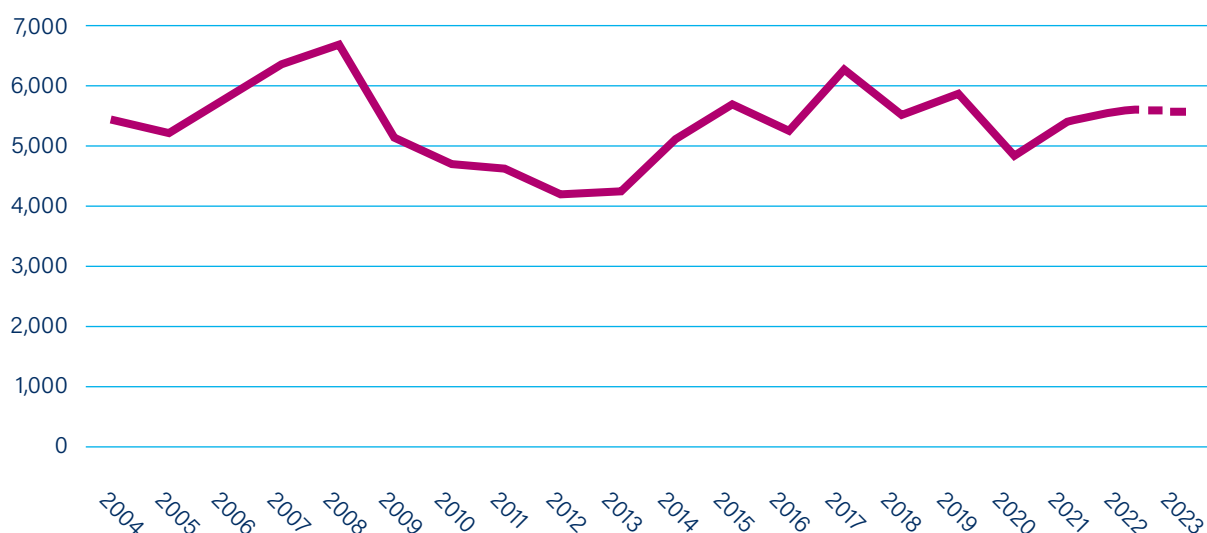
2022 view

In 2022 construction output in the North East is **estimated to have grown by 3.6%**, which is close to the UK level of growth of 4.1%. As the region experienced an 18% drop in output during 2020, 2022's output will still be lower than 2019's pre-covid level and likely to remain lower with the recession in 2023.

CONSTRUCTION OUTPUT 2004 - 2023 NORTH EAST

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

£m, constant 2019 prices



OUTPUT FORECAST 2023 - 2027

In the North East, the volume of work will grow by an annual average rate of 0.9%, which is below the UK rate of 1.5%¹. Most sectors will see some level of growth over the forecast, with new work being similar to R&M, and most following a pattern of more growth in the latter years as the economy picks up from the recession in 2023.

The industrial sector has the highest annual average growth rate at 3.0%, although it has a relatively low share of total output at 5%. The gains in output are set to come from the non-housing R&M (+£81m), commercial (+£60m) and private housing (+£54m) sectors, however over five years, these are modest gains when compared to previous periods.

