

BUILDING BRITAIN'S FUTURE? THE CONSTRUCTION WORKFORCE AFTER BREXIT

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60-SECOND SUMMARY

The construction industry is of vital strategic importance to the UK. A healthy construction industry will be essential if we are to build the homes, the commercial property and the infrastructure that our economy and our country needs. Yet the construction industry faces a grave threat from Brexit.

We have identified three significant challenges facing the construction industry.

- 1. Productivity growth in construction has been stagnant,** with productivity in the industry increasing at just a fifth the rate of the whole economy in the last 20 years, and not increasing at all in the last decade. Innovation and Research and Development (R&D) are low in construction and the industry has been slow to adopt modern technologies that have the potential to dramatically increase productivity.
- 2. Construction faces severe and growing skills shortages** which now represents the second most significant constraint on output. Employers in construction are failing to train sufficient workers and structural challenges such as excessive fragmentation and high levels of volatility reduce the incentive to train. The construction skills system is dysfunctional, with many people completing construction courses in further education failing to go on to careers in the industry. The number of construction apprenticeship starts remains below the pre-crash peak, and the apprenticeship levy will do little to boost investment in the industry; apprenticeship starts are likely to decrease in the sector, just as we need to increase training significantly. Construction is now subject to two training levies, which leads to unnecessary complexity. Construction faces a demographic time bomb, with two in five workers - a million in total - set to retire in the next 20 years.
- 3. Construction has become increasingly reliant on EU migration** in order to meet growing skills gaps and labour shortages. Just under one in ten (9.0 %) of workers in the sector were born in the EU, and the proportion of EU migrants increased five-fold between 2003 and 2016. EU-migrants are heavily concentrated in London, where one in three construction workers were born in the EU, and fewer than half were born in the UK. Four in five construction employers with five or more non-UK born staff expect restrictions on migration to impact their business. New IPPR modelling shows that construction is exceptionally

RECOMMENDATIONS

Government and the industry should work together to implement a **radical industrial strategy for construction** which brings together industry, workers, government, and clients, to modernise construction.

- A new sectoral institution – Construction UK – should be formed. A social partnership organisation, it would be tasked with driving a collective commitment to skills and productivity and implementing the sector deal.
- government should set out a national mission to become a world leader in modern methods of construction. It should set a 50/50 target; for 50% of homes built by 2022 to have at least 50% of value from offsite manufacturing
- governments should seek to reduce volatility and boost predictability, so that employers have the confidence to invest in skills.

Government and the industry should **build a skills strategy for construction** which boosts investment, and provides the skilled workforce the sector needs for the future.

- The two levies should be combined to form the construction productivity and skills levy. Government should re-invest unspent apprenticeship levy funds in construction and other priority industries.

vulnerable to changes in migration policy; **if the system for non-EU migrants was applied to EU-nationals, just seven % of current EU-born employees in construction in the UK would have been eligible to come here for work.**

We argue that **Brexit – and ending freedom of movement – risks turning the existing skills challenges into a workforce crisis for construction**, with grave consequences both for the industry, for our economy, and for the housing crisis. The risk is particularly acute for London where skills shortages are greatest, where demand is growing fastest, and where half of the construction workforce were born outside of the UK. The government must recognise the scale of the threat, work with the industry to limit the impact, and ensure that we are still able to deliver the homes, commercial property and infrastructure that our country needs post-Brexit.

We set our recommendations in three areas:

- Implementing an industrial strategy for construction
- Building a skills strategy for construction
- Ensuring migration policy works for construction



- The skills system must be reformed to ensure it delivers high-quality provision that meets employer demand and supports sustainable careers, including through outcome-based commissioning. An institute of technology for construction should be established in London.
- Government should use procurement and planning to drive investment in skills, with a 5% apprenticeship target for big contracts.

Government should ensure that **post-Brexit migration policy that works for construction.**

- In the short term, government should immediately guarantee the right of existing EU nationals to remain in the UK.
- In the medium term, if government decides to end freedom of movement, it should seek to ensure that the industry retains access to EU workers for a transitional period of five years.
- In the long term, if we retain free movement, government could address popular concerns through labour market regulation. If we abandon free movement, government should introduce a trusted sponsor scheme that allows employers to access the skilled workers they need, but uses this as a lever to improve employment standards.

The progressive policy think tank

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