Average growth rate
for the North East

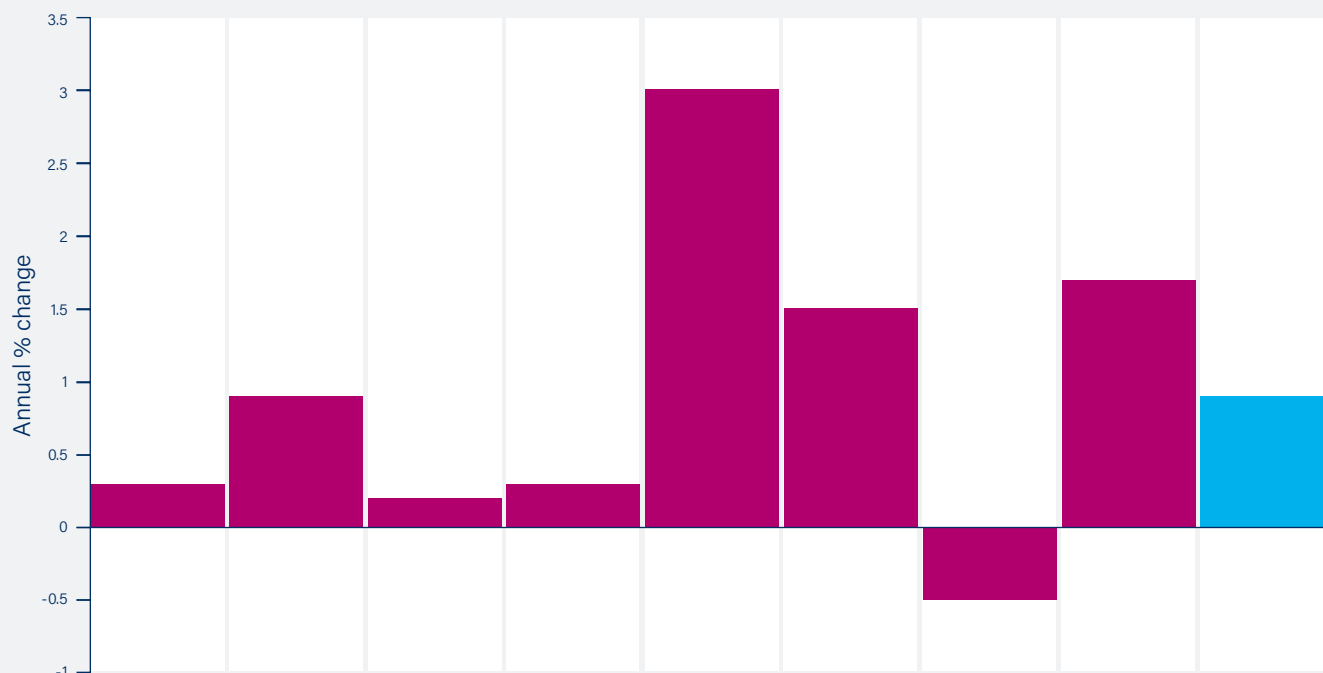
0.9%

Forecast

ANNUAL AVERAGE OUTPUT GROWTH BY SECTOR 2023-2027 NORTH 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
0.3%	0.9%	0.2%	0.3%	3.0%	1.5%	-0.5%	1.7%	0.9%



CONSTRUCTION OUTPUT - NORTH 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	200	-5.0%	0.6%	1.7%	2.1%	2.1%	0.3%
Private housing	1,165	-1.8%	1.7%	1.4%	1.6%	1.7%	0.9%
Infrastructure	1,252	-2.8%	0.3%	1.7%	0.9%	0.8%	0.2%
Public non-housing	319	-3.6%	0.6%	1.0%	1.7%	1.9%	0.3%
Industrial	279	5.3%	3.9%	1.5%	2.2%	2.2%	3.0%
Commercial	798	2.6%	0.6%	1.4%	1.4%	1.3%	1.5%
New work	4,013	-1.0%	1.1%	1.5%	1.4%	1.4%	0.9%
Housing R&M	666	-3.4%	-0.2%	-0.2%	0.5%	0.7%	-0.5%
Non-housing R&M	900	0.9%	1.4%	2.5%	1.9%	2.0%	1.7%
Total R&M	1,567	-0.9%	0.8%	1.4%	1.3%	1.5%	0.8%
Total work	5,580	-1.0%	1.0%	1.4%	1.4%	1.5%	0.9%

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

In the North East the industrial sector is set to benefit from the construction of a £2.6bn Gigafactory in Blyth, producing electric vehicle batteries. Although the project has had financing issues and been delayed, it would still be among first Gigafactories and Britishvolt are determined to see it completed. GRI Renewables is investing a total of £78m at the Able Marine Energy Park, and at the Teesworks Offshore Manufacturing Centre. Work started in late September 2021 and will lead the development of a major offshore wind hub. It is part of the wider £200m Teesworks Freeport project, which has received the first loan, of £107m, from the UK Investment Bank. Other investments at Teesport are the £250 Tees Valley Lithium refinery and £600m Green Lithium refinery.

For private housing, long term plans such as the new garden villages proposed for Burtree (2,000 homes) and Skertingham (4,500 homes) will be a boost for the region.

The infrastructure sector will benefit from Northumbrian Water's £100m clean water replacement pipeline between Lartington Water Treatment Works and Shildon. The first phase is expected to be delivered by 2025 with the second phase of this project installing another pipe from Gainford to Darlington also in 2025.


Galliford Try has won the contract to develop a £65m subsea cable factory in Blyth in Northumberland. The 46,000 square metre facility is due to begin construction in 2022 and open in 2024 and a potential upside could come in the form of the Tees Combined-Cycle Power Plant. Having gained Development Consent Order approval, a construction start date is yet to be announced for the £700m 1.7GW gas-fired Tees Combined-Cycle Power Plant, though the current start-date is being placed in the mid-2020s, with completion by the end of the decade.

 **Blyth Gigafactory infrastructure**

£2.6bn

 **Able Marine renewable energy park**

£78m

 **Subsea cable factory in Northumberland**

£65m

Workforce² forecast

The level of output growth in the North East gives a very marginal annual average decrease of -0.2% in the construction workforce over the forecast, whereas the UK has an increase of 0.1%.

In 2022 the region's workforce is estimated to be slightly up on 2021, increasing to 95,800, although in 2023 we are forecasting a slight dip to 95,300 as the recession takes effect. With a relatively low level of output growth, the North East's construction workforce in 2027 will be 94,800, so only a very minor change and essentially a static level of nearly 95,000 workers over the forecast.

TOTAL WORKFORCE BY OCCUPATION - NORTH EAST

	Actual	Estimate	Forecast	
	2021	2022	2023	2027
Senior, executive, and business process managers	4,300	4,200	4,100	4,200
Construction project managers	1,500	1,500	1,500	1,500
Other construction process managers	5,200	5,300	5,200	5,200
Non-construction professional, technical, IT, and other office-based staff	13,200	13,300	13,200	13,200
Construction trades supervisors	2,800	2,900	2,900	2,900
Wood trades and interior fit-out	5,200	5,300	5,400	5,100
Bricklayers	2,900	3,000	3,000	2,900
Building envelope specialists	2,400	2,400	2,400	2,300
Painters and decorators	3,000	3,000	3,000	2,900
Plasterers	2,200	2,200	2,300	2,200
Roofers	3,000	2,900	2,900	2,800
Floorers	2,900	2,600	2,600	2,600
Glaziers	500	500	500	500
Specialist building operatives nec*	4,200	4,100	4,000	3,900
Scaffolders	1,300	1,200	1,100	1,200
Plant operatives	3,100	3,200	3,200	3,400
Plant mechanics/fitters	1,800	1,900	1,900	1,900
Steel erectors/structural fabrication	1,100	1,200	1,100	1,200
Labourers nec*	4,900	5,000	5,000	5,000
Electrical trades and installation	8,700	8,500	8,500	7,800
Plumbing and HVAC Trades	6,800	7,000	7,000	7,000
Logistics	500	500	500	600
Civil engineering operatives nec*	1,500	1,500	1,500	1,600
Non-construction operatives	600	600	600	500
Total (SIC 41-43)	83,500	83,600	83,200	82,500
Civil engineers	1,300	1,400	1,400	1,500
Other construction professionals and technical staff	8,700	8,700	8,700	8,700
Architects	400	400	400	500
Surveyors	1,600	1,600	1,600	1,600
Total (SIC 41-43, 71.1, 74.9)	95,400	95,800	95,300	94,800

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

Annual Recruitment Requirement (ARR)

The average annual recruitment requirement in the North East is set to average 1.6% 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 1,580 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 (350 per year)
- Plant operatives (320 per year).

Plant operatives (9.9%) have a high ARR relative to their occupational workforce, which is an indication that they will be in demand. There is also likely to be demand for occupations such as

glaziers (9.5%), construction trades supervisors (8.0%), and painters and decorators (7.8%) where the ARR 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.

While the workforce levels are forecast to remain around 95,000 the ARR shows that there is still a need for the construction industry in the North East to increase the recruitment of new workers.

ARR BY OCCUPATION - NORTH EAST

	ARR as % of 2022 workforce	ARR value per year
Senior, executive, and business process managers	-	-
Construction project managers	-	-
Other construction process managers	-	-
Non-construction professional, technical, IT, and other office-based staff	2.6%	350
Construction trades supervisors	8.0%	230
Wood trades and interior fit-out	4.4%	230
Bricklayers	5.7%	170
Building envelope specialists	-	-
Painters and decorators	7.8%	230
Plasterers	-	-
Roofers	-	-
Floorers	-	-
Glaziers	9.5%	50
Specialist building operatives nec*	-	-
Scaffolders	-	-
Plant operatives	9.9%	320
Plant mechanics/fitters	-	-
Steel erectors/structural fabrication	-	-
Labourers nec*	-	-
Electrical trades and installation	-	-
Plumbing and HVAC Trades	-	-
Logistics	-	-
Civil engineering operatives nec*	-	-
Total (SIC 41-43)		1,580
Civil engineers	-	-
Other construction professionals and technical staff	-	-
Architects	-	-
Surveyors	-	-
Total (SIC 41-43, 71.1, 74.9)	1.6%	1,580

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

In a typical year, the region's construction industry would recruit between 5,500 – 7,500 workers with the usual 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 extra recruitment shown by the ARR figure.

When looking at the workforce and ARR forecast it is important to note that in 2022, the cost-of-living crisis is having a significant effect on the economy and growth forecasts, particularly for 2023 and 2024. This is reflected in the ARR figure in the 2023-2027 outlook being lower than the 2022-2026 view, which is due to lower construction output growth.

However, despite the lower growth forecast, there is still a relatively high level of vacancies in the North East that need filling going into 2023.



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

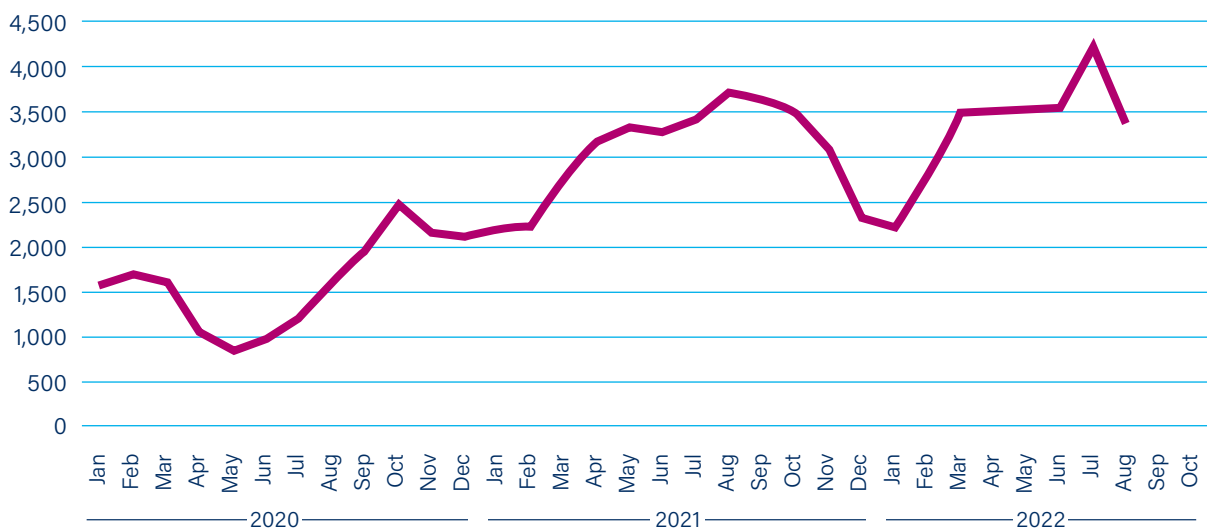
Recruiting and training new entrants into construction from those leaving school, further education, higher education or migration

Improving the retention of workers within the industry

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

MONTHLY UNIQUE ONLINE CONSTRUCTION JOB POSTINGS - NORTH EAST

Source: Lightcast, unique vacancy postings, selected construction occupations



Responding to a skills shortage is likely to be a mix of these 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 in 2022.

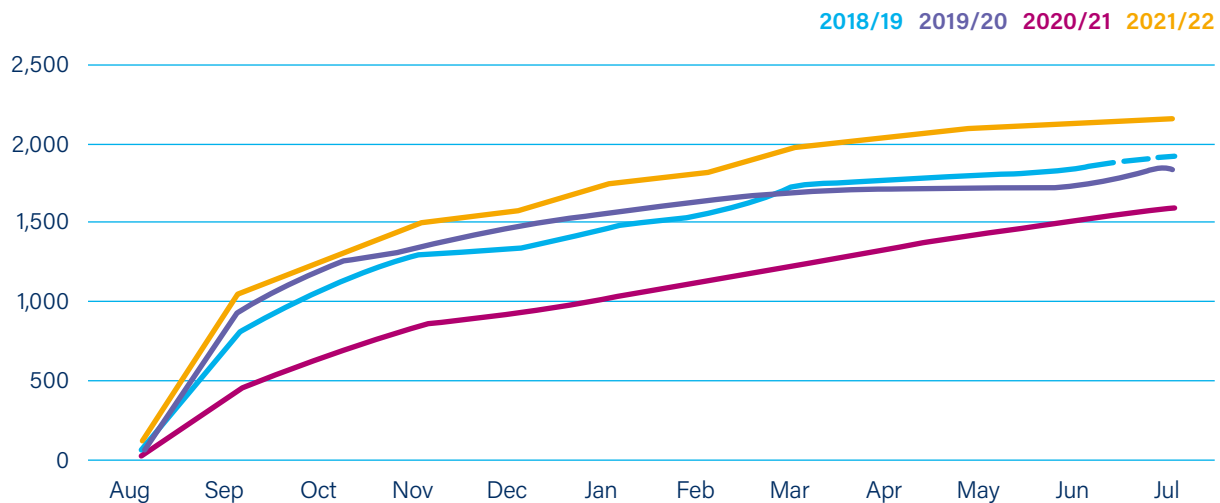
Construction apprenticeship starts in England have increased in 2021/22, and in the North East, they have picked up strongly, ending the 2021/22 academic year 35% up on 2020/21, and above figures from earlier years.

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.

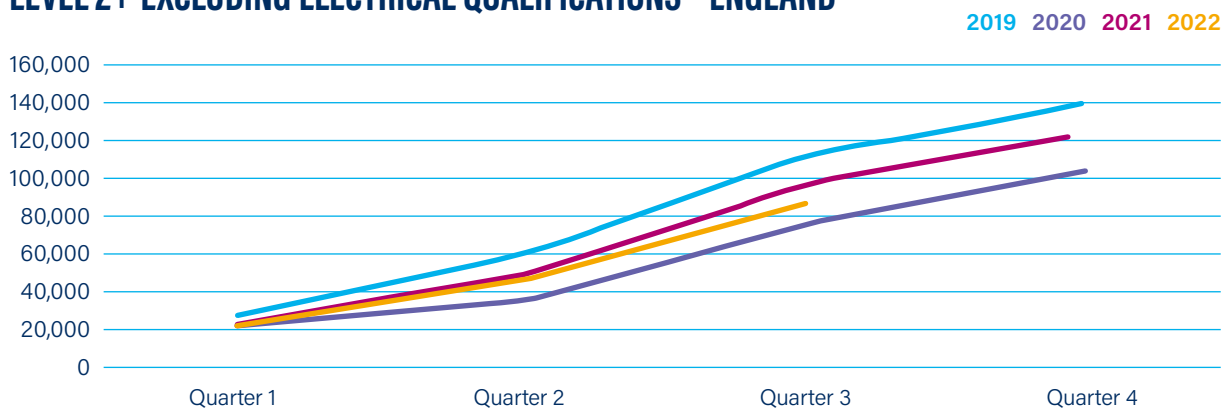
NORTH EAST CUMULATIVE APPRENTICESHIP STARTS FOR CONSTRUCTION, PLANNING AND THE BUILT ENVIRONMENT SECTOR

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 North 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.

In the North East, CITB works 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 Employer Representative Bodies (ERBs) 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; and 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 North 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 95,000 workers and contribute around £5.6bn worth of output each year from an industry that accounts for 13% of all business that employ people in the North East.

The construction industry will continue to contribute around

£5.6bn

Regional breakdown within England

North East

North West

Yorkshire & the Humber

East Midlands

West Midlands

East of England

Greater London

South West

South East

North East

County Durham
Darlington
Gateshead
Hartlepool
Middlesbrough
Newcastle upon Tyne
North Tyneside
Northumberland
Redcar and Cleveland
South Tyneside
Stockton-on-Tees
Sunderland

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